



EXCHANGE TRADED BOND UNITS (“XTBs”)

Supplementary Product Disclosure Statement

SERIES QF4 – 27 FEBRUARY 2020

Trust: Australian Corporate Bond Trust (ARSN 603 010 779)

Responsible Entity: Equity Trustees Limited (ABN 46 004 031 298;
AFSL No. 240975)

Securities Manager: Australian Corporate Bond Company Limited
(ABN 34 169 442 657, Authorised Representative of Equity Trustees Limited)

Underlying Bonds:

Qantas A\$425,000,000 2.95%
Notes due 27 November 2029

Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement (“**SPDS**”) updates the information in the Product Disclosure Statement dated 22 November 2019 Series QF4 as amended (the “**PDS**”).

Information relating to classes of XTBs that exist as at the time of this SPDS can be found on the Security Manager's website at www.xtbs.com.au.

The PDS and this SPDS should be read together.

A copy of this SPDS has been lodged with the Australian Securities and Investments Commission (“**ASIC**”) on 27 February 2020. Neither ASIC or ASX Limited takes any responsibility for the contents of this SPDS.

Terms defined in the PDS have the same meaning when used in this SPDS, unless that definition has been modified, supplemented or replaced by this SPDS.

The purpose of the SPDS is to update investors in relation to the change of Responsible Entity of the Australian Corporate Bond Trust, and to amend and/or update certain information previously contained in the PDS.

To the extent there is any inconsistency with this SPDS and the PDS, this SPDS shall prevail.

On 14 February 2020 at a meeting of members, the members passed an Extraordinary Resolution to replace Theta Asset Management Limited with Equity Trustees Limited as the Responsible Entity of the Trust. The change of Responsible Entity was registered by ASIC on 18 February 2020. Any reference to the Responsible Entity in this PDS will henceforth be a reference to Equity Trustees Limited and all references to Theta Asset Management Limited will be removed and replaced with Equity Trustees Limited.

Amendments

1. Definition of Responsible Entity & Trustee

Paragraph 2 on page 2 is deleted in its entirety and replaced with the following

“Equity Trustees Limited (ABN 46 004 031 298; AFSL No. 240975) is the Responsible Entity of the Trust (“**Responsible Entity**” or “**Equity Trustees**”). The Responsible Entity has caused this PDS to be issued.”

All references to the words “Authorised Representative No. 469037” are deleted and replaced with the words “Authorised Representative of Equity Trustees Limited”.

All references in the PDS to the word “Theta” are deleted and replaced with the words “Equity Trustees”

All references in the PDS to the words “Theta Asset Management Limited (ABN 37 071 807 684; AFSL No. 230920)” are deleted and replaced with the words “Equity Trustees Limited (ABN 46 004 031 298; AFSL No. 240975).”

The words “www.thetaasset.com.au” in paragraph 7 of page 2 are deleted and replaced with the words “www.eqt.com.au”.

All references in the PDS to the words “Valuestream Investment Management Limited (ABN 66 094 107 034, AFSL No. 246621)” are deleted and replaced with the words “EQT Responsible Entity Services Limited (ABN 94 101 103 011, AFSL No. 223271)”.

All references in the PDS to the words “Valuestream” are deleted and replaced with the words “EQT RES”.

2. Counterparty Risk

The Counterparty Risk explanation on page 41 of the PDS is deleted in its entirety and replaced with a new Counterparty Risk explanation below:

Counterparty risk

XTB Holders are exposed to counterparty risk in relation to the Responsible Entity, Securities Manager, Custodian and indirectly the Bond Issuer. In each case, XTB Holders may lose their entire investment amount.

The ability of an XTB Holder to sell or redeem an XTB may be delayed or suspended should the Responsible Entity cease to be authorised to act as a responsible entity or be otherwise unable to perform its obligations as a responsible entity. In addition, the ability of the Securities Manager may also be impacted as it holds a Corporate Authorised Representative authorisation from Theta which will also cease if the AFSL is suspended or revoked.

In addition, a default by a counterparty could lead to increase in fees and expenses as other counterparties may seek to recover their fees and expenses from the Trust.

You can assess the Bond Issuer's or any Guarantor's ability to meet its obligations and its general creditworthiness by reviewing its financial information available from the ASX website at www.asx.com.au, information service providers and the Bond Issuer's website.

The Responsible Entity also has the right to transfer its rights and obligations under this PDS. In these circumstances XTB Holders' counterparty risk to the Responsible Entity may change."

3. Tax

Delete the content on pages 49 to 52 and substitute the following:

Asia Pacific

Bangkok
Beijing
Brisbane
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta
Kuala Lumpur*
Manila*
Melbourne
Seoul
Shanghai
Singapore
Sydney
Taipei
Tokyo
Yangon

**Europe, Middle East
& Africa**

Abu Dhabi
Almaty
Amsterdam
Antwerp
Bahrain
Barcelona
Berlin
Brussels
Budapest
Cairo
Casablanca
Doha
Dubai
Dusseldorf
Frankfurt/Main
Geneva
Istanbul
Jeddah*
Johannesburg
Kyiv
London
Luxembourg
Madrid
Milan
Moscow
Munich
Paris
Prague
Riyadh*
Rome
St. Petersburg
Stockholm
Vienna
Warsaw
Zurich

The Americas

Bogota
Brasilia**
Buenos Aires
Caracas
Chicago
Dallas
Guadalajara
Houston
Juarez
Lima
Los Angeles
Mexico City
Miami
Monterrey
New York
Palo Alto
Porto Alegre**
Rio de Janeiro**
San Francisco
Santiago
Sao Paulo**
Tijuana
Toronto
Valencia
Washington, DC

* Associated Firm

** In cooperation with
Trench, Rossi e Watanabe
Advogados

19 February 2020

The Directors
Equity Trustees Limited
Level 1
575 Bourke Street
MELBOURNE VIC 3000

Dear Directors,

Exchange Traded Bond Units

We refer to the Exchange Traded Bond Units ("**XTBs**") Product Disclosure Statement ("**PDS**") dated on or about 21 November 2019.

This letter is a broad summary of the main Australian income tax, GST and stamp duty implications for an Australian income tax resident investor investing in the Trust.

This tax summary has been prepared on the assumption that:

- the Australia Corporate Bond Trust ("**Trust**") is not a corporate unit trust under Division 6B of the 1936 Act or a public trading trust under Division 6C of the 1936 Act; and
- the intention is that the constitution of the Trust will stream the income from the Underlying Bond for a particular Class to the relevant XTB Holder of that Class.

Our opinion is based on Australian law and administrative practice as at 20 November 2019. We have not discussed the consequences of this transaction in any other jurisdictions. This opinion is provided solely for the benefit of Equity Trustees Limited and is necessarily general in nature and does not take into account the specific taxation circumstances of each individual investor. Investors in the XTBs must seek their own independent tax and general legal advice on this transaction before making any decision to invest in the XTBs. Investors must not rely on this opinion.

Investors should be aware that the ultimate interpretation of taxation law rests with the Courts and that the law, and the way the Commissioner of Taxation ("**Commissioner**") and state and territory revenue authorities administer the law, may change at any time.

References in this section to the "**1936 Act**" and the "**1997 Act**" are references to the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) respectively. Baker & McKenzie is not involved in the marketing of XTBs and its role should not be interpreted to mean that it encourages any party to invest.

Capitalised terms have the meaning given in the PDS unless otherwise defined.

1. Taxation of Australian Resident Investors

1.1 Distributions from the XTBs

The Trust is a resident of Australia for tax purposes; therefore, the Trust is required to determine its net income (taxable income) for the year of income. It is intended that investors will be presently entitled to all of the income of the Trust for each income year. Equity Trustees Limited, as Responsible Entity, should not be subject to Australian income tax on the net income of the Trust. XTB Holders will be subject to tax at their marginal tax rate on their share of the net income of the Trust. The Responsible Entity and the Securities Manager intend to distribute all of its distributable income to XTB Holders each year. In the case where the Trust makes a loss for tax purposes, the Trust cannot distribute the loss to XTB Holders. However, subject to the Trust meeting certain conditions, the Trust may be able to take into account the losses in subsequent years. XTB Holders will be assessed on the net income of the Trust in proportion to their entitlement to the distributable income of the Trust in the year in which the entitlement arises, even if payment of the entitlement may not occur until after the end of the financial year.

A XTB Holder receives an entitlement to the Trust's distributable income for a financial year if they hold XTBs in a Class of the Trust at the end of a distribution period, or if they redeem any XTBs in a Class of the Trust during the financial year.

The tax impact for a holder of XTBs in the Trust of receiving an entitlement to the income of the Trust depends upon the components of the distribution.

XTB Holders will be provided with tax statements after the end of each financial year detailing the components, for tax purposes of any income distributions received from the Trust for the financial year, including on the redemption of an investor's XTBs in the Trust via an Authorised Participant. These can be used by the XTB Holder as the basis for preparing their tax return for the year.

The amount of the net income of the Trust which the XTB Holder is required to include in their assessable income may be different to the cash Distributions received by a XTB Holder in respect of their XTBs. This is because the Distributions received on the XTBs are determined by reference to the Coupons received in respect of the Underlying Bonds of a particular Class of XTBs, whereas the net income of the Trust is determined by reference to the overall tax position of the Trust.

1.2 Tax Deferred Amounts

The Trust may distribute to XTB Holders amounts which are not taxable.

Tax deferred amounts are amounts that have been distributed to XTB Holders but are not included in their taxable income (for example, distributions of corpus by a trust or where the cash available for distribution exceeds the net income of the Trust).

Tax deferred amounts reduce the cost base of an investor's XTBs, for the purpose of determining any capital gain or loss on any subsequent disposal of XTBs. If the sum of the amounts of non-assessable payments made by the trustee is more than the investor's cost base, the investor would make a capital gain. An XTB Holder that is a resident

individual, trust or complying superannuation fund may be entitled to the CGT discount in respect of this gain. For XTB Holders assessed on the disposal of XTBs other than under the capital gains tax provisions (e.g. if they are in the business of dealing in securities like XTBs in the Trust), they may be assessed on any non-assessable distributions made by the Trust.

1.3 Disposal of XTBs by a XTB Holder on the ASX

For a XTB Holder that disposes of their XTBs on the ASX, the XTB Holder may be liable for tax on any gains realised on that disposal of the XTBs.

If a XTB Holder holds their XTBs as trading stock or on revenue account, and disposes of their XTBs on the ASX, any profits made will be assessable as ordinary income. Any losses will be an allowable deduction. No CGT discount concessions will be available.

If a XTB Holder holds their XTBs on capital account and disposes of the XTBs on the ASX, the investor would be assessed under the CGT provisions. The XTB Holder may make a capital gain or loss on the sale or transfer of their XTBs in the Trust. A capital gain will be made if the capital proceeds exceed the cost base of the XTB (which should include any Contribution Fee paid by an Authorised Participant to acquire the XTBs).

Under the CGT provisions, any taxable capital gain arising on disposal of an investor's XTBs may form part of their assessable income. Where the XTBs have been held continuously for 12 months or more and the Trust satisfies certain requirements, some XTB Holders that are resident individuals, trusts or complying superannuation funds may be entitled to a CGT concession in relation to the disposal of XTBs. Any capital loss arising on a disposal of XTBs may be able to be offset against capital gains made in that year or subsequent years.

If an investor redeems XTBs the investor will need to include any capital gains or losses the investor has made in the calculation of their net capital gain or loss for the income year assuming they hold the XTBs in the Trust on capital account.

1.4 Tax File Numbers ("*TFN*") and Australian Business Numbers ("*ABN*")

It is not compulsory for a XTB Holder to quote their TFN or ABN. If a XTB Holder makes this investment in the course of a business or enterprise that the investor carries on, the investor may quote an ABN instead of a TFN. Failure by investor to quote an ABN or TFN, or claim an exemption, may cause the Trust to withhold tax at 47% (for the income year ended 30 June 2020), on gross payments including distributions of income to XTB Holders. By quoting their TFN or ABN it will be applied to all of a XTB Holder's investments with the Trust.

1.5 Taxation of financial arrangements

The TOFA regime broadly contain rules that cover tax timing treatments for financial arrangements. There are a number of exclusions from TOFA. Investors should seek their own advice as to the possible application of the TOFA regime to their investment in the XTBs.

1.6 Goods and Services Tax ("GST")

Issue and withdrawal of XTBs are not subject to GST. However, 10% GST is payable on fees and reimbursement of expenses.

The Trust may not be entitled to claim input-tax credits for the full amount of the GST incurred, but will generally be able to claim, for the majority of the expenses, a Reduced Input-Tax Credit ("**RITC**") of up to 75% of the GST paid.

The GST and expected RITC relating to fees and expenses are incorporated in the management cost for each Unit.

1.7 Stamp Duty

A transfer or issue of the XTBs should not be subject to stamp duty provided that the XTBs are quoted on the ASX at the time of the transfer and no investor (individually or with associates) acquires 90% or more of the issued XTBs.

1.8 Tax Reform

A new Attribution Managed Investment Trust ("**AMIT**") tax regime has been introduced which permits certain managed investment trusts to elect into the attribution regime for the taxation of managed investment trusts. The Trust has not made an election to enter into the AMIT regime.

1.9 Application for creation and redemption of XTBs by Authorised Participants

This section seeks to provide a summary for Authorised Participants who will apply for creations and redemptions of XTBs of the tax consequences by Authorised Participants who are assessed on the disposal or redemption of XTBs in the Trust otherwise than under the capital gains tax provisions.

The application for XTBs will be made by the contribution of the Underlying Bonds to the Trust. Any profits made by the Authorised Participants should be assessable as ordinary income and any loss should be deductible.

Any profits made by the Authorised Participants on redemption should be assessable as ordinary income and any loss should be deductible.

As the taxation implications are specific to each investor, we recommend that Authorised Participants seek their own independent professional tax advice regarding the tax consequences applying for creations and redemptions of XTBs, particularly if they consider that they may be assessed on the disposal of XTBs under the capital gains tax provisions.

* * * * *

Yours faithfully,

A handwritten signature in black ink that reads "Baker & McKenzie". The script is fluid and cursive, with the ampersand being particularly stylized.

Baker & McKenzie

4. About the Service Providers

Paragraphs 1, 2, 3, 4, 5, 6, 7 and 8 on page 53 are deleted in their entirety and replaced with the following;

The Responsible Entity is Equity Trustees Limited (“**Equity Trustees**”)

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975, a subsidiary of EQT Holdings Limited ABV 22 607 797 615, a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund’s responsible entity and issuer of this PDS. Established as trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustee’s objective is to ensure it acts in the interests of XTB Holders’ at all times and that all XTB Holders are treated equally as set out in the Corporations Act. Equity Trustees aims to ensure the investments made by the Securities Manager on behalf of the Trust are consistent with the investment mandate outlined in the PDS.

Equity Trustees and EQT Responsible Entity Services Limited (ABN 94 101 103 011, AFLS No. 223271) are related bodies corporate and are independent of all service providers, including the Securities Manager, and have no equity or other interest in any of the managers, service providers or custodians that Equity Trustees engages to invest or administer the monies on behalf of XTB Holders.

Equity Trustees does not guarantee investors will make a particular rate of return or that the value of their investment will not fall.

Equity Trustees acts in the capacity of independent responsible entity or trustee for over 300 retail and wholesale funds, with approximately \$84 billion of assets under management.

EQT Responsible Entity Services Limited (ABN 94 101 103 011, AFLS No. 223271) (the “Trustee” or “EQT RES”) is the trustee of the Underlying Bond Sub-Trusts and it will, in relation to the Underlying Bond Sub-Trusts, act in accordance with the directions of the Responsible Entity. EQT RES is a trustee company and related body corporate of the Responsible Entity. EQT RES holds its own separate Australian Financial Services Licence (AFSL No. 223271) and is a wholly owned subsidiary of EQT Holdings Limited.

5. Complaints

The words;

Theta Asset Management Limited
PO Box Q424
QVB Sydney NSW 1230
Tel: 02 8012 0638

In section 14.5 on page 58 are deleted and replaced with the words;

Equity Trustees Limited
GPO Box 2307
Melbourne VIC
Tel: 1300 133 472

6. Privacy Policy

The final paragraph on page 59 commencing with the words “All personal information” and ending with the words **invest@thetaasset.com.au** is deleted in its entirety and replaced with the words;

“All personal information collected by Equity Trustees will be collected, used, disclosed and stored by Equity Trustees in accordance with the Equity Trustees Privacy Policy, a copy of which will be made available to you on request. To obtain a copy, please contact Equity Trustees at **privacy@eqt.com.au** or at **www.eqt.com.au**. You can access the personal information Equity Trustees holds about you. If you acquire XTBs, Equity Trustees and/or its associates may wish to communicate with you in the future, including by email, about other investment opportunities which may be of interest to you, and you agree to be contacted for these purposes. If you do not wish to be contacted for these purposes, please contact Equity Trustees on (03) 8623 5000 or by emailing **privacy@eqt.com.au**.”

7. Contact Details

The contact details on the back cover of the PDS are deleted in their entirety and the following new contact details are inserted:

Contact details

Responsible Entity

Equity Trustees Limited
Level 1, 575 Bourke Street
Melbourne Victoria 3000
Telephone: +61 3 8623 5000
Facsimile: +61 3 8623 5200
Web: **www.eqt.com.au**
Mail: GPO Box 2307, Melbourne VIC 3001

Securities Manager

Australian Corporate Bond Company Limited
Suite 2, Level 10
1 Chifley Square
Sydney NSW 2000
Telephone: 1800 995 993
www.xtbs.com.au

Registrar

Registry Direct Limited
Level 6, 2 Russell Street
Melbourne VIC 3000
Telephone: 1300 55 66 35
Facsimile: 03 9111 5652
Mail: PO Box 18366, Collins Street East, Melbourne, VIC 8003
www.registrydirect.com.au/contact-us/

Custodian

Australian Executor Trustees Limited
Level 3, 30 Hickson Road
Millers Point NSW 2000

Australian Legal and Tax Advisors

Baker & McKenzie
Tower One – International Towers Sydney
Level 46, 100 Barrangaroo Avenue
Sydney NSW 2000





EXCHANGE TRADED BOND UNITS (“XTBs”)

Product Disclosure Statement

SERIES QF4 – 22 NOVEMBER 2019

Trust: Australian Corporate Bond Trust (ARSN 603 010 779)

Responsible Entity: Theta Asset Management Limited
(ABN 37 071 807 684; AFSL No. 230920)

Securities Manager: Australian Corporate Bond Company Limited
(ABN 34 169 442 657; Authorised Representative No. 469037)

Underlying Bonds:

Qantas A\$425,000,000 2.95%

Notes due 27 November 2029

Important Information

ABOUT THIS PDS

This product disclosure statement (“**PDS**”) relates to interests in the Australian Corporate Bond Trust (the “**Trust**”) dated 20 November 2014 (interests being exchange traded bond units of a separate Class and referred to as “**XTBs**”). The PDS has been lodged with the Australian Securities and Investments Commission (“**ASIC**”) and the Australian Securities Exchange (“**ASX**”). An application has been made to ASX Limited, for each Class of XTBs to be quoted on the ASX. As at the date of this PDS, none of the Classes of XTBs referred to in this PDS are quoted on ASX. Neither ASIC nor ASX Limited take any responsibility for the contents of this PDS.

Theta Asset Management Limited (ABN 37 071 807 684; AFSL No. 230920) is the Responsible Entity of the Trust (“**Responsible Entity**”) or (“**Theta**”). The Responsible Entity has caused this PDS to be issued.

The Responsible Entity has appointed Australian Corporate Bond Company Limited (ABN 34 169 442 657) as the securities manager of the Trust (“**Securities Manager**”). The Securities Manager is authorised to perform this function as an authorised representative (Authorised Representative No. 469037) of Theta Asset Management Limited (ABN 37 071 807 684; AFSL No. 230920).

References to ‘we’, ‘our’ or ‘us’ throughout this PDS should be read as references to both the Responsible Entity and the Securities Manager.

JURISDICTION

This PDS is not an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make the offer. The XTBs have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold in the United States or to, or for the benefit of, U.S. Persons unless the XTBs are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

If you received this PDS electronically, the Responsible Entity will provide you with a paper copy free of charge upon request. If you make this PDS available to others, you must give them the entire electronic file or printout and provide us with any additional documents that we may require from time to time, including identification forms for the purpose of satisfying Australian anti-money laundering legislation.

UPDATE OF INFORMATION

Information in this PDS is subject to change from time to time. To the extent that any change is not materially adverse to investors, this PDS may be updated by the Responsible Entity posting the updated information on its website at www.thetaasset.com.au and the Securities Manager’s website at www.xtbs.com.au. The Responsible Entity will provide a paper copy of updated information free of charge upon request.

NO PERSONAL ADVICE

The information in this PDS is general information only and does not take into account your investment objectives, financial situation or needs. The information in this PDS is not, and is not intended to be, personal advice. You should consider whether an investment in a Class of XTBs is appropriate for you in light of your personal circumstances. You should obtain independent professional financial, legal and tax advice before making a decision whether to invest in a Class of XTBs.

DISCLAIMER

Nothing in this PDS is, or should be construed as, a recommendation by the Responsible Entity, Securities Manager or any Bond Issuer for you to invest in XTBs. Neither the Responsible Entity, the Securities Manager nor any Bond Issuer or any of their related entities, associates, agents, directors, officers or employees guarantees the performance of, or any return (including any Distributions) on, an investment in XTBs or makes any representation with respect to the income or taxation consequences of an investment in a Class of XTBs. The Responsible Entity may, in its discretion, refuse to accept any application for XTBs. If the Responsible Entity rejects an application for XTBs, the Issuer will return the consideration and any applicable fees without interest to applicants or investors (as applicable) within 10 Business Days of the decision to reject the application.

RISK FACTORS

XTBs carry significant risks, including the risk of loss of some, or all of your principal and will not be suitable for all investors. You should obtain independent professional financial, legal and tax advice before making a decision to invest in XTBs. An investment in XTBs is not capital protected and returns are not guaranteed. In fact, you could lose your entire investment. For more information on risks associated with an investment in XTBs, please refer to Section 8 “Risks of Investing in XTBs”.

SOURCE OF INFORMATION

Information in this PDS relating to the Bond Issuers and the Underlying Bonds has been prepared by the Responsible Entity and the Securities Manager using publicly available information and information provided by the Bond Issuers to the Securities Manager as a wholesale market participant.

DEFINITIONS

Capitalised terms used in this PDS have the meaning given to them in Section 15 “Glossary”.

ETHICAL AND ENVIRONMENTAL CONSIDERATIONS

The Responsible Entity does not take into account any labour standards or social, ethical or environmental considerations when making investment decisions.

NO COOLING-OFF

Please note that no cooling-off rights apply in respect of an investment in XTBs.

▶ Table of Contents

| | |
|---|----|
| Important Information | 2 |
| Summary of the Offer | 4 |
| 1. Key Features, Benefits and Risks of the Offer | 6 |
| 2. About the Offer | 11 |
| 3. Distributions and Redemption of XTBs | 19 |
| 4. About Corporate Bonds and the Corporate Bond Market | 21 |
| 5. Disclosure Obligations of the Bond Issuers | 32 |
| 6. About the Underlying Bonds | 36 |
| 7. Benefits of investing in XTBs | 38 |
| 8. Risks of investing in XTBs | 39 |
| 9. Fees and Other Costs | 43 |
| 10. Tax | 54 |
| 11. About the Service Providers | 56 |
| 12. About the AQUA Rules and CHES | 57 |
| 13. Disclaimers | 56 |
| 14. Additional Information | 57 |
| 15. Glossary | 60 |
| 16. Application Form(s) | 64 |
| Contact details | 65 |

Summary of the Offer

This PDS is an offer of exchange traded bond units in the Trust (“**XTBs**”). The Trust is a registered managed investment scheme under the Corporations Act 2001 (Cth) (“**Corporations Act**”).

XTBs offer investors an innovative way to access exposure to the Australian corporate bond market. Generally, corporate bonds have been available to institutional and wholesale investors. XTBs provide a way to access exposure to bonds issued by leading ASX listed companies.

Exposure to corporate bonds offers investors a predictable source of income and a known amount at maturity, which may provide diversification within an investment portfolio.

Traditionally the fixed income component of an investment portfolio has been dominated by bank term deposits and fixed interest managed funds. XTBs offer further diversification in a transparent way, as an application has been made for each Class of XTB to be quoted on ASX. This should allow investors to value their investment on a daily basis, and buy and sell on ASX, subject to liquidity.

XTBs are separated into different classes within the Trust (each a “**Class**” and together the “**Classes**”). Each Class is separate and is linked to the performance, after fees and expenses, of a different Underlying Bond. Please refer to Section 2 “About the Offer” for more information. You will be able to choose which Class or Classes you wish to invest in and accordingly which Underlying Bond(s) you will have economic exposure to.

The performance of each Class of XTB is linked to the performance, after fees and expenses, of senior corporate bonds issued by the entities in Table 1.1 ‘XTBs on Offer’ (the “**Underlying Bonds**”). More information on the Underlying Bonds and corporate bonds generally, including the inherent risks of investing in corporate bonds and in products linked to the performance of corporate bonds, such as XTBs, is set out in Section 4 “About corporate bonds and the corporate bond market”, Section 6 “About the Underlying Bonds” and Section 8 “Risks of Investing in XTBs”.

Only the Classes of XTBs described in Table 1.1 are being issued pursuant to this PDS. Existing Classes of XTB have been issued pursuant to a separate PDS and additional Classes may be issued under a separate PDS(s) in the future. Information relating to classes of XTBs that exist as at the time of this PDS can be found on the Security Manager’s website at www.xtbs.com.au.

Once the XTBs are quoted on ASX, they will be able to be traded on ASX, subject to liquidity of that Class of XTB. Investors should note that the liquidity of a particular Class of XTB may be significantly less than the liquidity of the equity securities of the relevant Bond Issuer or its parent entity. This is because the Underlying Bond market is generally less liquid than the corresponding market in equities.

There are two different offers under this PDS:

- ▶ Initial Offer of the XTBs in table 1.1 pursuant to the relevant Application Form attached to or accompanying this PDS or such other means of communicating acceptance of the Initial Offer that has been approved by the Responsible Entity and which closes on the Closing Date; and
- ▶ Continuous Offer is an offer to create or redeem XTBs on an ongoing basis after the Closing Date of the Initial Offer. This offer of XTBs is only available to entities who have been approved by the Responsible Entity for the purpose of applying for and redeeming XTBs (“**Authorised Participant(s)**”).

After the Closing Date of the Initial Offer, individual investors may invest in XTBs via their stockbroker or licensed financial adviser in the same way as they would invest in shares and other securities traded on ASX. For further information on each Class of XTBs, please contact your financial adviser, your stockbroker, or visit the Securities Manager’s website at www.xtbs.com.au.



Table 1.1 XTBs on Offer

| ASX CODE OF XTB | BOND ISSUER (PARENT ENTITY) | ASX CODE OF ISSUER OR PARENT ENTITY | UNDERLYING BONDS | INDICATIVE UNDERLYING BOND COUPON AS AT 20/11/2019 ¹ | INDICATIVE XTB YIELD AS AT 20/11/2019 ² |
|-----------------|-----------------------------|-------------------------------------|------------------|---|--|
| YTMQF4 | Qantas Airways Limited | QAN | 27 Nov 2029 | 2.95% | 2.50% |

Issuer Financial Ratios – based on the most recent financial statements of the Issuer or the applicable consolidated financial statements of the Issuer’s ASX listed parent entity, as at the date of this PDS:

GEARING RATIO

$$\frac{\text{TOTAL LIABILITIES}}{\text{TOTAL EQUITY}} = 4.6394$$

15,941 (\$ MILLION)
3,436 (\$ MILLION)

WORKING CAPITAL RATIO

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} = 0.4889$$

4,193 (\$ MILLION)
8,576 (\$ MILLION)

INTEREST COVER RATIO

$$\frac{\text{EBITDA}}{\text{NET INTEREST EXPENSE}} \quad \text{OR IN THIS CASE:} \quad \frac{\text{EBIT}}{\text{NET INTEREST EXPENSE}} = 8.0378$$

1,487 (\$ MILLION)
185 (\$ MILLION)

All XTB calculations are based on the Initial Offer Price and the assumption that the Underlying Bond will continue until the Maturity Date specified in the relevant Pricing Supplement. As the XTB Yield is as at 20 November 2019 and based on a Settlement Date of 27 November 2019, investors should obtain the most up to date Yields from an alternative source, such as the ASX’s Market Announcements Platform. The Responsible Entity and the Securities Manager will publish, via the ASX’s Market Announcements Platform, final Initial Offer Price and the most recent closing Yield for the Underlying Bonds on a daily basis. **Further, where there is a material intraday movement in the Yield for an Underlying Bond, the Securities Manager will publish a market update** using the ASX’s Market Announcements Platform. The Issuer Financial Ratios are the ratios required by Corporations Regulation 6D.2.06 in respect of an issuer that issues bonds in accordance with section 713A of the Corporations Act. Whilst the Underlying Bonds are not issued in accordance with section 713A of the Corporations Act, the Securities Manager has chosen to include these Issuer Financial Ratios for information purposes.

The Issuer Financial Ratios of an issuer of a bond can be calculated obtaining the most recent financial statements lodged with ASX or can be purchased from the ASIC website and are based on the interpretation of the relevant accounting terms by the Bond Issuer at the time they publish their accounts. In this circumstance the Securities Manager has elected to calculate the Interest Cover Ratio using EBIT as opposed to EBITDA, this gives a more conservative view of the interest coverage and is also reflective of the fact that the most recent financial accounts published by the Bond Issuer only offer EBITDAR and EBIT calculations.

Investors should note that past performance of the Yield for the XTBs is not a reliable indicator of future performance.

¹ Source: Australian Corporate Bond Company

² Based on the expected Initial Offer Price of the XTB and the Indicative Underlying Bond Coupon Rate as at 20 November 2019.

Key Features, Benefits and Risks of the Offer



Key Features

| | | FOR MORE INFORMATION |
|-----------------------------|---|--|
| Trust | Australian Corporate Bond Trust (ARSN 603 010 779), a registered managed investment scheme under the Corporations Act. | Section 2 “About the Offer” |
| Responsible Entity | Theta Asset Management Limited (ABN 37 071 807 684; AFSL No. 230920) | Section 2 “About the Offer” |
| Securities Manager | Australian Corporate Bond Company Limited (ABN 34 169 442 657 Authorised Representative No. 469037 of Theta Asset Management Limited) | Section 2 “About the Offer” |
| ASX traded | An application has been made for the XTBs to be quoted on the ASX (the proposed ASX codes are set out in Table 1.1). Subject to liquidity, this may allow investors to buy and sell XTBs in a similar way as other ASX traded securities. XTBs may not always be able to be traded on ASX – see the section on Key Risks and Liquidity Risk below. | Section 2 “About the Offer” Section 8 “Risks of Investing in XTBs” |
| Investment Objective | For the XTBs to provide returns that track the performance of the Underlying Bonds corresponding to that Class of XTBs, after fees and expenses. | Section 2 “About the Offer” |
| Underlying Bonds | Refer to Table 1.1 ‘XTBs on Offer’. The Underlying Bonds are senior bonds (“ Senior Bonds ”), which are bonds, in the case of unsecured bonds, that will rank, in respect of payments, behind secured debt (if any) and any other mandatorily preferred obligations (e.g. employee payments), but ahead of holders of subordinated debt, ordinary shares or hybrid securities (if any) in the Bond Issuer. | Section 6 “About the Underlying Bonds” and Section 4 “About corporate bonds and the corporate bond market” |
| Currency | Australian dollars | |
| Initial Offer | The Initial Offer is an offer to all Australian resident investors to acquire the XTBs on Offer at the Initial Offer Price | Section 2 “About the Offer” |
| Initial Offer Price | <p>\$104.00</p> <p>The Initial Offer Price includes the Securities Manager’s Margin and any accrued interest and may reflect movements in the market price of the Underlying Bond, depending on how the Underlying Bond is sourced by the Responsible Entity. The final pricing will be notified to Brokers for the purposes of completing an application in the Initial Offer. The Securities Manager will also publish the results of any Bookbuild and the final Initial Offer Price on the ASX’s Market Announcements Platform.</p> | Section 2 “About the Offer” |

Key Features, Benefits and Risks of the Offer

| | | FOR MORE INFORMATION |
|-------------------------------|--|--|
| Continuous Offer | Is an offer to entities who have been approved by the Responsible Entity for the purpose of applying for and redeeming XTBs. Investors wishing to acquire XTBs during the Continuous Offer may do so via their stockbroker or licensed financial adviser in the same way as they would invest in shares and other securities traded on ASX. | Section 2 “About the Offer” |
| Continuous Offer Price | Entities who have been approved by the Responsible Entity for the purpose of applying for and redeeming XTBs deliver the Underlying Bonds to the Trust and pay the Securities Managers Margin when creating new XTBs. The Continuous Offer Price will therefore be a function of the available Underlying Bond price plus 0.40% x the Face Value x the term to maturity on the date of creation of the XTBs. Where the prevailing market price of the Underlying Bond will include accrued interest as at the settlement date. | Section 2 “About the Offer” |
| XTB Par Value | \$100.00 | |
| Key Dates | <p>Estimated Quotation Date 27 November 2019</p> <p>Closing Date – Initial Offer 22 November 2019</p> | |
| Fees and Costs | <p>The Securities Manager charges an upfront fee of 0.40% of the Face Value of the Underlying Bonds multiplied by the number of years to the Maturity Date of the relevant Underlying Bonds, referred to as the “Securities Manager’s Margin”.</p> <p>The Securities Manager’s Margin is included in the purchase price of XTBs.</p> <p>Investors who acquire XTBs during the Initial Offer will do so with the Securities Manager’s Margin embedded in the Initial Offer Price.</p> <p>During the Continuous Offer, entities who have been approved by the Responsible Entity for the purpose of applying for and redeeming XTBs will deliver the Underlying Bonds to the Trust and pay the Securities Manager’s Margin. It is highly likely that Securities Manager’s Margin will be included in the price at which those entities offer XTBs on ASX.</p> | Section 2 “About the Offer” and Section 9 “Fees and Other Costs” |
| Redemption of XTBs | <p>XTBs can be redeemed by:</p> <ul style="list-style-type: none"> (a) Automatic Redemption on the Maturity Date; (b) Early Redemption if the Underlying Bonds are redeemed, cancelled, bought back, subject to early maturity or otherwise terminated; or (c) Authorised Participants requesting redemption, or investors holding the Minimum Redemption Amount using an Authorised Participant to request redemption, prior to the Maturity Date. | Section 3 “Distributions and Redemption of XTBs” |

Key Features, Benefits and Risks of the Offer

Key Benefits

Some of the Key Benefits of XTBs are outlined below. For more information on the benefits of investing in XTBs please refer to Section 7 “Benefits of Investing in XTBs”.

| | | FOR MORE INFORMATION |
|---|--|---|
| Access to returns from corporate bonds | XTBs offer investors exposure to corporate bonds that would ordinarily only be available to institutional or wholesale investors. | Section 7 “Benefits of Investing in XTBs” |
| Regular income payments | Investors may receive semi-annual (or quarterly) Distributions of income equal to the Coupon Payments of the relevant Underlying Bonds, net of any fees, subject to the Bond Issuer actually paying coupons to the Responsible Entity or its agent. | Section 7 “Benefits of Investing in XTBs” |
| Transparency | Each Class of XTB tracks the performance of a particular Underlying Bond, after fees and expenses. | Section 7 “Benefits of Investing in XTBs” |
| ASX traded | <p>XTBs in each Class may be bought and sold on the ASX, subject to the liquidity in XTBs.</p> <p>XTBs may not always be able to be traded on ASX – see the section on Key Risks and Liquidity Risk below.</p> <p>The Responsible Entity, on behalf of the Trust, may provide liquidity to investors on ASX by acting as a buyer and seller of Units.</p> <p>The Responsible Entity has appointed agents to manage and execute its on-market activities. The appointed agents retain all profits and incur losses arising from the on-market activities. Accordingly, the Trust does not bear the risks from the provision of on-market liquidity. The Responsible Entity allows the appointed agents to retain profits from the on-market activities as a fee for their services.</p> <p>In addition to the on-market activities of the Responsible Entity, the Responsible Entity may appoint a Market Maker for XTBs, to assist with liquidity on ASX, this does not guarantee liquidity in XTBs.</p> | Section 7 “Benefits of Investing in XTBs” |
| Diversification | <p>An investment in XTBs may help you to build a diversified investment portfolio and reduce risk.</p> <p>Investors can diversify their returns by selecting from different Classes of XTBs.</p> | Section 7 “Benefits of Investing in XTBs” |
| Certainty of Investment Outcome | Subject to the issuer meeting their obligations and if the XTB is held to maturity, investors will have a known outcome for their investment. | Section 7 “Benefits of Investing in XTBs” |
| Investment timeframe management | The XTBs provide an investment with a defined investment maturity date. | Section 7 “Benefits of Investing in XTBs” |
| Priority of payments | In the event of a winding up of a Bond Issuer, holders of Underlying Bonds, if paid at all, will rank behind secured debt (if any) and any other mandatorily preferred obligations (e.g. employee payments), but ahead of holders of subordinated debt, ordinary shares, or hybrid securities (if any) in the Bond Issuer. | Section 7 “Benefits of Investing in XTBs” |
| Investor Choice | <p>Investors have the opportunity to select the XTBs that are suited to their individual investment needs and objectives. For example, some of the characteristics that can be selected are:</p> <ul style="list-style-type: none"> ➤ Investment term; ➤ Type of income – fixed or floating coupons; and ➤ Credit quality of the Bond Issuer. | Section 7 “Benefits of Investing in XTBs” |
| Single name credit exposure | An investment in XTBs can give you economic exposure to the Underlying Bonds of your choice. | Section 7 “Benefits of Investing in XTBs” |
| Alternative income source | XTBs provide an alternative source of income for investors, compared to term deposits, hybrids and shares. | Section 7 “Benefits of Investing in XTBs” |
| Available to SMSFs | SMSFs may access XTBs as part of their investment portfolio to provide a regular income stream. | Section 7 “Benefits of Investing in XTBs” |

Key Features, Benefits and Risks of the Offer

Key Risks

An investment in XTBs contains a number of risks, some of which are summarised below. You should read these risk sections in their entirety before making a decision to invest in XTBs.

| | | FOR MORE INFORMATION |
|--|--|---|
| Exposure to the creditworthiness of the Bond Issuer | <p>Each Class of XTB is exposed to the creditworthiness of the Bond Issuer of the relevant Underlying Bond. Underlying Bonds are senior secured or unsecured obligations of the relevant Bond Issuer. The bonds rank behind any secured creditors (if the bonds are unsecured) and creditors preferred by law, but ahead of the subordinated debt, ordinary shares or hybrid securities (if any).</p> <p>There is a risk that the Bond Issuer may default on its obligations in respect of the Underlying Bonds and you could lose your entire investment.</p> <p>Changes in the market's perception of the creditworthiness of the Bond Issuer may affect the valuation and realisable value of an XTB.</p> <p>XTB Holders should consider all publicly available information about the relevant Bond Issuer, including information about its financial position.</p> | Section 6 "About the Underlying Bonds" and Section 8 "Risks of Investing in XTBs" |
| Liquidity risk | <p>Once quoted, the market for different Classes of XTBs may not be liquid. If there is no liquid market, investors may not be able to sell the XTBs prior to their maturity date.</p> <p>The Responsible Entity has appointed agents to manage and execute its on-market activities. The appointed agents retain all profits and incur losses arising from the on-market activities. Accordingly, the Trust does not bear the risks from the provision of on-market liquidity. The Responsible Entity allows the appointed agents to retain profits from the on-market activities as a fee for their services.</p> <p>The appointment of a Market Maker, separate and in addition to the on-market activities of the Responsible Entity, may assist in providing liquidity. However, this is limited to the extent that there is liquidity in the wholesale market for the Underlying Bonds.</p> <p>In some circumstances the Market Maker may only provide bids, which may facilitate the unwinding of an existing investment in an XTB, but not the establishment of new positions.</p> | Section 8 "Risks of Investing in XTBs" |
| Concentration risk | <p>XTB Holders holding only a single Class of XTB will not benefit from the diversification of having exposure to a number of bonds or from a basket of different types of assets.</p> | Section 8 "Risks of Investing in XTBs" |
| Early redemption risk | <p>Some, but not all, Classes of XTB may be redeemed early by the Issuer, please refer to section 6 "About the Underlying Bonds", in particular the 'Early Redemption by Issuer' for each Underlying Bond. If an Underlying Bond is redeemed prior to its maturity date there is a risk that the return on your investment may be affected, including the Yield to Maturity may change.</p> | Section 6 "About the Underlying Bonds" Section 8 "Risks of Investing in XTBs" |
| Market risk | <p>The performance of each Class of XTB is linked to the performance, after fees and expenses, of the Underlying Bonds. Changes in market factors may also cause the value of the Underlying Bonds and the corresponding Class of XTB to decline.</p> <p>Underlying Bonds may have been issued at or around the time of the Initial Offer of the corresponding Class of XTB. Although it is not expected to do so, the market for the Underlying Bond may react to macroeconomic inputs differently to other similar securities.</p> | Section 8 "Risks of Investing in XTBs" |

Key Features, Benefits and Risks of the Offer

FOR MORE INFORMATION

Trust risk

There is a risk that the:

- XTBs could be terminated;
- The fees and expenses of the Securities Manager; or Responsible Entity in respect of XTBs could increase;
- The investment objective or investment strategy of the Securities Manager may not be achieved; or
- The Responsible Entity may change or be removed.

Each of these may result in the value of XTBs, or a Class of XTB decreasing substantially or completely, even where the price of the Underlying Bond has remained steady. That is, while every attempt has been made to replicate the economic exposure to an Underlying Bond, the factors noted above, which are specific to XTBs, or a Class of XTB, may result in the value of XTBs, or a Class of XTB decreasing even though the value of the Underlying Bond has not changed.

XTBs cannot be redeemed by all XTB Holders in all circumstances. XTBs can only be redeemed by XTB Holders if they apply to redeem at least the Minimum Redemption Amount. Additionally XTB Holders who are not Authorised Participants must apply to have their XTBs redeemed through an Authorised Participant.

The Responsible Entity may terminate the XTBs if it considers to do so would be in the best interest of XTB Holders. The Responsible Entity may treat different Classes of XTB Holders differently, including in the event of termination of the Trust, to reflect the different performance outcomes of the Underlying Bonds and must treat them fairly.

The Responsible Entity will not treat members of the same Class equally, to the extent that only members who hold a Minimum Parcel can make a request to withdraw from the Scheme through an Authorised Participant, except in the case of Early Withdrawal and Automatic Withdrawal.

Section 8 “Risks of Investing in XTBs”

Information risk

The Underlying Bonds that relate to a Class of XTB have been issued in the wholesale market without a prospectus, based on the information requirements of investment professionals who regularly invest in fixed income securities.

The disclosures provided to participants in the wholesale market may be different to the information that a retail investor might reasonably expect in order to consider the merits of an investment in the Underlying Bonds, if such an investment was made available to retail investors. However, the Issuer of the Underlying Bond, as an ASX listed entity or a subsidiary of an ASX listed entity, is required, either directly or indirectly, to comply with the continuous and periodic disclosure regimes applicable to an ASX listed entity, depending on whether the Issuer is an ASX listed entity or a subsidiary of an ASX listed entity.

Section 8 “Risks of Investing in XTBs”



About the Offer

The Securities Manager (Australian Corporate Bond Company Limited) was established for the purpose of bringing this investment opportunity to market and to undertake overall product management of the Trust and its ASX traded securities. The Securities Manager will advise the Responsible Entity on the selection of the Underlying Bonds that may constitute a new Class of XTb, and will provide financial intermediaries with information about the benefits, features, risks and rewards of the different Classes of XTbs.

The executives and directors of the Securities Manager have extensive experience and expertise across investment banking, funds management, financial product manufacture and distribution and exchange operations, for equity and fixed income markets both domestically and internationally.

2.1 The Trust

The Trust is an Australian unit trust and registered managed investment scheme under the Corporations Act. The Trust was established in November 2014 to give investors the opportunity to gain an economic exposure to individual corporate bonds. The Responsible Entity of the Trust is Theta Asset Management Limited (the “**Responsible Entity**” or “**Theta**”). Theta has appointed Australian Corporate Bond Company Limited as the Securities Manager for the Trust. The Trust will purchase, via Sub-Trusts, Underlying Bonds corresponding to each Class of XTb. A separate PDS may be issued for any new Classes of XTbs.

2.2 The XTbs

EXPOSURE

This PDS is an offer of the Classes of XTbs set out in Table 1.1 ‘XTbs on Offer’. Only the Classes of XTbs described in Table 1.1 are being issued pursuant to this PDS. Existing Classes of XTb have been issued pursuant to a separate PDS and additional Classes may be issued under a separate PDS(s) in the future.

Each Class is separate to each other Class and is linked to the performance, after fees and expenses, of a specific Underlying Bond issued by a particular Bond Issuer. XTb Holders can choose which Class or Classes they wish to invest in and accordingly which specific Underlying Bond(s) they will have an economic exposure to.

An investment in a Class of XTbs is not a direct investment in the Underlying Bonds. However the performance of a Class of XTbs is linked to the performance, after fees and expenses, of the Underlying Bonds.

QUOTATION

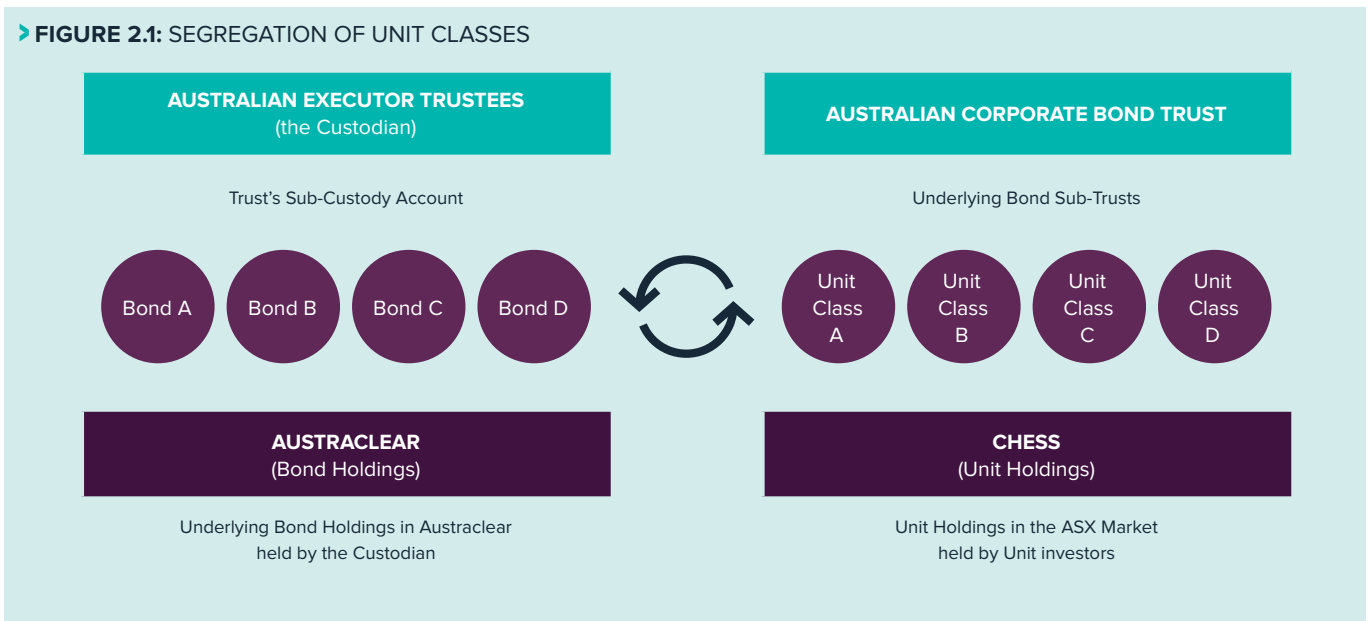
An application has been made to ASX for each class of XTbs to be quoted on the ASX. Once quoted, each class of XTbs will be able to be traded, subject to liquidity, on ASX in a similar fashion to other ASX listed securities. For more information on the nature of the ASX market XTbs are to be quoted upon, please refer to Section 12 “About the AQUA Rules and CHESs”.

Although XTbs will be quoted on the ASX, interests (including any securities) in the Responsible Entity and Securities Manager are not currently listed on any exchange.

HOW ARE XTbs ISSUED?

Figure 2.1 on the following page shows how the Classes are separated from each other so that one Class is not exposed to, and does not impact or affect a separate Class.

► **FIGURE 2.1: SEGREGATION OF UNIT CLASSES**



The Underlying Bonds for each Class, together with any Coupon Payments or other distributions in respect of those Underlying Bonds, are held by the Responsible Entity in a separate sub-trust (“**Underlying Bond Sub-Trust**”), which is a sub-trust of the Trust. Valuestream Investment Management Limited (ABN 66 094 107 034, AFSL No. 246621) is the trustee of each Underlying Bond Sub-Trust (in each case the “**Trustee**”) and it will, in relation to the Underlying Bond Sub-Trusts, act in accordance with the directions of the Responsible Entity. The diagram above assumes four Classes and shows an Underlying Bond Sub-Trust for each Class.

The Underlying Bonds will be held by the Custodian in Austraclear. The Custodian will be the holder of the Underlying Bonds on behalf of the Trustee who will be the beneficial holder of the Underlying Bonds on behalf of XTB Holders in each Class.

The Custodian will hold Underlying Bonds for the Trust for the benefit of the Underlying Bond Sub-Trust. This is illustrated in Figure 2.1 above. The Units in the Underlying Bond Sub-Trusts will be held by the Responsible Entity in its capacity as trustee of the Trust, and as such the Underlying Bond Sub-Trusts are not required to be registered.

Custodial fees for this service are charged by the Custodian to the Responsible Entity. These custodial fees and all other fees or charges levied by all service providers are paid by the Responsible Entity and Securities Manager out of the Securities Manager’s Margin (for more information please refer to Section 2.11 “Securities Manager’s Margin”). These custodial fees and all other fees or charges do not represent another separate fee to be paid by XTB Holders.

Each XTB confers on an XTB Holder a beneficial interest in and exposure to the relevant Underlying Bond Sub-Trust but not an entitlement to, or interest in any particular Underlying Bond, or part thereof, held in the relevant Underlying Bond Sub-Trust. The assets and liabilities of each Underlying Bond Sub-Trust are attributed to the relevant Classes and are administered separately so the Unit Price and performance of each Class is independent of each other.

In the event of an insolvency of the Responsible Entity, XTB Holders will only have recourse to the assets held in the corresponding Underlying Bond Sub-Trust. XTB Holders will not be able to claim an *in-specie* distribution of the Underlying Bond.

However, legally the assets and liabilities of a particular Class are the assets and liabilities of the Trust as a whole. As such, if the Trust becomes insolvent, all Classes will be affected. There is a risk that where a Class becomes insolvent, a creditor of the Trust may make a claim against all of the assets of the Trust and not just the assets of the insolvent Class.

For a description of the other Classes of Units in the Trust issued pursuant to this Product Disclosure Statement (including a description of the terms applicable to those classes), please refer to Section 6 “About the Underlying Bonds”. For all other Classes of Units in the Trust, please refer to the Security Manager’s website at www.xtbs.com.au.

You should obtain your own independent professional financial, legal and taxation advice in relation to an investment in XTBs.

DISTRIBUTIONS

Payment of any interest amounts (otherwise known as Coupons) relating to an Underlying Bond will be made to the Trustee via the Custodian. The Custodian will hold any such interest in the relevant Underlying Bond Sub-Trust. The Responsible Entity will instruct the Custodian to pay out Distributions as soon as practicable after the Coupon Payments are received via the Registry. It is expected that XTB Holders will receive their Distribution within 10 Business Days of the Coupon Payment Date.

The Responsible Entity will pay XTB Holders of the relevant Class on the register on the record date for that Distribution a pro-rata share of the interest amounts held in the corresponding Underlying Bond Sub-Trust(s) less any expenses or fees of the Responsible Entity (“**Distributions**”). For more information on Distributions, please refer to Section 3 “Distributions and Redemption of XTBs”.

2.3 The Bond Issuers

The Bond Issuers are either ASX listed entities or a subsidiary of an ASX listed entity. These ASX listed entities are subject to continuous and periodic disclosure requirements under the ASX Listing Rules and the Corporations Act. These continuous and periodic disclosure announcements are lodged with ASIC and the ASX and are available from the ASX website at www.asx.com.au, information service providers and the relevant listed entity's website.

The Bond Issuers of the Underlying Bonds are the entities in Table 1.1. For more information on the Bond Issuers, please refer to Section 5 "Disclosure Obligations of the Bond Issuers" and Section 6 "About the Underlying Bonds".

The Underlying Bonds are Senior Bonds issued by ASX listed entities or a subsidiary of an ASX listed entity, but the Underlying Bonds are themselves generally not quoted on the ASX. Generally the Underlying Bonds will be unsecured obligations of the issuer, however, some issuers may issue secured bonds. The status of an Underlying Bond, secured or unsecured, is noted in Section 6 "About the Underlying Bonds". The Underlying Bonds are issued in the wholesale market and are traded between participants in that market. The Trust can participate in this market as a result of the Responsible Entity's status as an Australian Financial Services Licence holder, which allows it to acquire the bonds that deliver the economic exposure to XTB Holders.

For more information about corporate bonds and the corporate bond market, please refer to Section 4 "About corporate bonds and the corporate bond market". For more information about the Underlying Bonds, please refer to Section 6 "About the Underlying Bonds".

To obtain more information about a particular Bond Issuer, please contact your financial adviser.

ASIC RELIEF

ASIC has granted relief under section 1020F of the Corporations Act from the seven (7) day exposure period requirement in section 1016B of the Corporations Act before accepting applications for new series of XTBs. This relief has been granted to the extent it is necessary to allow the Responsible Entity to issue a Class of XTBs where that particular Class of XTB has been admitted to Trading Status by ASX. The relief granted to the Responsible Entity is specific to the offer of XTBs and is subject to meeting the following requirements:

1. The Issuer of the Underlying Bond is an ASX listed entity or a subsidiary of an ASX listed entity;
2. The ASX listed entity is included in the S&P/ASX200® Index;
3. The Underlying Bonds are senior bonds of the Issuer, that are either senior unsecured bonds that rank at least parri passu with all other senior unsecured creditors or a senior secured bond;
4. The PDS contains the Issuer Financial Ratios; and
5. The PDS is lodged with ASIC at or around the same time as an application is made to ASX for admission to Trading Status of the particular Class of XTB.

2.4 Potential returns on the Underlying Bonds and XTBs

Investors generally buy bonds to generate a regular and reliable income stream and, if held at maturity, receive the Face Value of the bond.

Bonds can trade at a premium to their Face Value or at a discount to the Face Value. The return on the purchase price of a bond is referred to as the Yield.

If a bond's price (not including accrued interest) is above the Face Value, then the return (Yield) to an investor buying bonds will be lower than the Coupon Rate.

If a bond's price (not including accrued interest) is less than the Face Value, then the return to an investor will be higher than the Coupon Rate.

It is expected that the Yield of XTBs on ASX will generally reflect the prevailing Yield of the Underlying Bonds in the wholesale market, less the Securities Manager's Margin. In particular, it is expected the Market Maker will base its pricing on the prevailing Yields available to it for the Underlying Bonds in the wholesale market.

Investors who buy bonds (or XTBs tracking the Underlying Bond's performance) in the secondary market should not consider the Coupon Rate of the bond as the Yield of the bond. Unless the bonds are purchased at Face Value and held to maturity, the return to investors will not equal the Coupon Rate.

The Underlying Bonds for the XTBs may not have been issued as at the date of this PDS or may have already been issued by the Issuer. The Responsible Entity does not intend to limit the methods through which it can acquire Underlying Bonds, subject to the requirements of the Corporations Act and the ASX Operating Rules, regardless of whether the XTBs are acquired in the Initial Offer or in the Continuing Offer.

Depending on how the Underlying Bonds are to be acquired by the Responsible Entity on behalf of the Trust, the Underlying Bonds may be issued directly into the Trust or they may be acquired in the secondary market. In either case the Underlying Bonds may not be acquired at the Face Value. The acquisition price of the Underlying Bonds is likely to be a function of whether the bonds have been issued directly to the Responsible Entity at the same time as a broader issuance to the wholesale market, or as a further issuance by the Issuer (a "Tap Issuance"), or whether the Underlying Bonds have been acquired from a third party at the prevailing market price, which may be at a premium or a discount to the Face Value.

In particular it is important to note that where the Underlying Bonds were issued some time ago, potentially more than a year, and the bonds have been trading in the wholesale market during that period, Underlying Bond prices may differ significantly. Bonds that were generally issued at a time when interest rates were higher than they are at the date of this PDS, may be trading at a significant premium. In situations where interest rates are lower than the time of the Underlying Bond issuance, a bond paying a 7.75% coupon will typically have been repriced above its issue price, which causes the Yield on that bond to fall below the Coupon Rate (please refer to Table 1.1 'XTBs on Offer' for indicative bond Yields as at 20 November 2019).

If the same bond had been issued in a time of lower interest rates, compared with the rate environment at the date of this PDS (assume a Coupon of 2%), then all things being equal, the bond (before accrued interest) would be trading at a discount to its Face Value, which would result in a Yield on that bond that is higher than the Coupon Rate.

A Tap Issuance involves the Issuer issuing additional bonds in an existing series of Underlying Bonds. Whilst the Underlying Bonds will have the same Coupon Rate and Maturity Date as the existing bonds in that series, they may be issued at a premium or discount to Face Value, which, coupled with the payment of Securities Manager's Margin, may mean the XTBs in that Class will be issued at a different price and have a different Yield than previous issuance of the same Class of XTb.

The fee charged by the Securities Manager (please refer to Section 2.11 below) reduces the returns available on XTBs compared to the returns on the underlying bonds available to institutional investors in the wholesale market. Table 1.1 'XTBs on Offer' shows the Coupon Rate on the Underlying Bonds. Table 1.1 also shows approximate returns on the XTBs, if they had been available on that day.

The approximation assumes the yield on the XTBs will be impacted by the fee charged by the Securities Manager uniformly, i.e., if the Securities Manager takes out an upfront fee of 0.4% of the Face Value multiplied by the number of years to Maturity, then the yield on an XTb will be lower than the Yield of the bonds in the wholesale market. The effect the fee has on the yield of an XTb will differ for each Underlying Bond because it is a function of price, coupon, maturity and Yield of the Underlying Bond. The yield on the XTBs may not track the Yield for the Underlying Bonds perfectly.

The Securities Manager will make a daily announcement to the market via the ASX Market Announcements Platform showing the closing Yield for the Underlying Bonds for the previous Business Day. Further, where there is a material intraday movement in the Yield for an Underlying Bond, the Securities Manager will publish a market update using the ASX Market Announcements Platform. You can view the announcements at the ASX website at www.asx.com.au by searching the ticker code 'YTM'.

2.5 Investment objective of the Trust

The investment mandate of the Trust is to provide classes of ASX traded units that track the performance of particular Underlying Bonds, after fees and expenses. The investment mandate cannot be significantly changed unless it is approved by 75% of the votes cast by XTb Holders.

2.6 Investment strategy

The Securities Manager will instruct the Responsible Entity to purchase and hold, through an Underlying Bond Sub-Trust, Underlying Bonds in a Class. The Responsible Entity will only issue XTBs equal to a whole number of Underlying Bonds and will always hold, through an Underlying Bond Sub-Trust, the number of bonds corresponding to the XTBs it has issued. The investment strategy cannot be significantly changed unless it is approved by 75% of the votes cast by XTb Holders.

2.7 No change to the investment objective and strategy

The investment objective and investment strategy of the Securities Manager and/or Responsible Entity is not subject to change.

2.8 Initial Offer

The purpose of the Initial Offer is to give investors the opportunity to acquire XTBs at or as close as possible to the XTb Par Value, after taking into account the Securities Managers Margin. This is more likely when Underlying Bonds are acquired into the Trust at or around the time that they are first issued, meaning that the available yield on the Underlying Bond is more likely to reflect the Coupon Rate, as macroeconomic inputs, such as market interest rates will have had less time to change in the short term. However, the Responsible Entity may participate in a Tap Issuance, in which case the Underlying Bonds may be acquired at a different price to the Face Value,

XTBs issued pursuant to the Initial Offer are delivered directly to the applicants Sponsoring Broker, or where the applicant does not have a Sponsoring Broker directly to the Issuer Sub-Register. The relevant Underlying Bonds for the XTBs will be acquired either directly or indirectly from the Issuer of the Underlying Bond using the proceeds of the Initial Offer. An Application in the Initial Offer will at all times include the Securities Manager's Margin. Please refer to 2.11 "Securities Manager's Margin" for more information.

Applicants under the Broker Firm Offer and General Offer will be required to pay an Application Amount of \$104.00 per XTb for each XTb they apply for. Where the Underlying Bonds are issued via a Tap Issue or acquired in the secondary market, the Application Amount may differ as a result of a number of factors, including but not limited to accrued interest, changes in the credit worthiness of the Issuer of the Underlying Bond and changes in the prevailing market interest rates. The Responsible Entity reserves the right not to proceed with the Initial Offer at any time before the allotment of XTBs under the Initial Offer. If the Initial Offer does not proceed, Application Monies received by the Responsible Entity will be refunded in full (without interest).

About the Offer

The Responsible Entity reserves the right to decline any Applications in whole or in part without giving any reason. An Application may be accepted by the Responsible Entity in respect of the full number of XTBs specified in the Application or any of them without further notice to the Applicant.

All applications are to be processed through a Broker, therefore all Application Forms and Application Monies are to be provided to your Broker on or before the Closing Date.

The Responsible Entity reserves the right to close the Initial Offer early, to accept late Applications or extend the Initial Offer without notifying any recipient of this PDS or any Applicant.

2.8.1 BROKER FIRM OFFER

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia.

Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. Investors should contact their Broker to determine whether they may be allocated XTBs under the Broker Firm Offer. To the extent any brokerage fees are to be paid to a Broker, these will be paid by the Securities Manager out of the Securities Manager's Margin. No brokerage fees will be paid for by the Trust.

2.8.2 GENERAL OFFER

The General Offer is open to investors who have a registered address in Australia.

To apply under the General Offer, you must lodge your General Offer Application Form and Application Monies with your Broker for processing. To the extent any brokerage fees are to be paid to a Broker, these will be paid by the Securities Manager out of the Securities Manager's Margin. No brokerage fees will be paid for by the Trust.

2.8.3 APPLYING FOR XTBs

Applications must be for a minimum of 20 XTBs and thereafter in multiples of 10 XTBs. The amount payable will be a function of the number of XTBs applied for, the tenor of the XTB and whether or not there is any accrued interest attaching to the Underlying Bonds on the date of acquisition by the Responsible Entity on behalf of the Trust and whether or not there has been any movement in the prevailing market interest rates between issuance of the Underlying Bond and the Settlement Date for the XTB.

2.8.4 SCALING BACK OF ACCEPTANCES

The Responsible Entity may need to scale back applications where it is unable to acquire sufficient Underlying Bonds in order to satisfy demand for the relevant Class of XTBs. The need to scale back applications may arise as a result of the Issuer not being willing or able to allocate sufficient Underlying Bonds to the Trust in order to satisfy the demand for XTBs or may be as a result of the Responsible Entity not being able to source sufficient Underlying Bonds via a Tap Issue or in the secondary market.

2.8.5 ALLOCATION POLICY

XTBs will be allocated under the Initial Offer firstly to Brokers under the Broker Firm Offer. Otherwise applicants under the General Offer will be allocated XTBs in accordance with number of XTBs they apply for, and may be scaled back or rejected. The formula for any scale back will be determined by the Responsible Entity in its sole discretion.

The Responsible Entity reserves the right in its absolute discretion not to issue XTBs to Applicants under the General Offer and may reject any Application or allocate a lesser number of XTBs than those applied for at its absolute discretion.

Application Monies will be refunded to the extent that an Application is rejected or scaled back, or the Initial Offer is withdrawn. No interest will be paid on refunded amounts. The Responsible Entity will retain any interest earned on all Application Monies.

2.8.6 PAYMENT

Application Monies may be paid in the General Offer by direct debit via your Broker. For Applicants in the Broker Firm Offer: in accordance with the directions of the Broker from whom the Applicant has received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account to cover their direct debit. If the amount of an Applicant's cheque is insufficient to pay for the number of XTBs applied for in the relevant Application Form, the Applicant may be taken to have applied for such higher or lower amount as your cleared Application Monies will pay for.

It is each Applicant's responsibility to ensure that Application Monies are received by the Trust prior to 4.00pm (AEDT) on the Closing Date. The Responsible Entity accepts no responsibility for any failure to receive Application Monies by the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

There will be no interest paid on Application Monies. Interest earned will be retained by the Securities Manager

2.8.7 COST OF THE INITIAL OFFER

The costs of the Initial Offer will be paid by the Securities Manager from the Securities Manager's Margin. The Trust is not liable to pay any of these costs.

2.9 Issue and Redemption of XTBs by Authorised Participants pursuant to the Continuing Offer

Under the Continuing Offer, XTBs are issued to Authorised Participants in exchange for the Authorised Participant delivering the relevant Underlying Bonds for the XTBs to the Responsible Entity. Authorised Participants are charged the Securities Manager's Margin when they apply for XTBs. Please refer to 2.11 "Securities Manager's Margin" for more information.

XTBs may be redeemed via:

- ▶ Automatic Redemption of XTBs on the Maturity Date of the Underlying Bond;
- ▶ The Responsible Entity notifying XTB Holders that the Underlying Bonds are subject to Early Redemption (for example because the Underlying Bonds have been redeemed, cancelled, bought back, subject to early maturity or otherwise terminated (such as on a default by a Bond Issuer)); or
- ▶ The Responsible Entity accepting an application from an Authorised Participant (whether the Authorised Participant is acting on their own behalf or on behalf of investors, in requesting redemption of a Minimum Redemption Amount) to redeem XTBs before the Maturity Date.

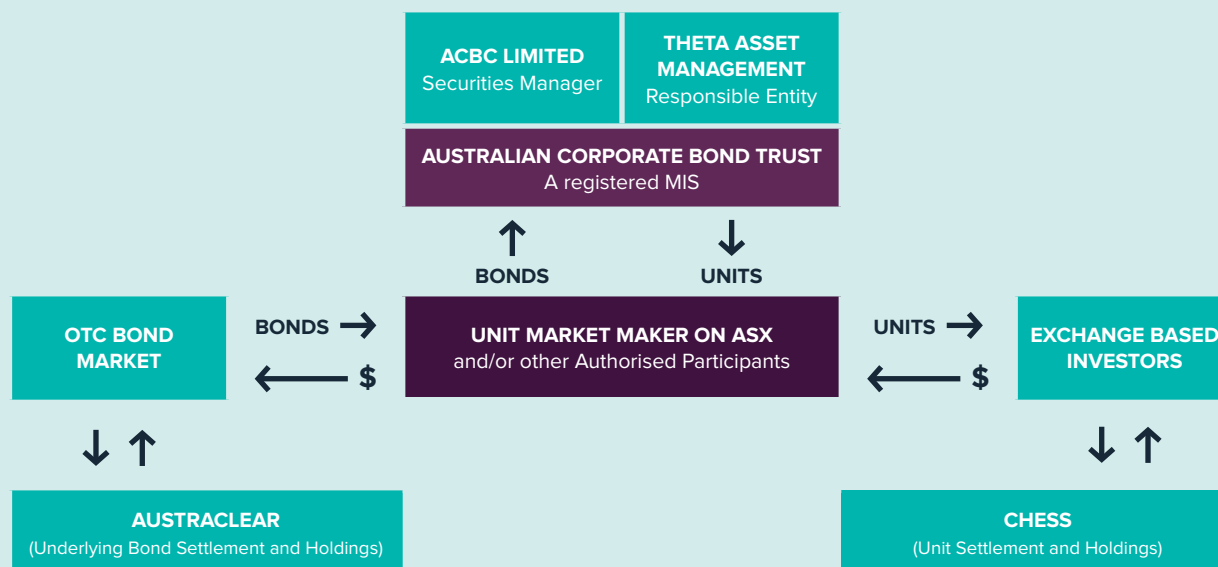
XTBs can be redeemed by the Authorised Participant (either acting on its own behalf, or on behalf of investors, requesting redemption of a Minimum Redemption Amount or in increments of the Minimum Redemption Amount) transferring the XTBs to the Responsible Entity in exchange for the Responsible Entity transferring Underlying Bonds back to the Authorised Participant. For example if there are 1,000 XTBs in the Class (of \$100 each) and 10 Underlying Bonds (of \$10,000 Face Value each), the minimum redemption allowed will be 100 XTBs and increments of 100 XTBs thereafter. Where the Face Value of the Underlying Bond is \$100,000 the Minimum Redemption Amount is 1,000 XTBs and increments of 1,000 XTBs thereafter. Where the Face Value of the Underlying Bond is \$1,000 the Minimum Redemption Amount is 10 XTBs and increments of 10 XTBs thereafter.

The Securities Manager normally operates facilities for application and redemption of XTBs each Business Day.

For more information please refer to Section 3 "Distributions and Redemption of XTBs".

Figure 2.2 below shows how XTBs are acquired by Authorised Participants and individual investors.

▶ **FIGURE 2.2: HOW UNITS ARE ISSUED**



SECURITIES MANAGER:

- ▶ Selects the Underlying Bonds
- ▶ Educates and communicates to financial advisers, stock brokers and investors
- ▶ Ensures the operational integrity of the process
- ▶ Provides daily reporting on ASX of Yields, prices of Underlying Bonds and the Outstanding Net Asset Value of each Class of XTb

RESPONSIBLE ENTITY:

- ▶ Issues the PDS
- ▶ Manages the interests of XTb Holders
- ▶ Ensures compliance with the law including auditing and XTb Holder reporting

MARKET MAKERS AND OTHER AUTHORISED PARTICIPANTS:

- ▶ Source the Underlying Bonds
- ▶ Distribute XTBs to end investors
- ▶ Provides XTb pricing on ASX, subject to liquidity and availability in the Underlying Bonds

2.10 Market Making in XTBs on ASX

The Responsible Entity, on behalf of the Trust, may provide liquidity to investors via the ASX by acting as a buyer and seller of Units. The Responsible Entity has appointed agents to manage and execute its on-market activities. The appointed agents retain all profits and incur losses arising from its on-market activities. Accordingly, the Trust does not bear the risks from the provision of on-market liquidity. The Responsible Entity allows the appointed agents to retain profits from the on-market activities as a fee for their services.

The Responsible Entity and its agents may appoint sub-agents to assist with the on-market activities. Such agents may include brokers and other providers to assist with trade execution and settlement of Units and Underlying Bonds.

The Responsible Entity may, separate and in addition to the on-market activities of the Responsible Entity, also arrange for at least one Authorised Participant to be a Market Maker in accordance with the ASX AQUA Rules. A Market Maker's role is to 'make a market' for a Class of XTb. The Market Maker facilitates trading in the XTBs by:

- ▶ Providing liquidity to the market by acting as a buyer and seller of XTBs on ASX; and
- ▶ Applying for and redeeming XTBs off-market to ensure new XTBs are available for trading on ASX.

The Market Maker may profit by charging higher offer (sell) prices than bid (buy) prices. This difference is called the bid-offer spread. ASX puts in place certain limits on the bid-offer spread that the Market Maker can quote when making a market. Appointment of a Market Maker is not a guarantee of liquidity at all times and in some circumstances the Market Maker may provide bids only. The liquidity in the wholesale market for the Underlying Bonds will impact on the ability of a Market Maker to make markets.

The Market Maker may provide a bid-only market where it is unable to offer further XTBs in that Class due to the liquidity in the market for the Underlying Bonds.

2.11 Securities Manager's Margin

The Securities Manager's Margin is charged upfront and is 0.40% of the aggregate Face Value of the Underlying Bonds multiplied by the number of years to the Maturity Date of the relevant Underlying Bonds (pro rata for part of a year). Where the time to the Maturity Date includes a part of a year, the Securities Manager's Margin shall be charged on a pro rata basis for that portion of a year. For example if the time to the Maturity Date is 18 months, the Securities Manager's Margin will be 0.60% of the aggregate Face Value of the Underlying Bonds.

The Securities Manager's Margin is not a fee payable directly by individual investors on the ASX. However, it is expected that Authorised Participants, when selling XTBs on the ASX, will incorporate the Securities Manager's Margin into their offer (or sell) price. In other words, the price investors pay for XTBs will generally include the Securities Manager's Margin.

For example, if an Authorised Participant purchases one Underlying Bond with two years until the Maturity Date for \$10,000 and applies to be issued 100 XTBs, then the Securities Manager's Margin payable will be \$80 being \$40 for each year to maturity (i.e. $\$10,000 \times 0.40\% \times 2$). When the Authorised Participant sells XTBs on the ASX it will factor the Securities Manager's Margin into the sale price of the XTBs. This means that, to break-even, the Authorised Participant would need to sell each XTb for \$100.80 (i.e. $\$100 + (\$10,000 \times 0.40\% \times 2)/100$).

The Securities Manager's Margin is not charged for XTBs traded between Market Participants on the ASX. It only arises upon the creation of new XTBs. However, it is expected this fee will remain embedded in the market price of the XTBs on ASX.

The Responsible Entity and Securities Manager will be paid for their services out of the Securities Manager's Margin and all fees payable to service providers such as the Custodian, the Unit Registry and the managed investment scheme auditor and fund accountant will also come out of the Securities Manager's Margin.

For more information on fees and costs, please refer to Section 9 "Fees and Other Costs".

2.12 No Voting Rights

Corporate bonds generally provide bondholders the right to vote in very limited circumstances, such as on a default of the bond issuer.

The voting rights attached to the Underlying Bonds are not passed on to XTb Holders. In situations where there is a vote that holders of Underlying Bonds may vote on, such as in the winding up of the Bond Issuer, or if there is an event of default in respect of the Underlying Bonds, the Responsible Entity will vote on the resolution on behalf of the Trust and the relevant Class of XTb Holders. Voting rights will be exercised by the Responsible Entity without consulting XTb Holders.

2.13 Responsible Entity’s right of indemnity from the assets of the Trust

The Responsible Entity has a conditional right of indemnity out of the assets of the Trust. This right entitles the Responsible Entity to pay expenses of the Trust that the Responsible Entity has properly incurred in the administration of the Trust, directly from the assets of the Trust. These expenses are generally met from the Securities Manager’s Margin. However, where expenses are expenses that neither the Responsible Entity nor the Securities Manager have foreseen and which are not part of the expected normal expenses for the operation and administration of the Trust (“**Extraordinary Expenses**”) the Responsible Entity may utilise its right of indemnity in order to meet those Extraordinary Expenses (for example legal costs to defend a court action brought against the Trust or Responsible Entity) (please refer to Section 9.3.4 “Extraordinary Expenses”). The Responsible Entity may do this by either, paying the Extraordinary Expense directly from the Trust’s assets, or by paying the Extraordinary Expenses themselves, and then recouping the amounts from the Trust’s assets. In order to pay the Extraordinary Expenses from the Trust’s assets, the Responsible Entity may make a deduction from Distributions.

The Responsible Entity will only recover Extraordinary Expenses properly incurred in respect of one Class from the assets of that Class.

Extraordinary Expenses which are not attributable to one specific Class will be spread pro rata across all Classes to which the Extraordinary Expense relates. For example, if the Responsible Entity incurs \$20,000 of Extraordinary Expenses for two Classes equally, the Responsible Entity may then take Coupon Payments from, each of the two Classes’ Underlying Bond Sub-Trusts in order to recover \$10,000 from each Class (for a total of \$20,000).

2.14 Interest on Application Monies – Continuing Offer

Only Authorised Participants can apply for XTBs via the Continuing Offer and they do so by transferring bonds to the Trust. There will be no interest on application monies as there are no cash applications.

2.15 Important documents and material contracts

| DOCUMENT | DESCRIPTION |
|--|--|
| Constitution of the Trust (including any previous amendments, and any future amendments) | The Constitution of the Trust sets out the internal governance rules for the Trust and some of the rights and obligations of XTB Holders. The constitution can be requested by XTB Holders by contacting the Securities Manager or the Responsible Entity. |
| The Compliance Plan | The Responsible Entity has established, and follows a Compliance Plan detailing how the Responsible Entity complies with its obligations under the law and its Constitution. |

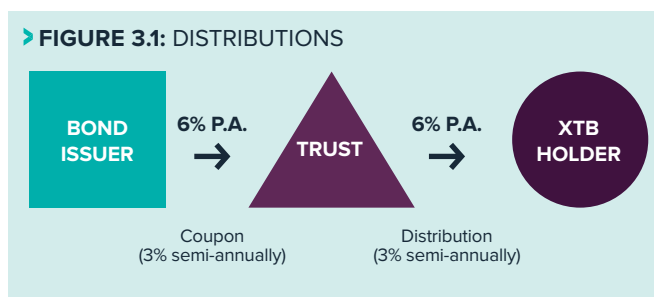


Distributions and Redemption of XTBs



3.1 Distributions

Where the Bond Issuer makes a Coupon Payment on the Underlying Bonds, XTB Holders in that Class are entitled to receive income as a Distribution (please refer to Figure 3.1).



Where a Bond Issuer pays a Coupon on the Underlying Bonds in a Class, this will be received by the Responsible Entity, via the Trustee as the beneficial holder of the Underlying Bonds, and then paid to XTB Holders in that Class as a Distribution.

On the next Distribution Date the Distribution paid to XTB Holders in that Class is determined in accordance with the following formula:

$$\text{NO. OF XTBS HELD BY XTb HOLDER} \times \frac{\text{(DISTRIBUTION - ANY EXTRAORDINARY EXPENSES)}}{\text{NO. OF XTBS IN THE CLASS}}$$

It is the Responsible Entity's and Securities Manager's intention that Distributions will be made to XTb Holders as soon as practicable after they are received by the Responsible Entity. The process of sending out the Distributions to XTb Holders will commence on the day Distributions are received by the Responsible Entity, via the Trustee. Note that in normal circumstances, the 'Extraordinary Expenses' item in the above formula will be \$0. Please refer to Section 9.3.4 "Extraordinary Expenses" for an explanation of the circumstances under which Extraordinary Expenses might arise. No Distribution will be made until after the Responsible Entity has received cleared funds in respect of the Bond Issuer's payment of Coupons and where relevant Principal.

The actual date XTb Holders will receive their Distributions will be determined by the mechanism the XTb Holder has chosen to receive Distributions and Principal payments.

Investors who provide their bank account details to the Registry will receive their Distributions via Electronic Funds Transfer ("EFT").

Investors who do not provide their bank account details, will receive their Distributions and Principal payments by cheque. This may delay the payment of funds to investors.

3.2 Redemptions

The XTbs may be subject to:

1. Automatic Redemption;
2. Early Redemption; or
3. Direct Application Redemption.

All XTbs in a Class will be subject to Automatic Redemption on the Maturity Date of the Underlying Bonds in that specific Class. On Automatic Redemption the Responsible Entity will collect any amounts paid by the Bond Issuer on redemption of the Underlying Bond (including Principal (if any) and any final Coupons). The Responsible Entity will arrange for XTb Holders to be paid their respective redemption proceeds into the relevant accounts upon receipt of cleared funds and the XTbs will be cancelled.

On Automatic Redemption or Early Redemption all proceeds payable to XTb Holders will be in cash only (that is, XTb Holders do not receive any right to or in the Underlying Bonds held in the Underlying Bond Sub-Trust).

XTbs may also be subject to Early Redemption:

- ▶ If the Responsible Entity accepts an application for Early Redemption from an Authorised Participant; or
- ▶ If the Underlying Bonds are redeemed, cancelled, bought back, subject to early maturity or redemption or are otherwise terminated.

Distributions and Redemption of XTBs

The Responsible Entity will notify XTB Holders of any Early Redemption of their XTBs, and will nominate a date for redemption (which date may be back dated to account for an earlier termination of the Underlying Bonds).

The Responsible Entity will accept Direct Applications for Redemption from Authorised Participants who are seeking to redeem the Minimum Redemption Amount. Individual XTB Holders may apply to redeem their XTBs by requesting redemption of the Minimum Redemption Amount through an Authorised Participant. The Minimum Redemption Amount is 10 XTBs for those XTBs with Underlying Bonds that have a Face Value of \$1,000, 100 XTBs for those XTBs with Underlying Bonds that have a Face Value of \$10,000, and 1,000 XTBs for those XTBs with Underlying Bonds that have a Face Value of \$100,000 or such lesser amount as agreed with the Securities Manager. Alternatively XTB Holders can sell their XTBs on ASX, or wait for Automatic Redemption. For those XTB Holders who hold less than the Minimum Redemption Amount, they will only be able to sell their XTBs on ASX, as the Responsible Entity is unable to hold a fraction of an Underlying Bond in the relevant Sub-Trust.

The Minimum Redemption Amount only applies to Early Redemptions that are initiated by XTB Holders via an Authorised Participant or where an Authorised Participant is applying to redeem XTBs. The Minimum Redemption Amount does not apply to Automatic Redemptions and Early Redemptions that result from the Bond Issuer cancelling, redeeming, buying-back or otherwise terminating the Underlying Bonds.

ASIC RELIEF

ASIC has granted relief under section 601QA(1)(a) of the Corporations Act from the equal treatment requirements in section 601FC(1)(d), to the extent necessary to allow the Responsible Entity to restrict eligibility to submit redemption requests in relation to XTBs to Authorised Participants and XTB Holders applying through Authorised Participants that apply to redeem the Minimum Redemption Amount and increments of the Minimum Redemption Amount, thereafter. This relief is subject to a condition that all XTB Holders in a particular Class will have a right to a cash redemption and to receive payment within a reasonable time if that Class of XTBs are suspended from quotation on ASX for more than five consecutive trading days, unless:

- That Class of XTB or the Trust in general is being wound up; or
- That Class of XTB or the Trust in general is not “liquid” as defined in the Corporations Act; or
- The Responsible Entity has suspended redemptions in accordance with the Constitution.

3.2.1 REDEMPTION PROCEEDS

On Redemption of the XTBs, XTB Holders will be paid, upon receipt of cleared funds, an amount calculated using the following formula:

$$\text{NO. OF XTBS HELD BY XT B HOLDER} \times \frac{\text{TOTAL CLASS ASSETS - ANY EXTRAORDINARY EXPENSES}}{\text{NO. OF XTBS IN CLASS}}$$

Note that in normal circumstances, the ‘Extraordinary Expenses’ item in the above formula will be \$0. Refer to Section 9.3.4 “Extraordinary Expenses” for an explanation of the circumstances under which Extraordinary Expenses might arise.

About Corporate Bonds and the Corporate Bond Market



The information in this section is intended to assist you to familiarise yourself with corporate bonds and the corporate bond market. It is provided for educational purposes only and may not be in sufficient detail to constitute a comprehensive educational piece on the complexities of the corporate bond market. Nothing in this section is to be taken to be a suggestion, recommendation or statement relating specifically to the Underlying Bonds or XTBs, or the appropriateness of an investment in XTBs.

Corporate bonds are debt instruments issued by companies and other entities. Corporate bonds are part of the “fixed income” investment universe, as they typically have “fixed” payments (coupons) over the life of the bond and the repayment of Principal at maturity. The income from the bond is fixed and does not vary like a dividend or indeed change with inflation. Coupons can be fixed rate (e.g. 5%) and the investor receives the same cash amount on every coupon date, or floating rate, where the investor receives a fixed margin above a reference rate, such as the Bank Bill Swap Rate (“**BBSW**”) (e.g. **BBSW** + 1.5%).

Generally, corporate bonds are only available in the wholesale market to institutional and professional investors.

The Underlying Bonds are corporate bonds issued by Bond Issuers which are either ASX listed entities or subsidiaries of an ASX listed entity. The Underlying Bonds in this PDS (and subsequent PDS) are selected by the Securities Manager.

The performance of XTBs during the life of the investment is linked to the performance of the Underlying Bonds, after fees and expenses. Therefore, investors will benefit from the income stream and capital performance of the Underlying Bonds, after fees and expenses, by holding XTBs. However, as detailed in Section 8 “Risks of Investing in XTBs”, there are additional risks associated with XTBs, which means they may not appropriately be described as a direct fixed income investment.

When reading this Section 4 “About corporate bonds and the corporate bond market”, XTB Holders should note that they **will not** receive any direct interest in any corporate bonds. XTB Holders will receive an XTB which aims to track the economic performance of a specified corporate bond, after fees and expenses. References to investors or bondholders in this Section 4 are not the same as to an XTB Holder in this PDS.

An investment in XTBs is not a direct investment in the Underlying Bonds.

XTBs are intended as a ‘buy and hold’ investment. The Securities Manager and Responsible Entity do not recommend that investors in XTBs rely on the information in this Section 4

as the sole source of information for the purposes of making any investment decisions, nor do they recommend that investors take short-term trading positions in XTBs or the Underlying Bonds.

4.1 What is a bond?

A bond is essentially a loan from an investor to a borrower. In legal terms, a bond is a loan between a lender (the investor) and a borrower (the issuer of the bond) that comes in the form of a ‘security’.

A ‘security’ means the loan is legally able to be traded between parties, because the loan is issued with terms that meet the required definition of a security under the law.

A security does not mean that the bondholder has security for repayment of the Principal. A bondholder (or any person claiming or investing through a bondholder) could lose their entire investment amount. The Underlying Bonds that are the subject of the different Classes of XTBs are, whilst being securities, typically senior unsecured obligations of the Bond Issuer. Although, XTBs may be issued from time to time where the Underlying Bond is a senior secured obligation of the Bond Issuer.

Corporate bonds are one way for companies to raise money or capital from investors to finance their business activities. Other methods of funding corporate activities are by bank loans and issuing secured debt, subordinated debt (or debt issued further down the capital structure), hybrid securities or issuing new equity (shares).

Capital is generally classified into two broad categories – equity capital and debt capital. Investors familiar with the share market will understand equity capital as being the share capital of companies that confers ownership rights upon shareholders.

Corporate bonds are a form of debt capital. In return for investors’ money, the corporate promises to:

- ▶ Pay interest (otherwise known as coupons) to the investor; and
- ▶ Pay back the money investors have invested (the Principal or Face Value) at a certain future date.

By investing in corporate bonds, investors are essentially assuming the risks that lending someone money involves. For example, investors may not get their money back if the company issuing the bonds becomes insolvent or goes out of business.

Bond denominations are set by the relevant bond issuer. Common bond denominations include \$100, \$1,000, \$10,000, \$100,000 and \$500,000.

About Corporate Bonds and the Corporate Bond Market

4.2 Common issuers of bonds

There are many ways to classify issuers of bonds. The Australian market generally classifies them as:

- ▶ The Australian Commonwealth Government.
- ▶ Australian State Government Treasury Corporations (often called Semi-Governments or Semis).
- ▶ Supranationals: usually government backed or supported organisations. For example the World Bank is a Supranational.
- ▶ Corporates: this usually refers to commercial entities such as banks and other companies.

4.3 How are Underlying Bonds different to government bonds, term deposits or shares?

Corporate bonds are very different to government bonds, term deposits and shares. Some differences include:

- ▶ While Government bonds and corporate bonds are both bond securities, a Government bond is a lower-risk investment because a Government is the issuer and Governments are generally considered to be much more creditworthy than companies.
- ▶ A corporate bond is not the same as a bank term deposits ("TDs"), which are currently guaranteed by the Australian Government's deposit insurance scheme (for balances up to \$250,000). TDs and corporate bonds are both fixed income investments, but with the following key differences:
 - ▶ TDs – you are lending your money to a bank to be held in a bank deposit account, which in Australia is regulated by APRA and the RBA.
 - ▶ Corporate bonds – you are lending your money to the Bond Issuer (however this may also be a bank).
 - ▶ Australian banks issue both TDs and corporate bonds. TDs are higher on the credit structure than a corporate bond issued by a bank.
 - ▶ Investors cannot 'trade' TDs on a market, whereas corporate bonds are tradable in wholesale markets and sometimes on the ASX.
 - ▶ The capital value of TDs does not fluctuate whereas, as a result of being tradable, corporate bond values rise and fall with the market (until the time of repayment).
- ▶ A corporate bond is not the same as a share. Shares are not loans and the amount you pay for them does not get paid back. If you buy a company's shares, you have an ownership interest in the company. If you buy corporate bonds, you are lending money to the company issuing the bonds. As a bondholder, you are considered a 'creditor'.
- ▶ Some Authorised Deposit-taking Institutions (banks and other deposit taking institutions) ("**ADIs**") issue securities in the form of Transferable Certificates of Deposit ("**Transferable Certificates of Deposit**") instead of in note form. As a general rule Transferable Certificates of Deposit, whilst they are

deposit liabilities within the meaning of the Banking Act 1959, are not protected liabilities of the issuer pursuant to the Banking Act, as such a Transferable Deposit may not enjoy the same level of protection that a Term Deposit enjoys under the deposit insurance scheme referred to above.

4.4 Senior bonds

The Underlying Bonds referred to in this PDS and over which XTBs are to be issued are referred to as 'Senior Bonds' to distinguish them from lower capital ranked securities, and mandatorily preferred liabilities, if any (see Section 4.8 below for more information on capital rankings).

4.5 Bond valuation

Bond valuation is the determination of the price of a bond. The value of a bond is the present value of the future cash flows it is expected to generate to reflect the time until the Maturity Date. Hence, the value of a bond is obtained by discounting the bond's expected future cash flows to the present using an appropriate discount rate. This Section 4.5 discusses some of the important features to consider when determining the price of a bond.

4.5.1 PRICE

When a bond trades on the market the price includes any accrued interest of the existing Coupon Period, whereby the purchaser effectively compensates the previous owner for the accrued interest, as the purchaser will receive the full Coupon Payment for the Coupon Period on the Coupon Payment Date. However, when bond prices are quoted in the wholesale market they are quoted without accrued interest. A full explanation of price can be found in Sections 4.5.7 and 4.7.

4.5.2 YIELD TO MATURITY

References in the wholesale bond market to "Yield" are generally references to "Yield to Maturity", which is a common measure of the return available on a bond. Yield to Maturity refers to how much an investor will earn if the bond was held to maturity.

The Yield to Maturity, or simply Yield, of a bond is the rate at which the sum of all future cash flows from the bond, when discounted back to a present value, is equal to the price of the bond. All else being equal, as the Market Price of a bond falls, its Yield to Maturity increases. For example, if a 5-year bond with semi-annual coupons of 5.5% and a Face Value of \$100 is trading at \$100, its Yield will be 5.5% on a semi-annual basis (assuming there is no accrued interest). If that same bond was trading at \$110, its semi-annual Yield would be 3.31%. If it was trading at \$90, its semi-annual Yield would be 7.96%.

The Securities Manager's website at www.xtbs.com.au has a calculator that allows investors to calculate the Yield to Maturity of a particular XTB.

About Corporate Bonds and the Corporate Bond Market

4.5.3 ARE COUPON RATE AND YIELD THE SAME THING?

It is important to understand the difference between Coupon Rate and Yield.

The Coupon Rate of a corporate bond is the interest rate the company has agreed to pay on the Face Value of the bond over its life, whereas the Yield is the rate of return based on the purchase price of the bond. There are a number of ways of measuring Yield, including:

- Yield to Maturity; and
- Running Yield.

4.5.4 COUPONS

Coupon rates are determined at the time of the issue of the bonds. The coupon will be specified as a percentage rate. For example, a bond with a 6% coupon pays investors 6% of the Face Value of the bond each year. Coupons are normally paid semi-annually on a specified date. Some floating rate bonds pay coupons quarterly, with the interest rate a percentage above a benchmark, such as BBSW.

4.5.5 RUNNING YIELD

The Running Yield of a bond is the Coupon Payments as a percentage of the price (before accrued interest).

4.5.6 YIELD TO MATURITY VS RUNNING YIELD

The Running Yield does not take into account the time value of money nor does it consider the difference between the price paid and the Face Value to be repaid at Maturity and should not be confused with the Yield to Maturity of a bond (please refer to Section 4.5.2).

When the wholesale bond market talks about Yield, it is usually referring to Yield to Maturity.

4.5.7 PRICE AND YIELD

The relationship between bond price and Yield are inverted. That is, as bond yields increase the prices of bonds fall, and vice versa. The diagram below illustrates this inverse relationship.

➤ **FIGURE 4.1: THE RELATIONSHIP BETWEEN PRICE AND YIELD**

| MARKET MOVEMENT | BOND PRICE MOVEMENT | BOND YIELD MOVEMENT | EFFECT ON XTB PRICES ON ASX |
|--------------------------|---------------------|---------------------|-----------------------------|
| ↑ INTEREST RATES RISE | ↓ PRICES FALL | ↑ YIELDS RISE | ↓ XTB PRICES FALL |
| ↓ INTEREST RATES FALL | ↑ PRICES RISE | ↓ YIELDS FALL | ↑ XTB PRICES RISE |

XTBs will always trade on ASX on a price basis, in the same way that investors buy and sell shares, whereas bonds trade in the wholesale market on a yield basis. Converting prices back to yields is also useful, particularly as investors should compare the yield on their XTBs to the yield they may otherwise receive from other fixed income investments, such as a bank term deposit.

4.6 Bond Price Variations

During the life of a bond, the bond price may change as it trades on the wholesale market. Therefore, the price of a bond may be different from the price initially paid or the Face Value. Investors will constantly value their bond holdings with reference to the day-to-day value in the market, rather than what they paid or the Face Value.

Bond prices may fluctuate based on a wide range of factors including:

- The interest rate environment and market expectations of future interest rates;
- Macroeconomic factors that impact the credit spreads required by investors;
- Market perceptions of the company's credit risk (i.e., the creditworthiness becoming more or less creditworthy over the life of the bond);
- If the bond issuer takes on more debt (for example by issuing more bonds);
- The remaining life of the bond;
- Supply and demand factors; and
- Relativities between the bond and other similar investments.

The following are some examples of events that may result in changes in bond values. They are provided as an illustration only and are not the complete list of factors:

- The RBA may move its official interest rate. If the market expects interest rates to move higher, it may cause bond Yields to increase and bond prices to decrease.
- A reduction in forecast earnings of the bond issuer may affect the Credit Spread required by the market (please refer to Section 4.7.3). This can have a negative effect on the value of the bond.
- A bond issuer may be acquired, or the market may expect that the bond issuer will be acquired by another company with a lower credit rating. The combined entity's credit rating may be lower than that of the bond issuer. This may negatively affect the value of the bond.
- As a bond moves towards its maturity date it essentially moves along a Yield curve, which means the Yield required by the market for a bond of its tenor can change, affecting the value of a bond.
- If the market considers that a particular issuer is going to issue significant amounts of debt capital in the future, then the Credit Spread required can increase. This may negatively affect the value of a bond.

About Corporate Bonds and the Corporate Bond Market

4.7 Capital price, gross price and accrued interest

The price of the bond without the accrued interest is called the capital price, also called the 'clean price'. The price of a bond which reflects the capital price with the accrued interest is called the 'gross price'.

The gross price of a bond incorporates all future cash flows – including the current coupon period (sometimes referred to as the 'dirty price'). The gross price of a bond over the life of the bond will change to reflect interest accruing each day and the payment of coupons. All else being equal, on a daily basis bond prices will increase gradually by the daily accrual of the next coupon, until that coupon is paid. When the bond trades on an ex-interest basis, its price drops by the value of the coupon just paid, before the process starts again for the next coupon period.

Settlement of bond trades in Austraclear is based on the gross price. This is important for investors in the XTBs because the Market Prices of XTBs on ASX will also be based on the gross price. This means that the Market Price of an XTB is expected to rise in the lead up to a Distribution and then fall after the Distribution is paid. Investors are compensated for the fall in price by receiving the Distribution.

In some respects this is similar to equities trading on ASX, with upcoming dividends built into their prices, then when the dividend gets paid the stock price will trade ex-dividend and drop back by approximately the value of the dividend.

4.7.1 MONTHLY, QUARTERLY, SEMI-ANNUAL AND ANNUAL YIELDS

A bond's Yield is usually quoted on the basis of the frequency of its Coupon Payments. If a bond pays one coupon a year of 5.5% it is referred to as an annual coupon and its Yield is usually quoted as an annual yield. If a bond has a semi-annual coupon of 5.5%, investors will receive two coupons a year of 2.75%. Yield calculations assume that the coupons can be reinvested at the same Yield allowing investors to receive interest on interest. Therefore, a semi-annual Yield of 5.5% can be considered more attractive than an annual yield of 5.5%.

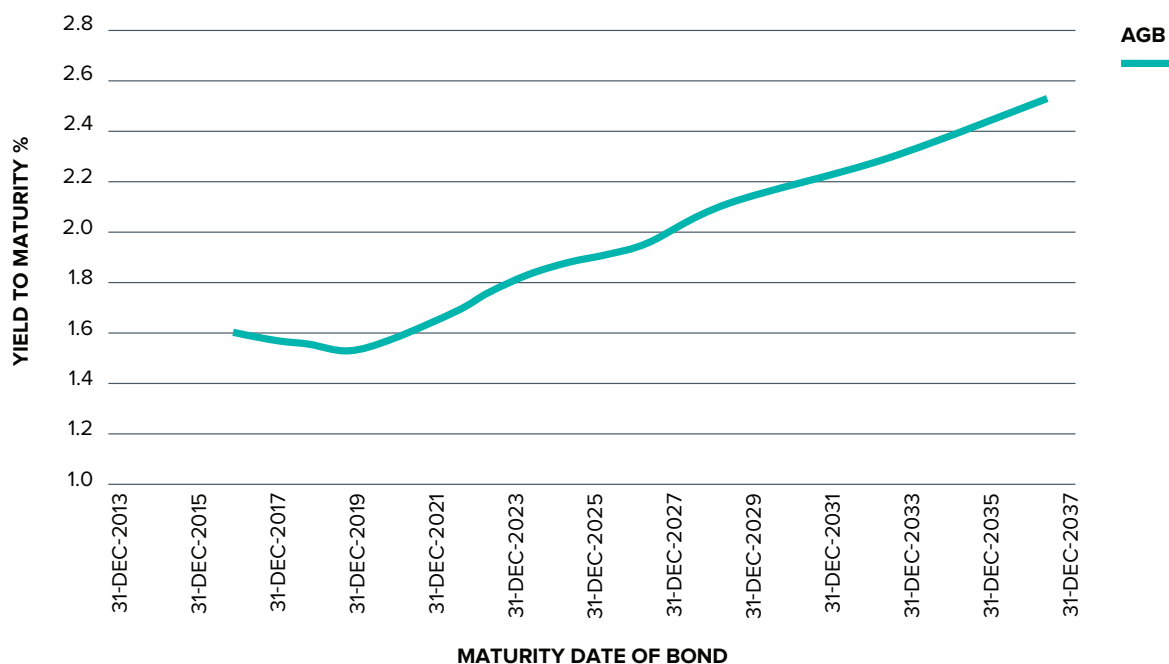
However the ability to reinvest the funds at the same rate rarely happens and shows a limitation to these methods of calculating Yields

4.7.2 GOVERNMENT BONDS

Government bonds are typically considered to be the lowest risk investments available for any given investment period. This is because the market views the risk that the Government will default on its payment obligations to be low. As a result, the yield on Government bonds is often used as a 'benchmark rate' against which other investments are compared.

The Yield Curve in Figure 4.2 represents the cost of borrowing, as at 30 September 2016, to the Commonwealth Government for maturities to 21 April 2037 (source: Bloomberg). It is intended to demonstrate that the Commonwealth will pay higher borrower costs as the term of that borrowing is extended. It is not intended to be an estimate or forward looking statement in respect of the costs of borrowing for the Commonwealth and provides a benchmark against which other investments can be compared.

► FIGURE 4.2: AUSTRALIAN COMMONWEALTH GOVERNMENT YIELD CURVE



SOURCE: BLOOMBERG AS AT 30 SEPTEMBER 2016

About Corporate Bonds and the Corporate Bond Market

4.7.3 CREDIT SPREAD OR PREMIUM

The Credit Spread (or Credit Premium) of a corporate bond represents the additional risk/reward the investor is able to take when buying a corporate bond. The additional credit risk is reflected as additional interest income above a reference or benchmark rate. In Australia, a useful benchmark rate is the Australian government bond Yield Curve.

For example, if the Yield on a Government bond is 4% and the Yield on a corporate bond is 6.5% then the 'Credit Spread' is 2.5%. In other words, investors require a 2.5% Credit Spread to hold the corporate bond, compared to the Government bond. The Credit Spread represents the additional return required by investors to invest in corporate bonds, which carry greater risk, compared to Government bonds.

The following chart "Figure 4.3 Comparison of Corporate Yields" shows the Yields of two bonds – a Telstra bond and an Ausnet Services bond, against the government bond Yield Curve, which graphically demonstrates the Credit Spread principle.

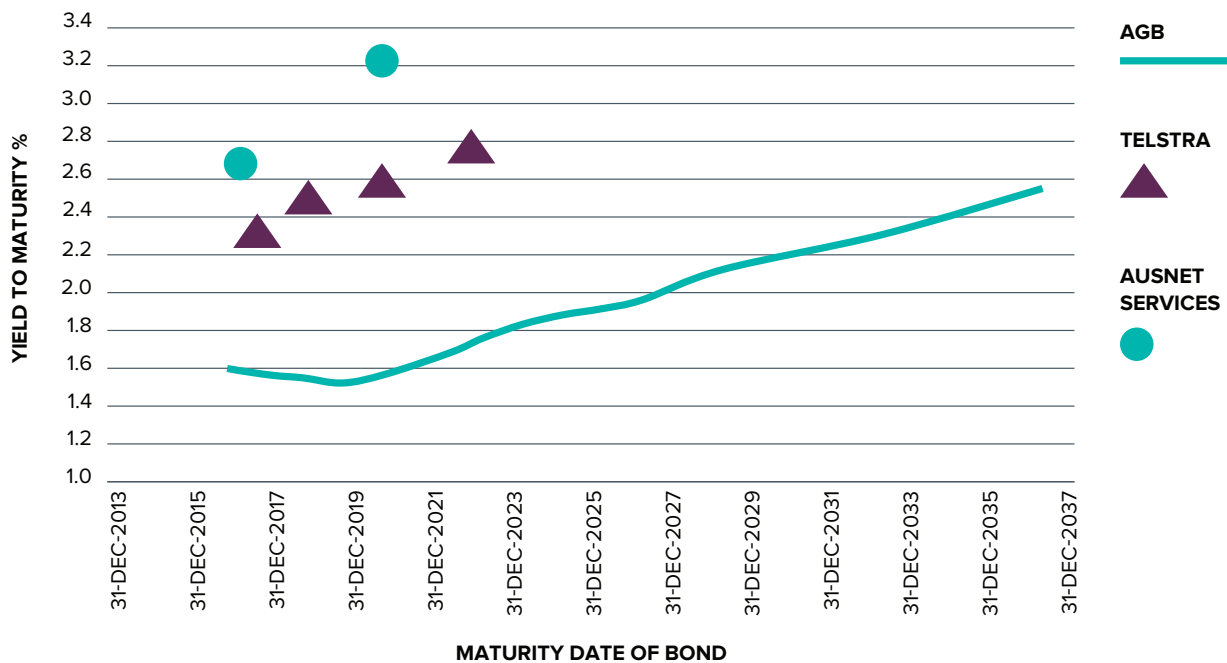
4.7.4 COMPARING YIELDS ON CORPORATE BONDS

Corporate bonds can be compared on a Yield basis.

For example, Companies A and B have both issued a 5-year bond with the same terms, Principal, Coupon Rate and Maturity Date. However, each bond is trading at a different price, resulting in a different Yield. Company A's bond has a Yield of 5% and Company B's bond has a Yield of 6%. Investors can say that Company B has a greater 'Credit Spread' (discussed above) than Company A – 1% greater in this case.

However, investors should be aware of the limitation of comparing different types of bonds when the bonds have different maturity dates.

FIGURE 4.3: COMPARISON OF CORPORATE YIELDS
YIELD ON TELSTRA AND AUSNET SERVICES BONDS COMPARED TO AUSTRALIAN GOVERNMENT BONDS



SOURCE: BLOOMBERG AS AT 30 SEPTEMBER 2016

About Corporate Bonds and the Corporate Bond Market

4.7.5 VALUING BONDS BASED ON INDIVIDUAL CHARACTERISTICS OF THE BOND ISSUER

Even though two corporates may have very similar businesses, their respective bonds may trade with a different Credit Spread to the benchmark Government bond. This can occur for a variety of reasons.

For example, Companies C and D each issue 5-year bonds on similar terms, but Company C has a bond Yield of 6% and Company D has a bond Yield of 6.25%. The difference in Yield may be explained, without limitation, by:

- **Availability of credit** – Company D may have issued a greater number of bonds than Company C. In order to incentivise investors to purchase Company D's bonds, it may have to issue them with a higher coupon, leading to a higher Yield.
- **Balance sheet** – the market may have concerns with Company D's balance sheet that cause it to trade at the higher Yield. Investors may prefer Company C's bonds, even with the lower Yield.
- **Corporate event** – Company D may have announced news that impacts investors' assessment of Company D's ability to repay its debt, which requires a higher premium for investing in Company's D's credit.
- **Capital ranking** – The bonds may have a different capital ranking (see Section 4.8 below).

4.8 Capital ranking and corporate bonds

A company's capital structure is the mix of debt, equity and hybrid securities used to finance its operations.

The capital structure is ranked in order of repayment of debt to investors, in terms of who has priority over another when receiving their money, otherwise known as 'capital ranking'. The following table provides an example of a typical capital ranking structure of a company.

| RANKING | TYPE | DESCRIPTION |
|---------------|----------------------------------|--|
| Higher | Secured Debt Preferred Creditors | Debts (often bank loans) secured against specific assets Mandatorily preferred creditors such as employee entitlements and amounts owing to the ATO |
| | Senior Unsecured Debt | Corporate bonds, Transferable Certificates of Deposit and/ or bank debts |
| | Subordinated Debt and Hybrids | Subordinated debt obligations and/or equity debt hybrids |
| Lower | Ordinary Equity | Ordinary shares |

The Underlying Bonds are typically senior unsecured debt obligations of the Bond Issuers. This means that they rank behind secured debt (if any), and mandatorily preferred creditors (e.g., employees) in the Bond Issuer's capital structure (that is, they are lower in the 'capital ranking' than secured or preferred debt) but ahead of subordinated debt, hybrids and ordinary equity. As the Underlying Bonds are higher in the capital ranking of the Bond Issuers than subordinated debt, hybrids and equity, bondholders will be paid out before holders of those other securities in the event of a winding up of the Bond Issuer, but will be paid after any secured and preferred creditors, unless the Underlying Bond is a secured bond.

Where the term "corporate bonds" is used in the fixed income industry (and ASIC's education material), it is generally referring to the senior unsecured bonds and not any lower ranking security. Although some issuers may issue senior secured bonds, in which case the bonds will be secured against a particular asset or group of assets of the issuer.

4.9 Where are corporate bonds traded?

In Australia, corporate bonds are predominantly traded in the wholesale market. Investors in XTBs should be aware of the fact there is a wholesale bond market where the Underlying Bonds are traded between institutional investors.

Trading in the wholesale market takes place both over the phone between banks, brokers and asset managers ('OTC' or 'over the counter' trading) as well as on electronic trading platforms.

Wholesale bond trades are usually settled by a settlement organisation called Austraclear, which is a subsidiary of ASX Limited.

4.10 Credit Ratings

Bond issuers can request credit ratings from credit ratings agencies for the bonds they issue or for the issuer themselves. Rating scales are defined by each credit ratings agency and can broadly be broken down into 'investment grade' ratings and 'non-investment grade' ratings.

These ratings are produced for wholesale market investors and not for retail investors. Although the Underlying Bonds may have been rated, the XTBs have not been.

The fact that an Underlying Bond has received a credit rating should not be the basis for an investment decision, as these ratings are inherently limited in their scope. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, cancellation, reduction or withdrawal at any time by the relevant rating agency. Each rating should be evaluated independently of any other rating. Further, a credit rating is merely the opinion of the particular ratings agency on the ability of a bond issuer to make interest payments and to repay the rated debt when due.

4.11 What information is available on the Securities Manager's website?

Information investors can find on the Securities Manager's website, www.xtbs.com.au will include:

1. All PDSs for XTBs the Securities Manager and Responsible Entity have issued and published; and
2. Links to useful websites.

The Responsible Entity and Securities Manager encourage all investors, particularly individual investors who may not be familiar with fixed income investment, to take the time to educate and familiarise themselves with the information in this PDS and the educational material on fixed income investments that is available before making a decision to invest in XTBs. The information in this section is not intended

to replace professional advice or any detailed consideration of the investment subject of this PDS. Investors should obtain independent professional advice from appropriately licensed financial, legal and tax advisers.

References to the Securities Manager's website are included for reference only and the information and documents that can be accessed on that internet site are not incorporated by reference into, and do not form part of, this PDS unless specifically identified in a section of this PDS entitled "documents incorporated by reference", if any.

4.12 What information is available on the ASX website?

As part of quoting XTBs on ASX, the Responsible Entity and Securities Manager will make a range of information available to investors via the ASX Market Announcements Platform and the ASX website.

Investors can find information on the ASX website, www.asx.com.au, which can be sourced by searching for announcements under the ticker 'YTM'. This information will include:

1. The relevant PDS for the XTBs and any additional supplementary PDSs the Responsible Entity has published for the Classes of XTb.
2. Any market announcements made by the Responsible Entity.
3. Announcements made by the Bond Issuers in relation to the Underlying Bonds to investors in those bonds (including the Responsible Entity on behalf of the Trust), which the Bond Issuer has not already released to ASX (there are unlikely to be any such announcements).

4.13 ASX online education

The ASX provides a wide range of educational material and online courses relating to fixed income investments. ASX has two online educational courses that investors can complete on fixed income investments. The most relevant ASX course, if you are considering an investment in XTBs, is the ASX course on bonds and hybrids.

You can access that course at the ASX website at:

<http://www.asx.com.au/education/bonds-course.htm>

The ASX course may help you to learn about the features, benefits and risks of bonds and hybrids.

ASX also has an online educational course that relates specifically to Commonwealth Government Bonds, and how retail investors can access these securities on ASX via a depositary security called CHES Depositary Interests, or CDIs for short. ASX has called these investments Australian Government Bonds, or AGBs for short.

About Corporate Bonds and the Corporate Bond Market

AGBs are different to the Underlying Bonds because the Underlying Bonds are issued by ASX listed entities or subsidiaries of ASX listed entities and not the Commonwealth Government. XTBs and the Underlying Bonds are not in any way associated with, or guaranteed by, the Commonwealth Government. However, this additional source of education on the general principles of bond investment and trading may be helpful to augment investor understanding more generally:

<https://www.asx.com.au/education/australian-government-bonds-course.htm>

ASX has also published a downloadable and printable guide entitled 'Understanding Bonds' which may further help investors to familiarise themselves with fixed income investments. The guide is available from:

<http://www.asx.com.au/education/download-brochures.htm>

General ASX educational content on fixed income investments is also available at:

<http://www.asx.com.au/products/bonds.htm>

Investors should be aware that the ASX educational material is very general in nature and applies to a wide range of different investments and does not specifically consider the XTBs offered under this PDS or the Underlying Bonds. Neither the Responsible Entity nor the Securities Manager were involved in the preparation of the documents above. To the extent permitted by law the Responsible Entity and Securities Manager disclaim all liability for any loss, costs, damage or expense incurred as a result of accessing or relying on the information contained in the above referenced training materials.

4.14 ASIC educational guide for retail investors

ASIC has published a guide for retail investors considering an investment in corporate bonds called 'Investing in corporate bonds?' ("**ASIC Bond Guide**"). If you are unfamiliar with corporate bonds, you should read the ASIC Bond Guide before making a decision to invest in XTBs. A free copy of the ASIC Bond Guide can be obtained from ASIC's MoneySmart website at www.moneysmart.gov.au/publications or by calling ASIC on 1300 300 630.

4.15 Education seminars and other education sources

A range of educational material may be available on the Securities Manager's website at www.xtbs.com.au from time to time, including brochures and online educational content about the XTBs and the Underlying Bonds.

The Securities Manager may also from time to time undertake a nationwide program of educational seminars and/or webinars for brokers and other financial advisers, as well as for individual investors. Please contact the Securities Manager at the address and telephone number in 'Contact Details' at the back of this PDS to find out when the next educational seminar or webinar is on.

Certain educational seminars provided by the Securities Manager and the Product Disclosure Statement for Series 1 of XTBs have been accredited for continuing professional development by the Financial Planning Association of Australia, but this does not constitute FPA's endorsement of any financial product nor does it constitute an endorsement the educational activity and is subject to completion of the relevant assessment. FPA has not been involved in the preparation of this PDS and takes no responsibility for any statement made in the PDS.

4.16 Bond Documentation

Bond issuers issue bonds under relatively standard forms of documentation, typically called a 'Medium Term Note Programme' or 'Debt Issuance Programme' ("**Debt Issuance Programme**"). The Debt Issuance Programme is not a prospectus under the Corporations Act, and is prepared for institutional and professional investors, and not for any other investors.

The Debt Issuance Programme consists of a "master" or "umbrella" document (the "**Base Terms**"), which is generally contained in an Offering Circular or Information Memorandum. It is a base document that describes the generic terms of issue of a program of debt issuance. The Base Terms provides the general terms for a number of separate issues of bonds, but does not provide some of the key pricing information for a particular bond issue such as the Bond's actual coupon, maturity date, or the price/yield the bond is being issued at.

In addition, for each bond issue under the Debt Issuance Programme, the Bond Issuer will prepare a short document (usually called a "**Pricing Supplement**") with the specific key terms for a particular bond issue including the issue size, coupon, issue date, maturity date, and any non-standard terms that relate to that particular issue. The Pricing Supplement is published just prior to each new bond issue and is specific to that particular issue. The final terms are additional to and may modify the application of the Base Terms. It contains all the key pricing information needed by the market to value and price the specific bond.

Bond terms typically contain some common significant terms. On the next page is a summary of more common terms:

About Corporate Bonds and the Corporate Bond Market

| TERM | EXPLANATION |
|----------------------------------|---|
| Bond Issuer | The company or other entity that is the issuer of the bond. In some circumstances it will not be the ASX listed entity, rather it can be a finance company or other company within the group or a company that is the legal owner of the majority of the assets of the group. |
| Guarantor | In circumstances where the Bond Issuer of a bond is a group company or where the Bond Issuer is not entitled to the majority of the assets of the group, the bond market often requires the Bond Issuer to be guaranteed by the ultimate parent entity (often the ASX listed company) or other group companies that together own the majority of the assets of the group. The guarantee is a senior unsecured obligation of the Guarantor in most circumstances, and is not secured against any particular property of the Guarantor(s). |
| Base Terms | The Base Terms as described above, which set out the basic terms of a programme of debt issuance. It is a master document that is modified by a Pricing Supplement. |
| Pricing Supplement | The terms which relate to an individual issuance of debt under the programme. |
| Governing Law | The law that is applicable to the bond programme, often the jurisdiction in which the Bond Issuer is incorporated or carries on business. All of the Underlying Bonds described in this PDS have the laws of an Australian State or Territory as the governing law. |
| Nature of the Bond | The nature of a bond sets out whether it is secured or unsecured, and where the bond sits in the capital structure and its ranking in the event of a default. Underlying Bonds described in this PDS will generally be senior unsecured and unsubordinated bonds that rank equally with all other senior unsecured obligations of the Bond Issuer and/or Guarantor(s), rank behind secured (if unsecured) and mandatorily preferred creditors, but ahead of subordinated creditors, hybrid investors and equity investors. Some issuers may issue senior secured bonds. Senior secured bonds will generally be secured by particular assets of the Bond Issuer, in such circumstances those assets are used to satisfy the obligations to the secured bond holders. If the claims of secured bondholders are not satisfied by the secured assets, then the bondholder may claim for the residual amount as an unsecured creditor. |
| Currency | The lawful currency in which the bonds are issued, i.e. A\$. All of the Underlying Bonds described in this PDS have the Australian Dollar as the currency of issue. |
| Issue Date | The date on which the bonds are originally issued to investors. |
| Maturity Date | The date on which the bonds are scheduled to mature. It is usually the last date in the final coupon period. |
| Issue Size | The total amount the Bond Issuer must repay on Maturity. |
| Bond Denomination | The Face Value of a Bond. Generally it is \$10,000, although some Bond Issuers can have other denominations, e.g. \$1,000 or \$100,000. |
| Interest Rate/Coupon Rate | The rate of interest payable during the life of the bond. It is expressed as a percentage and is payable in respect of the Face Value of the bond, for example a bond with a Face Value of \$10,000 paying semi-annual coupons and with an interest rate of 5% will pay $(\$10,000 \times 0.05)/2 = \250 semi-annually. |
| Interest/Coupon Date(s) | The date(s) on which Coupon Payments are made by the Bond Issuer. If any of these scheduled dates is not a Business Day, then the Interest/Coupon Dates will generally be the next Business Day. |
| Change of Control | An event where a person becomes able to control the company, usually by becoming entitled to voting power in excess of 50% of the votes attached to ordinary equity of the Bond Issuer. If a change of control is triggered and the Bond Issuer ceases to be considered a certain rating by ratings agencies there is often a step-up in the Interest Rate or an Event of Default may have occurred. |

About Corporate Bonds and the Corporate Bond Market

| TERM | EXPLANATION |
|------------------------------------|---|
| Covenants | <p>A legally binding term of an agreement between a Bond Issuer and a bondholder. Bond covenants are designed to protect the interests of both parties. Negative or restrictive covenants forbid the Bond Issuer from undertaking certain activities; positive or affirmative covenants require the Bond Issuer to meet specific requirements. Possible bond covenants might include a Negative Pledge, requirements that the issuer provide audited financial statements to bondholders and limitations on the Bond Issuer's ability to make new capital investments. When a Bond Issuer violates a bond covenant, it is considered to be in technical default. A common penalty for violating a bond covenant is the downgrading of a bond's credit rating, which could make it less attractive to investors and increase the Bond Issuer's borrowing costs.</p> |
| Negative pledge | <p>A negative pledge is a form of Covenant where a borrower agrees not to pledge any of its assets as security and/or not to incur further indebtedness. In a bond issue, this typically takes the form of a negative covenant where the Bond Issuer agrees not to use any of its assets as security for another debt obligation or other liability, if doing so would adversely impact bondholders and thus increase the risk of the bond. This protects bondholders and can allow the Bond Issuer to pay a lower Coupon Rate.</p> |
| Early Redemption | <p>In some circumstances, the Bond Issuer may request an early redemption, which is essentially a call option. The Base Terms or the Pricing Supplement will specify the circumstances in which the Bond Issuer may call the bonds.</p> <p>In other circumstances, the bondholders may request an early redemption, the circumstances will be specified in the Base Terms or the Pricing Supplement.</p> <p>If no early redemption events are specified, then the Bond Issuer or bondholders generally may not request an early redemption.</p> <p>All Underlying Bonds referred to in this PDS have a right for the Bond Issuer to declare an Early Redemption for tax reasons.</p> <p>Some of the Bonds referred to in this PDS give the Bond Issuer the right to redeem early, Section 6 "About the Underlying Bonds".</p> |
| Events of Default | <p>An event of default is a breach of the terms of the bond issuance programme, the consequences of which are that bondholders can give a notice to the Bond Issuer declaring an early termination amount to be immediately due and payable.</p> <p>The Events of Default in a Debt Issuance Programme are generally standardised and relate to the finances of the Bond Issuer and their ability to meet their obligations under the Debt Issuance Programme. The specific Events of Default are generally requested by the banks that arrange the transactions, acting on behalf of the investors to whom they sell the bonds. Where there is a particular risk associated with a Bond Issuer, there may be additional Events of Default requested by the banks. An example of an additional Event of Default that may be requested of a Bond Issuer is Loss of Licence/Authorisation, this is generally a reflection of the Bond Issuer operating in a regulated market and where the loss of such licence or authorisation could significantly impact on their ability to meet their obligations under the Debt Issuance Programme.</p> |
| Failure to Pay/Non-Payment | <p>A failure to pay the coupon or to repay the Principal at Maturity. There is usually a cure period of up to 30 days for non-payment of interest or up to 5 days for non-payment of Principal.</p> |
| Breach of Other Obligations | <p>Failure to comply with a material obligation under a bond, for example a breach of a covenant, such as the Negative Pledge.</p> |
| Cross-default | <p>A provision in a bond's terms that puts the borrower in default if the borrower defaults on another obligation that is above a threshold amount (typically of a minimum size, e.g., greater than \$50 million). This provides more security to the bond investor.</p> |

About Corporate Bonds and the Corporate Bond Market

| TERM | EXPLANATION |
|---|---|
| Insolvency | Refers to circumstances where the Bond Issuer or the Guarantor(s) are unable to pay their debts when they fall due, stops or suspends payments of all or a material part of its indebtedness or a moratorium is agreed or declared in respect of all or a material part of the indebtedness of the Bond Issuer or a Guarantor. A default for all of the Underlying Bonds described in this PDS. |
| Administration | Refers to circumstances where a receiver, receiver and manager, liquidator, administrator or similar officer is appointed in respect of all or the major part of the property of the Bond Issuer and the Bond Issuer has not within seven days of the appointment commenced proceedings for the removal of such a person and such person has not been removed or retired within 30 days of such appointment. A default for all of the Underlying Bonds described in this PDS. |
| Voluntary Winding Up | The Bond Issuer or Guarantor(s) take steps to voluntarily wind up the company by appointing a liquidator. A default for all of the Underlying Bonds described in this PDS. |
| Scheme of Arrangement/Compromise | The Bond Issuer enters into a scheme of arrangement or compromise with its creditors. Generally there will be a carve-out for a solvent reorganisation. |
| Enforcement or Attachment | An obligation is enforced or attachment is made against a substantial part of the assets of the Bond Issuer, usually has a minimum threshold, for example \$50 million. |
| Cessation of Business | The Bond Issuer ceases to carry on all or a substantial part of its business that has or is reasonably likely to have a Material Adverse Effect. |
| Obligations Unenforceable | If any of the obligations under the documents become void or otherwise unenforceable, then it will constitute an Event of Default. For example, if a guarantee becomes void then it would constitute an Event of Default under most bond documentation. A default for all of the Underlying Bonds described in this PDS. |
| Nationalisation | All or a substantial part of the assets of the Bond Issuer or a Guarantor are compulsorily acquired by, or by order of, a governmental, or any governmental authority orders the sale or divesting of all or a substantial part of the assets of the Bond Issuer or a Guarantor, and in any case such action has or is reasonably likely to have a Material Adverse Effect. |
| Loss of Licence/Authorisation | Where the Bond Issuer operates in a regulated market or relies on some form of governmental authorisation to carry on business, for example the financial services industry, a loss of licence or authorisation may cause the Bond Issuer to immediately cease to carry on business, potentially increasing the likelihood of a default under the bond programme. |

For more information on the specific terms of the Underlying Bonds, please refer to Section 6 “About the Underlying Bonds”, where the Securities Manager has prepared a summary of the key terms of each Underlying Bond.

Disclosure Obligations of the Bond Issuers



The Bond Issuers are ASX listed entities or a subsidiary of an ASX listed entity that issues equity securities that are traded in Australia on markets run by the Market Operators ASX and Chi-X. The Bond Issuers also issue fixed income instruments such as bonds that are traded in Australia on:

- i. Yieldbroker, a fixed income wholesale market platform; or
- ii. between wholesale market participants in an over-the-counter fashion (off-exchange).

The information in this section relates to Bond Issuers generally. Information about the Underlying Bonds is contained in Section 6.

This section includes a general outline of:

- a. The obligations of ASX listed entities under the law and the ASX Listing Rules to keep the market informed about the entities themselves and the securities they have on issue.
- b. The kinds of disclosure that listed companies make that investors in the XTBs should be monitoring on a regular basis.
- c. Where investors in XTBs can access available information.

5.1 The obligations of ASX listed companies

Listing on an exchange, such as the ASX, involves the entities in question taking on significant disclosure obligations to provide a wide range of information to investors, the broader market and to ASX and ASIC.

These disclosure obligations arise for public companies and other entities under the law and the ASX Listing Rules.

The broad purpose of the combined disclosure obligations of the law and ASX Listing Rules is to ensure that investors are given all the information that is relevant, reasonable and practical to provide in order that they, and their advisers can properly assess an investment in the securities of the issuer.

5.2 The Prospectus

Prior to becoming listed on the ASX, the majority of listed entities access capital from the public by producing a Prospectus. A Prospectus is an offer and disclosure document for securities being offered for the first time to the general public (including retail investors).

The Prospectus should include all relevant information that investors reasonably need to assess an investment in the entity in question.

Producing a Prospectus brings with it considerable liability for the directors and senior executives, which promotes sufficient rigour and due diligence in the preparation of the Prospectus. The Prospectus should provide a comprehensive and thorough picture of the entity, its financial standing, its business activities and its securities, in order that investors are sufficiently informed about the risks as well as the rewards of investing in the entity.

A Prospectus contains all the information, including financial information, required to be produced by publicly listed entities, which includes:

1. The 'profit & loss statement', sometimes also called the 'P&L', or 'income statement';
2. The 'balance sheet', sometimes also called the 'statement of financial position';
3. The 'statement of cash flows';
4. The 'notes to the financial statements', which contain important detail on the three main statements on the financial position of the entity.

In addition, the prospectus will contain information about:

1. What business the entity carries on;
2. Risks of the entity's business;
3. The entity's board and management personnel; and
4. Its corporate governance.

It is important to note that the Underlying Bonds referred to in this PDS have not been issued pursuant to a prospectus.

No prospectus is required to be issued by the Issuer of the Underlying Bonds. ASIC have confirmed that, in their view, section 707 of the Corporations Act does not apply to XTBs and the Underlying Bonds, notwithstanding they are unseasoned at the time of the offer of the Class of XTb.

5.3 Ongoing Disclosure

The entity also has significant ongoing disclosure obligations that continue for so long as the entity is publicly traded.

For the purposes of this Section 5, and XTB Holders understanding of the relevant disclosure made by the Bond Issuers, disclosure obligations are divided into two main categories:

1. Periodic Disclosure; and
2. Continuous Disclosure.

There are a number of obligations under the law and ASX Listing Rules that impact listed entities. The majority of these relate to the equity securities of the entity. Examples include, but are not limited to, rules in respect of:

- The issue of new securities;
- Takeovers and acquisitions;
- Related party transactions;
- General meetings of equity holders;
- Protection of voting rights;
- Resource company disclosure;
- Executive and director remuneration; and
- Corporate governance.

However, for investors in XTBs, which provide economic exposure to the performance of Senior Bonds of ASX listed entities or subsidiaries of ASX listed entities, the most relevant disclosures relate to:

1. **Periodic Disclosure** – The financial affairs of the entity at periodic points in time; and
2. **Continuous Disclosure** – Any significant change to the financials, day-to-day business, prospects of the entity or anything else that would have an impact on the price or value of the entity's securities.

5.4 Periodic Disclosure

Periodic Disclosure obligations act to provide investors with regular information about the financial affairs of entities. Periodic Disclosure is based on the financial year end of the entity. In Australia, companies and other entities select their own end of financial year, with many choosing 30 June as their balance sheet dates.

Based on its year end, ASX listed entities are obliged by both the law and the ASX Listing Rules to report on the financial state of affairs of the entity:

1. In the 'Annual Report', a document that provides the most comprehensive report on the company, its business, its divisions, its financials, its board and senior management and compliance with the corporate governance framework.
2. In the 'Preliminary Report', which usually comes out ahead of the annual report, when the financial statements have been completed.
3. In the 'Interim Report', which provides a report on the financial state of affairs of the company in the first half of its financial year.

Each of these reports are filed with both ASIC and ASX and are available on the ASX website, under the Company Announcements section. They can also be accessed, for a fee, through the ASIC website.

The statutory accounts are presented in long-established standard formats, designed for interpretation by investors, advisers, analysts, the media and the supervisory, surveillance and compliance divisions of ASX and ASIC.

Both equity and debt markets relating to ASX listed entities rely heavily on the Periodic Disclosure regime to assess financial performance and therefore the value of the securities that the entity has on issue, **including both equity and debt securities**.

Financial ratios may be relevant when assessing the merits of an investment in a particular Underlying Bond. Corporations Regulation 6D.2.06 specifies financial ratios that are considered relevant to an issuer of Simple Corporate Bonds. Table 1.1 includes these key financial ratios in respect of the Issuer (or listed parent entity of the Issuer) of the Underlying Bonds, as at the date of the most recent accounts that were available on the date of this PDS and based on the Issuer's definition of those accounting concepts in those accounts. For future analysis of these key financial ratios, please see the most recent financial accounts published by the Issuer via the ASX Market Announcements Platform.

Disclosure Obligations of the Bond Issuers

| RATIO | METHODOLOGY | SIMPLE EXPLANATION |
|------------------------------|---------------------------------------|---|
| Gearing Ratio | Total Liabilities Total Equity | A solvency ratio that indicates how much of the company's assets are financed with debt, relative to equity. |
| Working Capital Ratio | Current Assets Current Liabilities | Is a measure of the short term or current ability of the company to meet short term liabilities. The higher the ratio, the more likely it is considered that the company can meet its short-term obligations. A ratio of less than one may be an indication of liquidity problems. |
| Interest Cover Ratio | EBITDA Net Interest Expense | A solvency ratio to assess the extent a company's current annual cash flow covers its current annual debt obligations. A ratio of 4 indicates the company has 4 times more cash flow than interest payments. A ratio of 1 indicates that the company is only just meeting its debt obligations. EBITDA is 'earnings before interest, tax, depreciation and amortization' and is used as a proxy for cash flow. In some circumstances it may be appropriate to apply an alternative calculation and use EBIT as opposed to EBITDA or EBITDAR, with EBIT being a more conservative measure of earnings. |

5.5 Continuous Disclosure

Australia also has a Continuous Disclosure regime that essentially means that ASX listed entities are continually obligated to inform the market, subject to certain reasonable exceptions, of anything that is likely to impact the price or value of an entity's securities.

The Continuous Disclosure regime is designed to promote an informed market in the period between an entity's six-monthly (Periodic) financial reporting obligations. It does not mean an entity has to constantly update and provide its statutory accounts, rather it is *in-specie* required to disclose, subject to certain exceptions, *anything* that a reasonable person would expect to be released to the market that would be likely to have an impact on the price or value of the entity's securities.

For example, the obligation to report something under Continuous Disclosure might arise from developments in an entity's day-to-day business, its financial state of affairs, a profit upgrade or downgrade, the impact of regulation on its business, changes in its main customer relationships, a credit rating change from a major ratings agency, major contracts the market expects the entity to win, its cost base, significant write-downs, input prices such as commodity prices, etc.

5.6 Disclosure most relevant to XTB Holders

XTB Holders should monitor all disclosures made by the Bond Issuer or its listed parent entity. However, XTB Holders should pay particular attention to any disclosure that would have an impact on the Bond Issuer's ability to meet its obligations to pay the interest on, or repay the Principal amount of the Underlying Bonds, or indeed of any of the entity's indebtedness (bank loans, other bonds or hybrids).

As Periodic Disclosure provides a snapshot of an entity's financial state of affairs and its ability to meet its debt obligations, XTB Holders should monitor Periodic Disclosure because one of the main risks of investing in an XTB is the credit risk of the Bond Issuer or any Guarantor.

Some Continuous Disclosure announcements may be very relevant for XTB Holders and some may be less relevant. XTB Holders should monitor announcements made by Bond Issuers or its listed parent entity and seek advice from their financial advisers on whether particular announcements have a bearing on the Bond Issuer's ability to meet its obligations to pay interest, or repay the Principal amount on the Underlying Bonds and what it means for that Bond Issuer's creditworthiness and financial stability.

The following types of announcement are amongst those that XTB Holders should particularly be aware of:

1. Significant profit downgrades;
2. Asset write-downs;
3. Adverse regulatory, tax, court rulings, or litigation;
4. Credit rating changes, such as downgrades, or companies going on 'credit-watch' from the major credit ratings agencies; and
5. Investor and analyst briefings.

Disclosure Obligations of the Bond Issuers

In the event that an entity makes such an announcement, an XTB Holder should consider whether or not to seek advice as to the ability of the Bond Issuer to meet its obligations to pay interest or repay the Principal amount owing on the Underlying Bonds.

Credit ratings on the underlying bonds themselves are not generally available to retail investors. However, when an ASX listed entity is subject to an announcement of a downgrade or placement on credit-watch, then that development may warrant disclosure to ASX in the form of a market announcement.

ASX listed companies often make announcements about matters that mostly impact the equity market. While these announcements are important for general interest, corporate governance and even critically important for equity investors, they may not be as important for investors in the entity's bonds or for XTB Holders if they don't have any impact on the Bond Issuer's ability to meet its obligations to pay interest, or repay the Principal amount on the bonds.

The corporate bond market may not necessarily react in the same way as the equity market to the ebb and flow of information about the affairs of a company. It is impossible to predict how each market will react to any particular piece of information. Set out below is an example to illustrate the potential difference between debt and equity markets:

- ▶ A large company with a strong balance sheet, steady profit and loss growth and steady share price performance is expected by all major equity analysts to hit a certain level of sales growth in its half-yearly interim report.
- ▶ All bank/broker analysts post buy recommendations and a share price target range that is similar across every analyst. As a result, the equity market price moves to a level within the range.
- ▶ The ASX listed company observes this development but becomes aware that its actual sales growth is below the equity market's expectation, by an amount that in its view should be disclosed to the equity market, and so it makes a Continuous Disclosure announcement based on its expectations of sales growth.
- ▶ Based on this new information, all the bank analysts recalibrate their own sales forecasts for the company and post a series of new and again similar share price target ranges, following which, the equity market reprices down to a price within the new range.
- ▶ Nothing about the fall in sales growth causes anybody in the equity market any significant concern. There is no adverse media or analyst commentary and the company's shares maintain their buy recommendation.
- ▶ The impact on the company's balance sheet across the period is immaterial.
- ▶ All of this information would be known to the corporate bond market – but because the sequence of events has nothing to do with the company's creditworthiness, or its ability to repay its debts, then it is possible the corporate bond market would ignore the fluctuation in the equity price and this disclosure would have no impact on the company's bond yields.

Ultimately, whether an announcement will impact bonds, and hence XTBs tracking them is a matter the market will decide, trying to predict whether one event or another will impact the bonds is a matter of subjective opinion. The purpose of the example above is to illustrate the corporate bond market may decide to ignore disclosure it believes is immaterial to bond returns, even if it impacts equity prices.

XTB Holders should seek professional advice from appropriately qualified and experienced advisers before making an investment in XTBs. They should also consider obtaining professional advice prior to forming any view on whether any particular information will or will not impact bond Yields and hence an XTB's performance on ASX.

5.7 Sources of Disclosure on the issuers of the Underlying Bonds

There are many sources of corporate disclosure available to investors, with the main sources being the relevant ASX listed entity's and the ASX website.

The ASX website contains access to:

1. All announcements (all Periodic and Continuous Disclosure) in full PDF and downloadable versions from recent years;
2. All price sensitive announcements are marked with a red \$ (dollar sign). This is an ASX designation that relates more to equities, but generally indicates the more material announcements according to ASX; and
3. Basic information and contact details for the entity.

The ASX code relevant to the Issuer of the Underlying Bonds is set out in Table 1.1 and also section 6 of this PDS. XTB Holders and their advisers can obtain information relating to the Issuer or their ASX listed parent entity by searching the announcements section of the ASX website at www.asx.com.au using that ASX code.

Listed entities often have an investor centre on their website, which provides access to:

1. Announcements made to ASX;
2. Information about general meetings and other matters of interest on the calendar of events; and
3. Corporate governance information.

XTB Holders and their advisers should monitor disclosure on an ongoing basis from the sources noted in this Section 5 and other sources advisers may nominate.

About the Underlying Bonds



The Underlying Bonds for the XTBs offered under this PDS are contained in Table 1.1 'XTBs on Offer'.

All of the information contained in this Section 6 has been prepared by the Securities Manager, based on information available to it at the date of this PDS. The Bond Issuer has had no involvement in the preparation of the summary of the terms of issue relating to a particular Underlying Bond and accepts no responsibility for any errors or omissions made by the Securities Manager.

The Securities Manager has prepared the summaries below, based on debt issuance documents provided to the wholesale market, including the Base Terms and the relevant Pricing Supplement. The Base Terms and the relevant Pricing

Supplement were prepared by the Bond Issuer and with institutional investors in mind, not any other investors. Further, these documents were not prepared by the Bond Issuer with XTBs or potential investors in the XTBs in mind.

The full terms and conditions of issue of the Underlying Bonds are available from the Securities Manager on request.

The information contained in this section is a summary of information relating to the terms of issue of the Underlying Bonds and not the terms of issue of a Class of XTBs providing economic exposure to the Underlying Bonds.

If you have any questions, you should seek advice from your licensed financial adviser before deciding to invest.

6.1 Qantas 2.95% due 27 November 2029

| | |
|--|---|
| Issuer | Qantas Airways Ltd |
| Issuer ASX Code | QAN |
| Base Terms | Information Memorandum dated 7 November 2019 |
| Pricing Supplements | On or about 20 November 2019 |
| Nature of the Bonds | Direct, unconditional, unsecured debt obligations of the Issuer which rank equally among themselves and at least equally with the Issuer's other unsecured debt obligations (except for debt mandatorily preferred by law). |
| Issue Size | A\$425,000,000 |
| Issue Date | 27 November 2019 |
| Maturity Date | 27 November 2029 |
| Interest Rate | 2.95% per annum, payable semi-annually (in two coupons of 1.475%) in arrears on 27 May and 27 November in each year, including the Maturity Date. |
| Bond Denomination | A\$10,000 |
| Repayment at Par on the Maturity Date | On the Maturity Date, bondholders are scheduled to receive the Face Value and the final Coupon Payment for the last Interest Period. |

About the Underlying Bonds

| | |
|--|---|
| Key Risks | <p>The value of an investment in Qantas Bonds may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, debt market conditions and factors that may affect Qantas' financial performance. The following risks may also affect an investment in Qantas Bonds:</p> <ul style="list-style-type: none">➤ Credit Risks – associated with the Issuer and any Guarantors;➤ Liquidity Risk – An active secondary market in respect of the Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell the Bonds;➤ Interest Rate Risk – The value of Fixed Rate Bonds may be adversely affected by movements in market interest rates;➤ Regulatory Risks – The aviation industry in Australia is highly regulated, which can limit Qantas' flexibility and may adversely affect its financial performance;➤ Litigation Risks – Risks relating to litigation and regulatory actions;➤ Default Risk – if an event of default occurs under the Bonds, or Qantas fails to perform any obligation in relation to the Bonds, such event or failure may impact on the value of an investment in the Bonds, the transferability of the Bonds and the ability of a holder to recover amounts due under the Bonds. |
| Key Benefits | <p>Key benefits include:</p> <ul style="list-style-type: none">➤ 10 years remaining until Maturity Date;➤ Interest paid semi-annually in arrears;➤ Interest paid as 100% cash;➤ Interest is not deferrable nor are interest payments discretionary;➤ Rank equally with all other senior and unsecured creditors of the Issuer. |
| Negative Pledge | Not Applicable |
| Early Redemption by Issuer | <p>1. Yes, for tax reasons;</p> <p>2. Yes, the Issuer may redeem all (but not some only) of the Notes before their Maturity Date on the Optional Redemption Date (or within 90 days of the Maturity Date) at their outstanding principal amount together with interest (if any) accrued to (but excluding) the Optional Redemption Date.</p> <p>Where the Optional Redemption Date is 27 August 2029 (or within 90 days of the Maturity Date).</p> |
| Early Redemption by Bondholders | Bondholders can require the Issuer to redeem the bonds at par (100%), where there has been a Change of Control (e.g. an entity gains control of the Issuer) and a credit rating downgrade of the Bonds below a certain rating. |
| Events of Default | <p>Events of Default include:</p> <ul style="list-style-type: none">➤ Failure to Pay: Applicable with a 5 Business Day cure period;➤ Breach of other obligations: Applicable, with a 30 day cure period;➤ Insolvency: Applicable;➤ Cross default: Applicable with Threshold Amount of A\$25,000,000;➤ Enforcement: Applicable;➤ The Issuer ceases to carry on business as an airline. |

Benefits of Investing in XTBs



➤ Benefits of investing in XTBs include:

ACCESS TO RETURNS FROM CORPORATE BONDS:

By investing in XTBs you can obtain an investment exposure to corporate bonds that may often only be available to institutional or wholesale investors.

REGULAR INCOME PAYMENTS:

XTB Holders may receive regular income payments via Distributions. This may allow XTB Holders to manage their cash flows, by matching their income to outgoings.

INVESTMENT TIMEFRAME MANAGEMENT:

XTBs provide investors an opportunity to make an investment with a defined investment maturity date.

TRANSPARENCY:

Investors may track the performance of their investment on ASX, whereas previously this may not have been possible for fixed income investments.

Each XTB Class is issued in respect of an individual Underlying Bond. Therefore, you can clearly track the performance of the investment, unlike some other fixed interest investments, such as managed funds and ETFs, where you may not know the individual investments in the portfolio or the levels at which those investments are valued.

ASX TRADED:

XTBs can be bought and sold on the ASX, subject to liquidity, during normal trading hours.

The Responsible Entity may appoint a Market Maker for XTBs on ASX to assist with liquidity. This does not guarantee liquidity in an XTB. Liquidity in an XTB may be subject to the liquidity in the market for the Underlying Bonds.

DIVERSIFICATION:

An investment in XTBs may assist you to build a diversified investment portfolio and reduce risk.

To achieve diversification within an investment portfolio, investors may invest in a range of asset classes; equities (domestic and international), property and fixed income. Equities and property are generally cyclical growth assets. Including fixed income investments, and fixed income related

investments, such as XTBs, in an investment portfolio may reduce the overall risk of the portfolio and smooth out the returns over the long term. In addition, XTBs can provide an additional source of income, as part of the broader investment portfolio strategy.

INVESTOR CHOICE:

As there may be a range of Underlying Bonds on issue from the same ASX listed entities or their subsidiaries, investors have the potential to select XTBs in a portfolio suited to their individual investment needs and objectives. For example:

- Investment term;
- Type of income – fixed or floating coupons; and
- Credit quality.

SINGLE NAME CREDIT EXPOSURE:

By investing in XTBs you can gain credit exposure to the Bond Issuer of your choice.

CREDIT PROFILE:

In the event of a winding up of a Bond Issuer, holders of Underlying Bonds must be paid in priority to holders of subordinated debt, ordinary shares or hybrid securities (if any) in the Bond Issuer. The Responsible Entity, through the Trustee as holder of the Underlying Bonds, will pass on any payment received in respect of the Underlying Bonds in such circumstances to XTB Holders, less expenses.

INCOME SOURCE:

XTBs provide a source of income for investors that is different to term deposits, hybrids and shares.

Corporate bonds offer the potential for a higher Yield than a term deposit, reflecting the differences in risk of the two investments. As such, XTBs may offer a higher Yield than a term deposit.

AVAILABLE TO SMSFs:

SMSFs may access XTBs as part of an investment portfolio, providing a regular income stream.

Risks of Investing in XTBs



All forms of investment involve some level of risk. Generally, the higher the expected rate of return on an investment, the greater the level of risk and volatility of the returns. Investors in XTBs face a number of risks. It is important you understand the risks of investing in XTBs before you acquire them.

The Responsible Entity and the Securities Manager do not guarantee the performance of, or any return on, an investment in XTBs or that any Distribution will be paid in respect of XTBs. An investment in an XTB may decline in value.

The risks listed below are not, and neither the Responsible Entity nor the Securities Manager represents that they are, the only risks associated with an investment in XTBs. These are the significant risks and do not represent all the risks. The Responsible Entity and the Securities Manager do not represent that the descriptions in the table below are exhaustive.

This section sets out the risks of investing in XTBs.

Exposure to the Creditworthiness of the Bond Issuer

Each Class of XTB is exposed to the creditworthiness of the relevant Bond Issuer. Underlying Bonds are typically senior unsecured obligations of the relevant Bond Issuer. Therefore, the Underlying Bonds rank equally with all other senior unsubordinated and unsecured creditors of the Bond Issuer. The Underlying Bonds rank behind any creditors preferred by law and any secured creditors (if unsecured bonds), but ahead of subordinated debt, ordinary shares or hybrid securities (if any) issued by the Bond Issuer. Some issuers may issue senior secured bonds. Senior secured bonds will generally be secured by particular assets of the Bond Issuer, in such circumstances those assets are used to satisfy the obligations to the secured bond holders. If the claims of secured bondholders are not satisfied by the secured assets, then the bondholder may claim for the residual amount as an unsecured creditor.

There is a risk that the Bond Issuer may default on its obligations in respect of the Underlying Bonds. If the Bond Issuer defaults, XTB Holders could lose their entire investment in respect of that Class of XTBs.

In order to assess potential credit exposure to a Bond Issuer, XTB Holders should consider all publicly available information about the Bond Issuer taking advice from their financial, legal and tax advisers. A key consideration is the financial strength of the Bond Issuer, which may be assessed by considering the financial statements and reports of the Bond Issuer.

Please refer to Section 5 “Disclosure Obligations of the Bond Issuers” for more detail regarding assessing the credit risk of the Bond Issuer.

Liquidity risk

There is the risk that, once quoted, there will be no liquid market for the XTBs at all or from time to time. If there is no liquid market, investors may not be able to sell their XTBs prior to their maturity date.

As XTBs are linked to the performance of the Underlying Bonds, it is likely that the liquidity for a Class of XTBs may correlate to the liquidity in the market for that Underlying Bond. Where the market for an Underlying Bond becomes illiquid, it is likely that the corresponding Class of XTBs will also become illiquid and XTB Holders seeking to sell that Class of XTB may suffer significant losses.

The Responsible Entity, on behalf of the Trust, may provide liquidity to investors on ASX by acting as a buyer and seller of Units. The Responsible Entity has appointed agents to manage and execute its on-market activities. The appointed agents retain all profits and incur losses arising from the on-market activities. Accordingly, the Trust does not bear the risks from the provision of on-market liquidity. The Responsible Entity allows the appointed agents to retain profits from the on-market activities as a fee for their services.

Under the terms of the agreement with these agents, the agents may cease to provide these services under a number of conditions including Units being placed in trading halt or suspension, systems failure relating to the Units or material breach of law. Liquidity in the Units is likely to be more restricted in times where the agents are not providing these services in respect of the Units.

Risks of Investing in XTBs

The Responsible Entity may, separate and in addition to the on-market activities of the Responsible Entity, also appoint a Market Maker to assist in maintaining liquidity of the XTBs, as required by the ASX AQUA Rules. However, the Market Maker may choose to assist liquidity in the XTBs based on the liquidity it can access in the wholesale market for the Underlying Bonds.

The Responsible Entity, its agent and any Market Maker appointed by the Responsible Entity may experience systems failures, which may prevent them from providing bids and offers for a period of time. This may impact on the liquidity in a Class of XTBs or in respect of all Classes of XTBs.

Concentration risk

The performance of each Class of XTB is linked to the performance of the Underlying Bond for that Class, after fees and expenses. The performance of XTBs in a Class is therefore only exposed to the performance of a single Underlying Bond.

XTB Holders holding a single Class of XTBs will not benefit from the diversification of having exposure to a number of ASX listed Australian corporates or from a basket of different types of assets.

Early redemption risk

Some, but not all, Classes of XTB may be redeemed early by the Issuer, please refer to section 6 “About the Underlying Bonds”, in particular the ‘Early Redemption by Issuer’ for each Underlying Bond. If an Underlying Bond is redeemed prior to its maturity date there is a risk that the return on your investment may be affected, including the Yield to Maturity may change.

Market risk

The performance of XTBs is linked to the performance of the Underlying Bonds, after fees and expenses. There is a risk that the value of the Underlying Bonds may decline in response to market factors including, without limitation, changes in interest rates, economic, political and legal conditions, investor perceptions, Australian and worldwide economic conditions, debt market conditions and the relevant Bond Issuer’s financial performance. Changes in market factors may cause the value of the Underlying Bonds and the XTBs to decline.

Underlying Bonds may have been issued at or around the time of the Initial Offer of the corresponding Class of XTB. Although it is not expected to do so, the market for the Underlying Bond may react to macroeconomic inputs differently to other similar securities.

Trust risk

There is a risk that the:

- XTBs could be terminated;
- The fees and expenses of the Securities Manager or Responsible Entity in respect of XTBs could increase;
- The investment objective or investment strategy of the Securities Manager may not be achieved; or
- The Responsible Entity may change or be removed.

Each of these may result in the value of XTBs, or Class of XTBs decreasing substantially or completely, even where the price of the Underlying Bond has remained steady. That is, while every attempt has been made to replicate the economic exposure of XTBs, or Class of XTB to the Underlying Bond, the factors noted above, which are specific to XTBs, or Class of XTB, may result in the value of the XTBs, or Class of XTB decreasing even though the value of the Underlying Bond has not changed.

XTBs cannot be redeemed by all XTB Holders in all circumstances. XTBs can only be redeemed by XTB Holders if XTB Holders apply to redeem at least the Minimum Redemption Amount or multiples of the Minimum Redemption Amount. Additionally XTB Holders who are not Authorised Participants must apply to have their XTBs redeemed through an Authorised Participant. Please refer to Section 3 “Distributions and Redemption of XTBs” for more information.

The Responsible Entity may terminate the XTBs if it considers it to be in the best interest of XTB Holders. The Responsible Entity may treat different Classes of XTB Holders differently, including in the event of termination of the Trust, to reflect the different performance outcomes of the Underlying Bonds and must treat them fairly.

The Responsible Entity will not treat members of the same Class equally, to the extent that only members who hold a Minimum Parcel can make a request to withdraw from the Scheme through an Authorised Participant, except in the case of Early Withdrawal and Automatic Withdrawal.

Risks of Investing in XTBs

| | |
|--|---|
| Disclosure risk | <p>An investment in XTBs is not an investment in the Underlying Bonds. The Trust or the Responsible Entity cannot provide investors with the same level of information about the Bond Issuer and the Underlying Bonds that would be available if the Bond Issuer was offering bonds directly to investors. For example, the Trust or Responsible Entity will not be aware if there is any information that a Bond Issuer is permitted to withhold from the market in accordance with the exceptions in the ASX Listing Rules.</p> |
| Regulatory and tax risk | <p>There is a risk that a government or a regulatory body may change a law, regulation or policy (including, without limitation, tax laws or policies), or that the interpretation of a law or regulation may change, or that a court may make a decision, which adversely affects the value of XTBs or the tax treatment of the Trust or XTB Holders.</p> |
| Quotation risk | <p>An application has been made to ASX for XTBs to be quoted on ASX. No assurance can be made that once quoted, XTBs will at all times remain quoted and it may not be possible to quote XTBs on any market. Once quoted, ASX, a government or a regulatory body may decide that XTBs, or a particular Class or Classes of XTBs, are no longer able to be quoted. If this occurs, the relevant XTB will immediately terminate and the value (if any) you receive in respect of your XTBs may be significantly adversely affected.</p> <p>The ASX reserves the right to halt or suspend trading of any product quoted on the ASX whenever the ASX deems such action to be appropriate. In particular, once quoted, ASX may halt or suspend trading of the XTBs, or a particular Class or Classes of XTBs, on ASX if the Responsible Entity fails to comply with its obligations under the ASX Rules. If trading of XTBs is halted or suspended, you will be unable to buy or sell XTBs on ASX and the Responsible Entity may not accept applications for the issue or redemption of XTBs.</p> |
| Responsible Entity's right of indemnity | <p>There is the risk that, in certain circumstances, the Responsible Entity may make a deduction from Distributions, in order to cover Extraordinary Expenses properly incurred in relation to the Trust. For more information, please refer to Section 2.12 "Responsible Entity's right of indemnity from the assets of the Trust", and Section 9.3.4 "Extraordinary Expenses".</p> |
| Operational risk | <p>The Responsible Entity and Securities Manager both depend on certain operating systems and facilities and service providers to carry out their roles. Those systems and facilities may fail to operate properly or become disabled, and service providers may fail to properly perform their obligations, as a result of events that are wholly or partly outside the Responsible Entity's and Securities Manager's control. This may adversely affect the operation and performance of the Securities Manager and Responsible Entity and may cause them to incur losses.</p> <p>Similarly the Responsible Entity and/or the Securities Manager may not be able to manage the Trust in accordance with the investment objective and strategy or the administrative procedures outlined in this PDS, including without limitation, the publishing of Underlying Bond prices.</p> <p>The Responsible Entity employs a range of risk monitoring and risk mitigation techniques. However, those techniques and the analysis that accompanies their use cannot anticipate every risk and outcome or timing of such outcome.</p> <p>Market Makers appointed by the Responsible Entity may from time to time experience system failures that prevent them from making markets, which may potentially impact on the liquidity for a Class of XTB or for all Classes of XTBs.</p> |
| Counterparty risk | <p>XTB Holders are exposed to counterparty risk in relation to the Responsible Entity, Securities Manager, Custodian and indirectly the Bond Issuer. In each case, XTB Holders may lose their entire investment amount.</p> <p>In addition, a default by a counterparty could lead to increase in fees and expenses as other counterparties may seek to recover their fees and expenses from the Trust.</p> <p>You must make your own assessment of the ability of the Responsible Entity, Securities Manager, Custodian and Bond Issuer to meet their obligations and their general creditworthiness. You can assess the Bond Issuer's or any Guarantor's ability to meet its obligations and its general creditworthiness by reviewing its financial information available from the ASX website at www.asx.com.au, information service providers and the Bond Issuer's website.</p> <p>The Responsible Entity also has the right to transfer its rights and obligations under this PDS. In these circumstances XTB Holders' counterparty risk to the Responsible Entity may change.</p> |

Risks of Investing in XTBs

Pricing risk

The Securities Manager will publish on ASX, on a daily basis, the prior day's closing Yield for each Underlying Bond from the wholesale market. This information will be provided as a reference point for XTBs Holders (refer to Section 2.9 "Market Making in XTBs on ASX") and taken from a source believed to be reliable by the Securities Manager. XTBs may trade at prices (and therefore Yields) on ASX established by the Market Maker and/or other Authorised Participants or brokers and these prices and the Yields they represent may differ from the prior day's closing price and Yield for an Underlying Bond. Further, where there is a material intraday movement in the Yield for an Underlying Bond the Securities Manager will publish a market update using the ASX Market Announcements Platform.

Trading prices and Yields are influenced by a number of factors, including without limitation, the supply of and demand for XTBs and supply of and demand for the Underlying Bonds (which is generally referred to as the liquidity).

The bid (or buy) price and the offer (or sell) price of XTBs on ASX is unlikely to ever be the same. That is, there is always likely to be a bid-offer spread as there is with most ASX traded securities. The bid-offer spread may reduce returns for XTB Holders.

As indicated in the section on liquidity risk, there is a risk that the liquidity in the Underlying Bond market falls or drops to a level where there is no trading in the wholesale market for the Underlying Bond. This is likely to have an impact on the pricing of XTBs on ASX (unless XTBs themselves become very liquid on ASX as a result of a significant volume of XTBs being created).

Ultimately, as for all ASX quoted investment securities that are linked to the value or performance of another asset class, the biggest factor impacting the liquidity of XTBs on ASX is generally the liquidity in the Underlying Bonds.

Segregation and pooling risk

The Underlying Bonds for each Class of XTb are held in separate Underlying Bond Sub-Trusts. Each XTb confers a beneficial interest in the relevant Underlying Bond Sub-Trust, but not an entitlement to, or interest in, any particular Underlying Bond, or part thereof, held in the relevant Underlying Bond Sub-Trust. This means that Underlying Bonds are only pooled together in the relevant Underlying Bond Sub-Trust.

If the Responsible Entity defaults on its obligations under this PDS to a particular Class of XTb Holders, individual XTb Holders can only claim against the assets in the relevant Underlying Bond Sub-Trust (i.e. the Underlying Bonds and any Coupon Payments or other distribution amounts held in the Underlying Bond Sub-Trust). XTb Holders are not entitled to assets of the Responsible Entity outside of the assets of the Underlying Bond Sub-Trust. The relevant XTb Holders will share in any losses on a pro-rata basis.

However, legally the assets and liabilities of a particular Class are the assets and liabilities of the Trust as a whole. As such, if the Trust becomes insolvent, all Classes will be affected. There is a risk that where a Class becomes insolvent, a creditor of the Trust may make a claim against all of the assets of the Trust and not just the assets of the insolvent Class.

Settlement risk

XTb issues and redemptions by the Responsible Entity are subject to the CHES settlement system. The Responsible Entity is exposed to certain risks in the event that an applicant or redeeming XTb Holder does not comply with its settlement obligations.

Applications and redemptions are not covered by the National Guarantee Fund ("NGF"). This means that the Responsible Entity cannot claim against the NGF in the event that an Authorised Participant defaults under its CHES settlement obligations.

Inflation risk

The level of inflation can adversely impact the value of XTBs. If inflation increases, the real (inflation adjusted) return of XTBs will fall.

Information risk

The Underlying Bonds that relate to a Class of XTb have been issued in the wholesale market without a prospectus, based on the information requirements of investment professionals who regularly invest in fixed income securities.

The disclosures provided to participants in the wholesale market may be different to the information that a retail investor might reasonably expect in order to consider the merits of an investment in the Underlying Bonds, if such an investment was made available to retail investors. However, the Issuer of the Underlying Bond, as an ASX listed entity or a subsidiary of an ASX listed, is required, either directly or indirectly, to comply with the continuous and periodic disclosure regimes applicable to an ASX listed entity, depending on whether the Issuer is an ASX listed entity or a subsidiary of an ASX listed entity.

Fees and Other Costs



This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Trust's assets as a whole.

Tax information is set out in Section 10 "Tax" of this PDS.

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

9.1 Consumer advisory warning

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 fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial 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) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

Fees and Other Costs

9.2 Fees and cost table

9.2.1 FEES AND COST TABLE – INITIAL OFFER

| AUSTRALIAN CORPORATE BOND TRUST | | | |
|--|--|--|---|
| TYPE OF FEE OR COST | AMOUNT | | HOW AND WHEN PAID |
| | IF YOU ARE NOT AN AUTHORISED PARTICIPANT | IF YOU ARE AN AUTHORISED PARTICIPANT | |
| FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE TRUST | | | |
| Establishment fee The fee to open your investment | Nil | Nil | |
| Contribution fee The fee on each amount contributed to your investment | 0.40% of the aggregate Underlying Bond Face Value multiplied by the number of years to the Maturity Date of the relevant Underlying Bonds. | N/A | A one-off payment payable at the time of an Application to participate in the Initial Offer. This fee may be negotiated with wholesale clients. |
| Withdrawal fee The fee on each amount you take out of your investment | None | None | However, you may incur brokerage costs when selling XTBs on ASX. |
| Exit fee The fee to close your investment | None | None | N/A |
| MANAGEMENT COSTS | | | |
| The fees and costs for managing your investment | None | None other than the Securities Manager's Margin noted above. | See above "Contribution Fee" for details. |

Fees and Other Costs

9.2.2 FEES AND COST TABLE – CONTINUING OFFER

| AUSTRALIAN CORPORATE BOND TRUST | | | |
|--|--|--|---|
| TYPE OF FEE OR COST | AMOUNT | | HOW AND WHEN PAID |
| | IF YOU ARE NOT AN AUTHORISED PARTICIPANT | IF YOU ARE AN AUTHORISED PARTICIPANT | |
| FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE TRUST | | | |
| Establishment fee The fee to open your investment | Nil | Nil | |
| Contribution fee The fee on each amount contributed to your investment | Nil (note that the Securities Manager's Margin is likely to be embedded in the price of an XTB on ASX) | 0.40% of the aggregate Underlying Bond Face Value multiplied by the number of years to the Maturity Date of the relevant Underlying Bonds. | A one-off payment payable by the Authorised Participant upfront when XTBs are created. The Securities Manager's Margin is not a fee payable by individual investors. However, it is expected that Authorised Participants, when selling XTBs on ASX, will factor in the Securities Manager's Margin into the offer (or sell) price. The Securities Manager's Margin will not be charged for XTBs traded between Market Participants on ASX, only on the creation of new XTBs. Any XTBs acquired to increase your investment will similarly have the Securities Manager's Margin embedded in the XTB price on ASX. This fee may be negotiated with wholesale clients. |
| Withdrawal fee The fee on each amount you take out of your investment | None | None | However, you may incur brokerage costs when selling XTBs on ASX. |
| Exit fee The fee to close your investment | None | None | N/A |
| MANAGEMENT COSTS | | | |
| The fees and costs for managing your investment | None other than the Securities Manager's Margin noted above. | None other than the Securities Manager's Margin noted above. | See above "Contribution Fee" for details. |

Fees and Other Costs

9.2 Fees and cost table CONTINUED

| SERVICE FEES | | | |
|---|-----|-----|--|
| Switching fee | Nil | Nil | <p>There is no switching fee for moving from one Class of XTB to another and the Responsible Entity and the Securities Manager do not provide a switching service in the way some managed funds do.</p> <p>However, switching between one Class of XTB on ASX and another Class may incur brokerage costs from your stock broker (any newly acquired XTBs may also have the Securities Manager's Margin embedded in the acquisition price when acquiring the new XTBs on ASX).</p> |
| The fee for changing investment options | | | |

9.2.3 EXAMPLE OF ANNUAL FEES AND COSTS

The following table provides examples of how the fees and costs for the XTBs can affect your investment over a one-year period for a product with a Maturity Date two years from the date the XTBs were issued. You should use this table to compare these products with other managed investment products.

| EXAMPLE | BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR | |
|------------------------------|--|--|
| Contribution Fees | 0.40% for each year remaining to the Maturity Date of the Underlying Bond. | <p>For every additional \$5,000 you put in, you will be charged \$20 ($\\$5,000 \times 0.40\%$) for each year remaining on the life of the Underlying Bond.</p> <p>Note: It is anticipated that an Authorised Participant will build this fee into the price it sells the XTBs on ASX, when selling XTBs through your broker.</p> |
| PLUS Management Costs | N/A | And , for every \$50,000 you have in the Trust you will be charged \$0 (nil) each year. |
| EQUALS Cost of issue | | <p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:</p> <p>An additional \$20 for each year remaining on the term of the Underlying Bonds that are represented by the additional investment. Assuming the relevant Underlying Bond has 5 years left to maturity, then the fee payable in respect of the additional investment would be \$100.</p> |

9.3 Additional explanation of fees and costs

The only fees payable to the Responsible Entity and Securities Manager (together the providers of XTBs and the Trust) on an investment in the XTBs is the Securities Manager's Margin noted above, which is paid by the Authorised Participant upon creation of the XTBs and will be passed on to investors in the price paid for XTBs on ASX.

There are no other fees, charges or commissions payable to these parties to acquire and hold the XTBs.

This is subject to the Responsible Entity's right of indemnity (as noted in Section 2.12 and covered as a risk in Section 8) to cover unanticipated Extraordinary Expenses (please refer to Section 9.3.4 "Extraordinary Expenses"), which are unanticipated expenses that may arise that are outside the expected normal operation of the Trust and XTBs in a Class. Brokerage paid to stock brokers for trading XTBs on ASX is an expense for investors that is not linked to the fees payable to the Responsible Entity and Securities Manager.

9.3.1 MANAGEMENT COSTS

Management costs are paid out of the Securities Manager's Margin (except in the case of default by the Securities Manager) and include all fees and costs charged by the Responsible Entity and/or Securities Manager for administering the Trust and the XTBs in each Class. Management costs may include, without limitation:

- Regulatory costs;
- Normal legal costs;
- Licensing costs;
- Listing costs;
- Custodian, Registrar and Market Maker costs;
- CHESSE costs;
- Education and marketing costs;
- Operational costs; and
- Taxation costs.

Investors should note that where the Securities Manager is in default under the Investment Management Agreement and has failed to pay an amount due to the Responsible Entity, the Responsible Entity may instead recoup its fees and expenses from the Assets of the relevant Underlying Bond Sub-Trust, or pro rata from the Underlying Bond Sub-Trusts. These fees and expenses will be treated as Extraordinary Expenses (please refer to Section 9.3.4).

9.3.2 NOTIFICATION OF CHANGE OF FEES

The Securities Manager does not intend to change the Securities Manager's Margin during the life of XTBs offered under this PDS. However, the Securities Manager reserves the right to change the Securities Manager's Margin or its fee structure generally in the future in response to the commercial environment. Any change to fees will be notified by publication of a new PDS or supplementary PDS (as required by law).

In the unlikely event the Securities Manager's Margin is changed, the change will only impact potential new investors and not existing investors in XTBs (as the Securities Manager's Margin is a one-off fee paid when XTBs are issued).

However, the Market Price of the XTBs is likely to change as a result of any change in the Securities Manager's Margin.

9.3.3 BROKERAGE COSTS

Individual investors will incur customary brokerage fees and costs when buying and selling XTBs on the ASX. Individual investors should discuss brokerage costs with their stockbroker or licensed financial adviser before buying or selling XTBs.

9.3.4 EXTRAORDINARY EXPENSES

Extraordinary Expenses are not expected to arise, but they would include all fees and costs properly incurred by the Responsible Entity which were not contemplated by the Responsible Entity or Securities Manager at the date of this PDS (see also Section 2.12 "Responsible Entity's right of indemnity to the assets of the Trust" and Section 8 "Risks of Investing in XTBs"). Extraordinary costs would include, for example and without limitation:

- The cost of calling and holding a meeting of XTB Holders, if for example a Bond Issuer defaulted and the Responsible Entity decided to hold an XTB Holder meeting;
- The cost of defending legal proceedings, if for example somebody brought a legal action against the Trust;
- The recovery of any outstanding or ongoing fees as a result of a default by the Securities Manager; or
- The cost of specialist tax advice, if for example a tax issue arose for the Trust that was not contemplated at the date of this PDS.

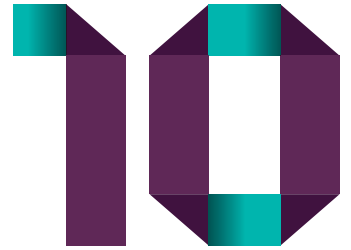
The Trust's Constitution allows the Responsible Entity to deduct Extraordinary Expenses from the specific Underlying Bond Sub-Trust or Underlying Bond Sub-Trusts to which the expense(s) relate or the Trust's assets as a whole (as appropriate) as and when they are incurred. For the avoidance of doubt, Extraordinary Expenses are not included in the management costs nor are they paid by the Responsible Entity.

9.3.5 DIFFERENTIAL FEES – CAN FEES BE DIFFERENT FOR DIFFERENT INVESTORS?

The law allows us to negotiate fees with “wholesale client” investors or otherwise in accordance with ASIC requirements. The size of the investment and other relevant factors may be taken into account. The terms of these arrangements are at our discretion.

9.3.6 GST

All fees and costs set out in this PDS are inclusive of GST and net of any input tax credits (including any reduced input tax credits) which may be available to the Trust, unless otherwise stated. The Responsible Entity may be charged GST on the fees and costs charged by the Responsible Entity in respect of the Trust. Input tax credits (including any reduced input tax credits) may be available to the Responsible Entity which would allow the Trust to claim back a percentage of GST. The remaining portion of GST that the Responsible Entity is not entitled to claim back is a real cost to the Responsible Entity. If the Responsible Entity is required to pay GST on the fees and costs charged by the Responsible Entity in connection with the Trust, it may recover an amount equal to the GST paid from the Trust’s assets as a whole to the extent allowable under the Trust’s Constitution. For more information on tax fees and costs associated with the Trust, please refer to Section 10 “Tax” of this PDS.



Baker McKenzie.

Asia Pacific
Bangkok
Beijing
Brisbane
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta*
Kuala Lumpur*
Manila*
Melbourne
Seoul
Shanghai
Singapore
Sydney
Taipei
Tokyo
Yangon

**Europe, Middle East
& Africa**
Abu Dhabi
Almaty
Amsterdam
Antwerp
Bahrain
Baku
Barcelona
Berlin
Brussels
Budapest
Cairo
Casablanca
Doha
Dubai
Dusseldorf
Frankfurt/Main
Geneva
Istanbul
Jeddah**
Johannesburg
Kyiv
London
Luxembourg
Madrid
Milan
Moscow
Munich
Paris
Prague
Riyadh*
Rome
St. Petersburg
Stockholm
Vienna
Warsaw
Zurich

The Americas
Bogota
Brasilia**
Buenos Aires
Caracas
Chicago
Dallas
Guadalajara
Houston
Juarez
Lima
Mexico City
Miami
Monterrey
New York
Palo Alto
Porto Alegre**
Rio de Janeiro**
San Francisco
Santiago
Sao Paulo**
Tijuana
Toronto
Valencia
Washington, DC

* Associated Firm
** In cooperation with
Trench, Rossi e Watanabe
Advogados

21 November 2019

The Directors
Theta Asset Management Limited
Suite 501, Level 5
210 Clarence Street
Sydney NSW 2000

Dear Directors

Exchange Traded Bond Units

We refer to the Exchange Traded Bond Units (“*XTBs*”) Product Disclosure Statement (“*PDS*”) dated on or about 21 November 2019.

This letter is a broad summary of the main Australian income tax, GST and stamp duty implications for an Australian income tax resident investor investing in the Trust.

This tax summary has been prepared on the assumption that:

- the Australia Corporate Bond Trust (“*Trust*”) is not a corporate unit trust under Division 6B of the 1936 Act or a public trading trust under Division 6C of the 1936 Act; and
- the intention is that the constitution of the Trust will stream the income from the Underlying Bond for a particular Class to the relevant XTB Holder of that Class.

Our opinion is based on Australian law and administrative practice as at 21 November 2019. We have not discussed the consequences of this transaction in any other jurisdictions. This opinion is provided solely for the benefit of Theta Asset Management Limited and is necessarily general in nature and does not take into account the specific taxation circumstances of each individual investor. Investors in the XTBs must seek their own independent tax and general legal advice on this transaction before making any decision to invest in the XTBs. Investors must not rely on this opinion.

Investors should be aware that the ultimate interpretation of taxation law rests with the Courts and that the law, and the way the Commissioner of Taxation (“*Commissioner*”) and state and territory revenue authorities administer the law, may change at any time.

References in this section to the “*1936 Act*” and the “*1997 Act*” are references to the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) respectively. Baker & McKenzie is not involved in the marketing of XTBs and its role should not be interpreted to mean that it encourages any party to invest.

Capitalised terms have the meaning given in the PDS unless otherwise defined.

Baker & McKenzie
ABN 32 266 778 912

AMP Centre
Level 27
50 Bridge Street
Sydney NSW 2000
Australia

P.O. Box R126
Royal Exchange NSW 1223
Australia

Tel: +61 2 9225 0200
Fax: +61 2 9225 1595
DX: 218 SYDNEY
www.bakermckenzie.com

Baker McKenzie.

1. Taxation of Australian Resident investors

1.1 Distributions from the XTBs

The Trust is a resident of Australia for tax purposes; therefore, the Trust is required to determine its net income (taxable income) for the year of income. It is intended that investors will be presently entitled to all of the income of the Trust for each income year. Theta Asset Management, as Responsible Entity, should not be subject to Australian income tax on the net income of the Trust. XTB Holders will be subject to tax at their marginal tax rate on their share of the net income of the Trust. The Responsible Entity and the Securities Manager intend to distribute all of its distributable income to XTB Holders each year. In the case where the Trust makes a loss for tax purposes, the Trust cannot distribute the loss to XTB Holders. However, subject to the Trust meeting certain conditions, the Trust may be able to take into account the losses in subsequent years. XTB Holders will be assessed on the net income of the Trust in proportion to their entitlement to the distributable income of the Trust in the year in which the entitlement arises, even if payment of the entitlement may not occur until after the end of the financial year.

A XTB Holder receives an entitlement to the Trust's distributable income for a financial year if they hold XTBs in a Class of the Trust at the end of a distribution period, or if they redeem any XTBs in a Class of the Trust during the financial year.

The tax impact for a holder of XTBs in the Trust of receiving an entitlement to the income of the Trust depends upon the components of the distribution.

XTB Holders will be provided with tax statements after the end of each financial year detailing the components, for tax purposes of any income distributions received from the Trust for the financial year, including on the redemption of an investor's XTBs in the Trust via an Authorised Participant. These can be used by the XTB Holder as the basis for preparing their tax return for the year.

The amount of the net income of the Trust which the XTB Holder is required to include in their assessable income may be different to the cash Distributions received by a XTB Holder in respect of their XTBs. This is because the Distributions received on the XTBs are determined by reference to the Coupons received in respect of the Underlying Bonds of a particular Class of XTBs, whereas the net income of the Trust is determined by reference to the overall tax position of the Trust.

1.2 Tax Deferred Amounts

The Trust may distribute to XTB Holders amounts which are not taxable.

Tax deferred amounts are amounts that have been distributed to XTB Holders but are not included in their taxable income (for example, distributions of corpus by a trust or where the cash available for distribution exceeds the net income of the Trust).

Tax deferred amounts reduce the cost base of an investor's XTBs, for the purpose of determining any capital gain or loss on any subsequent disposal of XTBs. If the sum of the amounts of non-assessable payments made by the trustee is more than the investor's cost base, the investor would make a capital gain. An XTB Holder that is a resident individual, trust or complying superannuation fund may be entitled to the CGT discount in respect of this gain. For XTB Holders assessed on the disposal of XTBs other than under the capital gains tax provisions (e.g. if they are in the business of dealing in securities like XTBs in the Trust), they may be assessed on any nonassessable distributions made by the Trust.

Baker McKenzie.

1.3 Disposal of XTBs by a XTB Holder on the ASX

For a XTB Holder that disposes of their XTBs on the ASX, the XTB Holder may be liable for tax on any gains realised on that disposal of the XTBs.

If a XTB Holder holds their XTBs as trading stock or on revenue account, and disposes of their XTBs on the ASX, any profits made will be assessable as ordinary income. Any losses will be an allowable deduction. No CGT discount concessions will be available.

If a XTB Holder holds their XTBs on capital account and disposes of the XTBs on the ASX, the investor would be assessed under the CGT provisions. The XTB Holder may make a capital gain or loss on the sale or transfer of their XTBs in the Trust. A capital gain will be made if the capital proceeds exceed the cost base of the XTB (which should include any Contribution Fee paid by an Authorised Participant to acquire the XTBs).

Under the CGT provisions, any taxable capital gain arising on disposal of an investor's XTBs may form part of their assessable income. Where the XTBs have been held continuously for 12 months or more and the Trust satisfies certain requirements, some XTB Holders that are resident individuals, trusts or complying superannuation funds may be entitled to a CGT concession in relation to the disposal of XTBs. Any capital loss arising on a disposal of XTBs may be able to be offset against capital gains made in that year or subsequent years.

If an investor redeems XTBs the investor will need to include any capital gains or losses the investor has made in the calculation of their net capital gain or loss for the income year assuming they hold the XTBs in the Trust on capital account.

1.4 Tax File Numbers (TFN) and Australian Business Numbers (ABN)

It is not compulsory for a XTB Holder to quote their TFN or ABN. If a XTB Holder makes this investment in the course of a business or enterprise that the investor carries on, the investor may quote an ABN instead of a TFN. Failure by investor to quote an ABN or TFN, or claim an exemption, may cause the Trust to withhold tax at 47% (for the income year ended 30 June 2018), on gross payments including distributions of income to XTB Holders. By quoting their TFN or ABN it will be applied to all of a XTB Holder's investments with the Trust.

1.5 Taxation of financial arrangements

The TOFA regime broadly contain rules that cover tax timing treatments for financial arrangements. There are a number of exclusions from TOFA. Investors should seek their own advice as to the possible application of the TOFA regime to their investment in the XTBs.

1.6 Goods and Services Tax (GST)

Issue and withdrawal of XTBs are not subject to GST. However, 10% GST is payable on fees and reimbursement of expenses.

The Trust may not be entitled to claim input-tax credits for the full amount of the GST incurred, but will generally be able to claim, for the majority of the expenses, a Reduced Input-Tax Credit ("RITC") of up to 75% of the GST paid.

The GST and expected RITC relating to fees and expenses are incorporated in the management cost for each Unit.

Baker McKenzie.

1.7 Stamp Duty

A transfer or issue of the XTBs should not be subject to stamp duty provided that the XTBs are quoted on the ASX at the time of the transfer and no investor (individually or with associates) acquires 90% or more of the issued XTBs.

1.8 Attribution Managed Investment Trust Tax Regime

The Attribution Managed Investment Trust (“AMIT”) tax regime permits certain managed investment trusts. The Trust has not made an election to enter into the AMIT regime.

We recommend that investors obtain independent taxation advice regarding the application of these changes in the tax law.

1.9 Application for creation and redemption of XTBs by Authorised Participants

This section seeks to provide a summary for Authorised Participants who will apply for creations and redemptions of XTBs of the tax consequences by Authorised Participants who are assessed on the disposal or redemption of XTBs in the Trust otherwise than under the capital gains tax provisions.

The application for XTBs will be made by the contribution of the Underlying Bonds to the Trust. Any profits made by the Authorised Participants should be assessable as ordinary income and any loss should be deductible.

Any profits made by the Authorised Participants on redemption should be assessable as ordinary income and any loss should be deductible.

As the taxation implications are specific to each investor, we recommend that Authorised Participants seek their own independent professional tax advice regarding the tax consequences applying for creations and redemptions of XTBs, particularly if they consider that they may be assessed on the disposal of XTBs under the capital gains tax provisions.

Yours faithfully



John Walker
Partner
+ 61 2 8922 5206
john.walker@bakermckenzie.com

Baker & McKenzie, an Australian Partnership, is a member of Baker & McKenzie International, a Swiss Verein.

About the Service Providers



The Responsible Entity is Theta Asset Management Limited.

Theta is a specialist, independent, responsible entity and trustee company specialising in governance and compliance with the Corporations Act.

Theta's objective is to ensure it acts in the interests of XTB Holders' at all times and that all XTB Holders are treated equally as set out in the Corporations Act. Theta aims to ensure the investments made by the Securities Manager on behalf of the Trust are consistent with the investment mandate outlined in the PDS.

Theta and VIML are related bodies corporate and are independent of all service providers, including the Securities Manager, and have no equity or other interest in any of the managers, service providers or custodians Theta engages to invest or administer the monies on behalf of XTB Holders.

Theta does not guarantee investors will make a particular rate of return or that the value of their investment will not fall.

Theta and VIML act in the capacity of independent responsible entity or trustee for over 20 retail and wholesale funds, with approximately \$600 million of total assets.

Valuestream Investment Management Limited (ABN 66 094 107 034) (the "Trustee" or "**VIML**") is the trustee of the Underlying Bond Sub-Trusts and it will, in relation to the Underlying Bond Sub-Trusts, act in accordance with the directions of the Responsible Entity. VIML is a trustee company and related body corporate of the Responsible Entity. VIML holds its own separate Australian Financial Services Licence (AFSL No. 246621).

Further information about VIML can be viewed on its website: www.valuestream.com.au.

The Custodian is Australian Executor Trustees Ltd (ABN 84 007 869 794) ("**AET**"). Theta has appointed AET to act as an independent custodian to hold the assets of the Trust. AET is one of Australia's largest and oldest licensed trustee companies. AET has been providing custody and trustee services for over 130 years, having been established in 1880. AET is a member of the IOOF Holdings Limited ("**IOOF**") Group, a leading provider of wealth management products and services in Australia. IOOF is an ASX200 listed company.

The Responsible Entity has appointed AET under a Custodian Agreement. The Custodian's role is to hold the assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions.

AET has no supervisory role in relation to the operation of the Trust or XTBs and has no liability or responsibility to an XTB Holder for any act done or omission made in accordance with the Custodian Agreement. AET's role as Custodian is limited to holding the assets of the Trust.

AET collects your personal information primarily for the purpose of providing custodial services to Theta and for ancillary purposes detailed in the Privacy Policy. AET may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the Responsible Entity, the Securities Manager, professional advisers, the land titles office and/or as otherwise instructed by the Responsible Entity or the Securities Manager. We are also permitted to collect and disclose your personal information when required or authorised to do so by law. AET is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with AET's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by AET and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the Privacy Policy at www.aetlimited.com.au/privacy

The Registrar is Registry Direct, who provides share registry services to listed and unlisted companies, fund managers and product issuers. Their services include: pre-IPO and IPO registers; registry management for listed and unlisted companies, trusts, product issuers; proxy solicitation and meeting management; corporate actions; dividends and distribution of payments; investor reporting and management; employee share plans management; security holder communication; and security holder enquiry services.

About the AQUA Rules and CHESS



12.1 AQUA Rule Framework

An application has been made to the ASX for XTBs to be quoted on the ASX under the AQUA Rules. As at the date of this PDS, XTBs are not yet quoted on the ASX. Once quoted, XTBs will be quoted under the AQUA Rules. The AQUA Rules are accessible at www.asx.com.au. The AQUA Rules were developed by ASX to facilitate the quotation, trading, clearing and settlement of a range of investment securities on ASX including Exchange Traded Funds and other Exchange Traded Products, managed funds, investment trusts and other structured products.

Quotation under the AQUA Rules rather than the ASX Listing Rules is more suitable for XTBs as the value of XTBs is determined by reference to the Underlying Bonds and not the financial performance of the entities that are the Responsible Entity or Securities Manager.

The following table sets out the key differences between the ASX Listing Rules and the AQUA Rules.

| REQUIREMENT | ASX LISTING RULES | AQUA RULES |
|------------------------------|--|--|
| Continuous disclosure | <p>Issuers are subject to continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>Each Bond Issuer is either a listed entity or a subsidiary of an entity listed on the ASX and is required to comply with the continuous disclosure requirements.</p> | <p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements in ASX Listing Rule 3.1 and section 674 of the Corporations Act. However, the Responsible Entity will comply with the disclosure requirements in section 675 of the Corporations Act. This means that the Responsible Entity will disclose information to ASIC which is not generally available and which a reasonable person would expect to have a material effect on the price or value of XTBs, provided that such information has not already been included in this PDS (as supplemented or amended). In addition, the Responsible Entity will publish such information on its website at www.xtbs.com.au at the same time as it is disclosed to ASIC.</p> <p>Under AQUA Rule 10A.4, the Responsible Entity must disclose:</p> <ul style="list-style-type: none"> ➤ Information about the market value of the Underlying Bonds daily; ➤ Information about redemptions from the Responsible Entity; ➤ Information about distributions paid in relation to the Responsible Entity; ➤ Any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and ➤ Any other information that would be required to be disclosed to the ASX under section 323DA of the Corporations Act if XTBs were admitted under the ASX Listing Rules. <p>In addition, under the AQUA Rules the Responsible Entity must immediately notify the ASX of any information the non-disclosure of which may lead to the establishment of a false market in XTBs or which would be likely to materially affect the price of XTBs.</p> |

About the AQUA Rules and CHESS

| REQUIREMENT | ASX LISTING RULES | AQUA RULES |
|-------------------------------------|--|--|
| Periodic disclosure | Issuers are required to disclose half-yearly and annual financial information and reports. | Issuers of AQUA market quoted products are not required to disclose half-yearly or annual financial information or reports. The Responsible Entity is required to lodge financial information and reports with ASIC under Chapter 2M of the Corporations Act. |
| Corporate governance | Listed companies and listed managed investment schemes are subject to notification requirements under the Corporations Act and the ASX Listing Rules relating to takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings. | Although XTBs are intended to be quoted under the AQUA Rules, the Responsible Entity itself is not listed and is therefore not subject to certain corporate governance requirements. The Responsible Entity will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act and section 601FM of the Corporations Act providing that the Responsible Entity may be removed by an extraordinary resolution of members on which the Responsible Entity would not be entitled to vote on. |
| Related party transactions | Chapter 10 of the ASX Listing Rules relates to transactions between an entity and a person in a position to influence the entity and sets out controls over related party transactions. | Chapter 10 of the ASX Listing Rules does not apply to AQUA Rule quoted products. The Responsible Entity will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act. |
| Auditor rotation obligations | Division 5 of Part 2M.4 of the Corporations Act imposes specific rotation obligations on auditors of listed companies and listed managed investment schemes. | Issuers of AQUA market quoted products are not subject to the auditor rotation requirements in Division 5 of Part 2M.4 of the Corporations Act. An auditor will be appointed by the Responsible Entity to audit the Responsible Entity's compliance plan. |

In addition, under the AQUA Rules:

- ▶ The Issuer must be an open-ended scheme, being a scheme which continuously issues and redeems XTBs based on the wholesale market value of the relevant Underlying Bonds;
- ▶ The Issuer's Constitution must provide that off-market redemption facilities operate daily, which is generally available to Authorised Participants, and investors requesting redemption through an Authorised Participant, who are seeking to redeem at least the Minimum Redemption Amount;
- ▶ The Responsible Entity must either ensure a reasonable bid and offer volume is maintained in the market for each Class or appoint a Market Maker to ensure sufficient liquidity in XTBs, or have a sufficient spread of XTb Holders prior to quotation; and
- ▶ The Issuer must have an investment mandate or similar document in relation to each Class which sets out the investment approach of the Responsible Entity.

12.2 CHESS

The Responsible Entity participates in the Clearing House Electronic Sub-Register System ("**CHESS**"). CHESS is a fast and economical clearing and settlement facility which also provides an electronic sub-register service. The Registrar has established and will maintain an electronic sub-register with CHESS on behalf of the Responsible Entity.

The Responsible Entity will not issue certificates to Authorised Participants for their XTBs. Instead, each Authorised Participant who is issued XTBs will receive a holding statement from the Registrar which sets out the number of XTBs issued. The holding statement will specify the "Holder Identification Number" (similar to a bank account number) allocated by CHESS.

The Trust's Constitution provides that off-market redemption facilities will operate daily.

Subject to ASX Operating Rules and the ASX Listing Rules, the Responsible Entity may decline to register a transfer of XTBs.

If an XTb Holder dies or becomes subject to legal disability, the Responsible Entity may only recognise the survivor (in the case of joint XTb Holders) or the legal personal representative (in any other case) or any other person determined by the Responsible Entity in accordance with the Constitution as having any claim to XTBs registered in the XTb Holder's name.

Disclaimers



The entities that issue the Underlying Bonds (i.e. the Bond Issuers) do not sponsor, endorse, sell or promote XTBs. The Bond Issuers do not make any representation or warranty, express or implied, as to the advisability of investing in XTBs. The Bond Issuers have not participated in the determination of the price of XTBs, amount of XTBs to be issued, timing of issuance of the XTBs, equation by which XTBs are to be converted into cash, surrendered or redeemed, as the case may be. The Bond Issuers are not associated with XTBs in any way, apart from the fact the Securities Manager chose to create a Class of XTB over such Bond Issuer's bonds. The Bond Issuers have no obligation or liability in connection with the administration, marketing or trading of XTBs.

The approval of XTBs or admission of XTBs to be traded or quoted on the ASX does not imply any guarantee or warranty by the ASX as to the viability of the XTBs.

Australian Corporate Bond Company Limited has given and not withdrawn its consent to be named in this PDS as Securities Manager in the form and context in which it is named.

Valuestream Investment Management Limited has given and not withdrawn its consent to be named in this PDS as Trustee of the Underlying Bond Sub-Trusts in the form and context in which it is named.

Baker & McKenzie has given and not withdrawn its consent to be named in this PDS as Australian Legal and Tax Advisors in the form and context in which it is named.

Registry Direct has given and not withdrawn its consent to be named in this PDS as Registrar in the form and context in which it is named.

Australian Executor Trustees Limited has not withdrawn its consent to be named in this PDS as custodian of the Trust in the form and context in which it is named. Australian Executor Trustees Limited does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by Australian Executor Trustees Limited.

To the maximum extent permitted by law, Australian Executor Trustees Limited expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. Australian Executor Trustees Limited does not guarantee the repayment of capital or any particular rate of capital or income return.

Additional Information



14.1 Theta Asset Management Limited as the Responsible Entity

Theta Asset Management Limited, as Responsible Entity, is solely responsible for all compliance and regulatory aspects of operating the Trust. The Responsible Entity holds an Australian Financial Services Licence (AFSL No. 230920), which authorises it to act as the responsible entity of the Trust. The Responsible Entity is an independent responsible entity and issuer of units in managed investment schemes in the Australian market. The Responsible Entity establishes funds with quality investment managers to deliver investors with clear and desirable investment options.

The powers and duties of the Responsible Entity are set out in the Trust's Constitution, the Corporations Act and general trust law.

The duties of the Responsible Entity under the Corporations Act include:

- ▶ Acting in the best interests of investors and, if there is a conflict between investors' interests and the Responsible Entity's interests, giving priority to investors' interests;
- ▶ Ensuring that Trust property is clearly identified as Trust property and held separately from property of the Responsible Entity and property of any other fund, and is valued at regular intervals;
- ▶ Ensuring that payments out of Trust property are made in accordance with the Corporations Act; and
- ▶ Reporting to ASIC any significant breach of the Corporations Act in relation to the Trust which has had, or is likely to have, a materially adverse effect on the interests of investors.

Subject always to any liability which the Corporations Act might impose on the Responsible Entity, so long as it acts in good faith and in the proper performance of its duties it is not liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Trust. The liability of the Responsible Entity to any person other than an investor in respect of the Trust is limited to the Responsible Entity's actual indemnification from the Trust's assets for that liability. The Responsible Entity has a compliance plan for the Trust which details the methods it takes to ensure that in operating the Trust it complies with the Corporations Act and the Trust's Constitution.

14.2 The Constitution

The Responsible Entity's responsibilities and obligations as Responsible Entity are governed by the Trust's constitution and this PDS. Under the Constitution, the Responsible Entity has all the powers of a natural person in respect of the Trust. The Constitution contains a number of provisions relating to the rights of investors and the obligations of the Responsible Entity. This PDS outlines some of the more important provisions of the Constitution.

The Constitution gives the Responsible Entity the right to be paid fees and expenses from the Trust, and governs matters such as investor meetings, the issue and withdrawal of XTBs and unit pricing, as well as what happens when the Trust is terminated.

The Fund's Constitution may be amended by the Responsible Entity if it reasonably considers the amendments will not adversely affect investors' rights or otherwise, if the amendment is approved by a special resolution of investors at a meeting of members of the Trust. Meetings of members of the Trust, including the calling of meetings, notice requirements for meetings and voting rights at meetings, are mostly set out in the Corporations Act.

The Responsible Entity, on behalf of the Trust, may provide liquidity to investors on ASX by acting as a buyer and seller of Units. The Responsible Entity has appointed agents to manage and execute its on-market activities. The appointed agents retain all profits and incur losses arising from the on-market activities. Accordingly, the Trust does not bear the risks from the provision of on-market liquidity. The Responsible Entity allows the appointed agents to retain profits from the on-market activities as a fee for their services.

The Responsible Entity may retire or be required to retire as responsible entity (if investors vote for its removal in accordance with the provisions of the Corporations Act). No units may be issued after the 80th anniversary of the date of the Constitution. The Responsible Entity may exercise its right to terminate the Fund earlier.

We will provide investors with a copy of the Constitution upon request.

14.3 Investor liability is limited

The Constitution expressly limits the liability of investors in the Trust. In the absence of separate agreement with an investor, the recourse of the Responsible Entity and any creditor of the Trust against an investor in connection with the Trust is limited to the Trust's assets (i.e. the amount an investor invests in the Trust).

The Responsible Entity is entitled to be indemnified by an investor or former investor to the extent that the Responsible Entity incurs any liability for tax or other liabilities the Responsible Entity considers should be properly borne by an investor as a result of the investor's action or inaction, or as a result of an act or omission requested by the investor or former investor. The Responsible Entity may redeem some or all of the XTBs held by an investor to satisfy any amount of money due to it by the investor.

An investor need not indemnify the Responsible Entity if there is a deficiency in the Trust's assets or meet the claim of any creditor of the Responsible Entity in respect of the Trust.

14.4 Australian Corporate Bond Company as Securities Manager

Australian Corporate Bond Company was established to develop the investment opportunity represented by the XTBs over the Underlying Bonds. Australian Corporate Bond Company's directors and executives have a broad range of skills and experience in investment banking, broking, trading, funds management, investment product manufacture and exchange operations.

Australian Corporate Bond Company advises the Responsible Entity on the selection of bonds based on Australian Corporate Bond Company's knowledge of the underlying bonds available in the wholesale market and discussions about the suitability of particular bonds for investors with banks, brokers and other advisory firms.

Australian Corporate Bond Company is responsible for growing the market in XTBs and providing the necessary education and marketing of XTBs to stock brokers, advisers and end investors.

Australian Corporate Bond Company also ensures there is operational integrity in the day-to-day operations and processes of the Trust and the XTBs and the interactions between the Market Maker, Authorised Participants, the Custodian, the Responsible Entity, the Registrar, ASX and ASIC.

Australian Corporate Bond Company may not change the Underlying Bonds in respect of a Class of XTb. If the Underlying Bonds are no longer available, have been recalled or otherwise terminated by the Bond Issuer, that Class of XTb will terminate and the proceeds from the redemption by the Bond Issuer, if any, will be paid to the XTb Holders in that Class on a pro rata basis.

14.5 Complaints

The Responsible Entity has arrangements in place for handling complaints. If you have a complaint regarding the Trust or our services, please contact us either by phone or in writing. Our procedures ensure that we deal with complaints, as soon as possible but within 45 days of receipt and acknowledge any written complaint within 15 days of receipt.

Complaints can be directed to:

Compliance Manager – Theta Asset Management Limited

PO Box Q423
QVB Sydney NSW 1230
Tel: 02 8012 0638

If we are unable to resolve the complaint or you are dissatisfied with our final response you may lodge a complaint with the Australian Financial Complaints Authority:

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678 (free call)

Mail: Australian Financial Complaints Authority

GPO Box 3, Melbourne VIC 3001

Time limits may apply to complain to FOS or AFCA and so you should act promptly or otherwise consult the FOS and AFCA websites to find out if or when the time limit relevant to your circumstances expires.

14.6 Keeping XTb Holders Informed

We will:

- ▶ Confirm every transaction made by XTb Holders in relation to the Trust;
- ▶ Confirm any variation to the terms of the product held by the XTb Holder;
- ▶ Confirm any redemption or surrender of the product by an XTb Holder;
- ▶ Provide transaction statements at least annually summarising all relevant transactions in relation to the Trust;
- ▶ Provide access to the annual financial statements of the Trust as soon as practical from the end of the financial year on the Trust's website at: www.xtbs.com.au; and
- ▶ Provide XTb Holders with a tax report for Australian resident investors to help with your tax return at financial year-end.

The Responsible Entity will make any necessary continuous disclosure as required by the Corporations Act via the Securities Manager's website www.xtbs.com.au in accordance with ASIC's good practice guidance. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office. XTb Holders in a Class of XTbs in the Trust have the right to obtain a copy of the Trust's annual financial report most recently lodged with ASIC and any half year financial report lodged with ASIC.

14.7 Unit Pricing Policy

Theta has documented its Unit Pricing Policy that sets out how it calculates the unit prices for its managed funds, the valuation methodology, the rounding of decimal places, cut-off times for receiving instructions and the frequency of income distributions and unit pricing discretions.

The policy complies with ASIC requirements. A copy is available to all investors at no charge on request. The Responsible Entity will observe this policy in relation to XTBs and will record any exercise of discretion outside of the scope of the policy.

14.8 Privacy Policy

As required by law, we have adopted Privacy Policies that govern the collection, storage, use and disclosure of personal information.

Should you apply for XTBs by lodging an application form (only applies to Authorised Participants), by signing the application form, you acknowledge and agree to us collecting, storing, using and disclosing your personal information in accordance with our Privacy Policies.

This includes using your personal information to process your application for the XTBs, issue XTBs, manage your investment and comply with relevant laws.

For example your information may be used to:

- Ensure compliance with all applicable regulatory or legal requirements. This includes the requirements of ASIC, ATO, AUSTRAC, ASX and other regulatory bodies or relevant exchanges including the requirements of the superannuation law;
- Ensure compliance with the AML/CTF Act.

If you do not provide the personal information required, your application may not be processed.

We may be required to disclose some or all of your personal information, for certain purposes (as described under the Privacy Act 1988 (Cth)) to:

- Our service providers, related bodies corporate or other third parties for the purpose of account maintenance and administration and the production and mailing of statements, such as share registries, custodians, auditors of the scheme and certain software providers related to the operational management and settlement of XTBs; or
- Related bodies corporate that might not be governed by Australian laws for the purpose of account maintenance and administration;
- To your financial adviser if you provide us with written consent to do so.

If any of the disclosures in the previous bullet points require transfer of your personal information outside of Australia, you consent to such transfer.

All personal information collected by Theta will be collected, used, disclosed and stored by Theta in accordance with the Theta Privacy Policy, a copy of which will be made available to you on request. To obtain a copy, please contact Theta on 02 8012 0638. You can access the personal information Theta holds about you. If you acquire XTBs, Theta and/or its associates may wish to communicate with you in the future, including by email, about other investment opportunities which may be of interest to you, and you agree to be contacted for these purposes. If you do not wish to be contacted for these purposes, please contact Theta on 02 8012 0638 or invest@thetaasset.com.au.

14.9 Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

FATCA (a US regulatory requirement) and the CRS (a regulatory requirement developed by the Organisation for Economic Co-operation and Development (OECD)) aim to deter tax evasion. The Australian government has entered into an Inter-Governmental Agreement (IGA) with the US Government for the exchange of US tax payer information and has signed up to the CRS and enacted domestic law to implement the CRS. Under the IGA and domestic laws, Australian financial institutions (including managed investment schemes) must identify all of its account holders (eg. investors) and report account information of foreign tax residents to the Australian Taxation Office (ATO). The ATO may then exchange this information with the foreign jurisdiction of which the account holder is a tax resident (if that jurisdiction is the US or is otherwise participating in the CRS). To meet these obligations, each investor must complete the Self-certification Declaration form included within the application form or provided by the registry. Failure to provide the requested information may result in withholding tax being deducted or penalties imposed by the tax authorities. Neither Theta nor the Manager are able to provide you with any tax or professional advice in respect of FATCA, the IGA, the CRS or domestic tax legislation and we encourage you to seek the advice of a tax or professional advisor in relation to completing the form.

Glossary



| DEFINED TERMS AND OTHER TERMS USED IN THE PDS | DEFINITION |
|---|--|
| \$, A\$ or dollar | The lawful currency of Australia. |
| AML/CTF Act | The Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth). |
| Applicant | Means a person who has applied for XTBs pursuant to the Initial Offer. |
| APRA | Australian Prudential Regulation Authority. |
| AQUA Rules | ASX Operating Rules that apply to the quotation on ASX of funds, ETFs and other structured securities and products such as the XTBs. |
| ASIC | Australian Securities and Investments Commission. |
| ASIC Bond Guide | The guide published by ASIC entitled “Investing in corporate bonds” available at www.moneysmart.gov.au/publications |
| ASX | ASX Limited ABN 98 008 624 691, trading as the Australian Securities Exchange. |
| ASX Quotation | The act of ASX agreeing to, and subsequent ability of prices in a security or other product to be ‘quoted’ on ASX markets. |
| ASX Trading Participant(s) | Participant of the ASX under its rules that is authorised to directly engage in trading activity on ASX markets. An ASX broker or Market Maker is an ASX Trading participant. |
| Austraclear | Austraclear Limited is a wholly-owned subsidiary of ASX Ltd. Austraclear provides transaction settlement and depository services for the fixed income market. |
| Authorised Participant(s) | ASX Trading Participants and other entities who are acting as principal and have been approved by the Responsible Entity for the purpose of applying for and redeeming XTBs. |
| Automatic Redemption | The process of redeeming XTBs without any further action being taken by the XTB Holder. Automatic Redemption occurs on the Maturity Date of XTBs. |
| Base Terms | Means the base document that describes the generic terms of issue of a program of debt capital issuance. The Base Terms do not include the specific terms of an issue of bonds. The Base terms are often contained in the Information Memorandum or Offering Circular. |
| BBSW | Bank Bill Swap (BBSW) Benchmark Rate. |
| Bond Denomination | The minimum increments bonds are issued in – e.g., \$1,000, \$10,000, \$100,000 or \$500,000. |
| Bond Issuer(s) | The ASX listed entity or subsidiary of an ASX listed entity that issues the Underlying Bonds |
| Broker | Means a person who holds an Australian Financial Services Licence through whom investors can invest in or sell securities including XTBs |
| Business day(s) | The days identified by ASX upon which settlement occurs. |

Glossary

| | |
|---|---|
| CHES | Clearing House Electronic Sub-register System, the Australian settlement system for equities and other issued products traded on ASX and other exchanges. CHES is owned by ASX Ltd. |
| Class | Means a Class of XTBs in respect of a separate tranche or series of Underlying Bonds by a Bond Issuer. |
| Common Reporting Standard or CRS | CRS (a regulatory requirement developed by the Organisation for Economic Co-operation and Development (OECD)) aim to deter tax evasion. The Australian government has signed up to the CRS and enacted domestic law to implement the CRS. Under the domestic laws, Australian financial institutions (including managed investment schemes) must identify all of its account holders (e.g. investors) and report account information of foreign tax residents to the Australian Taxation Office (ATO). The ATO may then exchange this information with the foreign jurisdiction of which the account holder is a tax resident (if that jurisdiction is participating in the CRS). |
| Constitution | Means the Constitution of the Trust. |
| Corporations Act | Corporations Act 2001 (Cth). |
| Coupon Payment | Means any payments made by a Bond Issuer in respect of an Underlying Bond including any coupons, interest payments or other payments in relation to an Underlying Bond. |
| Coupon Payment Date(s) | Means the date or dates on which the Bond Issuer has agreed to make Coupon Payments, which may be annually, semi-annually, quarterly or monthly. |
| Coupon Period | Means the period between two adjacent Coupon Payment Dates (and including the second Coupon Payment Date) in which interest is accruing for the benefit of the holder of an Underlying Bond. |
| Coupon Rate | Means the interest rate the Bond Issuer has agreed to pay on the Face Value of the bond. |
| Credit Spread | Means the Yield differential between a reference or benchmark rate and the Yield payable on an Underlying Bond. In Australia, useful reference rates, for a particular maturity, are the Australian government bond interest rate or BBSW. |
| Custodian | The organisation that holds the Underlying Bonds for safekeeping in the securities depository Austraclear on behalf of the Responsible Entity. The Custodian for the XTBs is Australian Executor Trustees Limited (ABN 84 007 869 794). |
| Distribution | Means a distribution made by the Responsible Entity in respect of a Class of XTBs as a result of the receipt of a Coupon Payment in cleared funds from the Bond Issuer. |
| Distribution Date | Is the date on which a Distribution is to be paid in respect of a Class of XTBs and which is expected to be within 10 Business Days of receipt of a Coupon Payment from the Bond Issuer that corresponds to that Underlying Bond. It is expected that the Distribution Date will not be the same for different Classes of XTBs. |
| Early Redemption | <p>In respect of XTBs, the redemption of the XTBs prior to the Maturity Date. The XTBs may be redeemed early if the Underlying Bonds are redeemed, cancelled, bought back, subject to early maturity or otherwise terminated, or if the Responsible Entity accepts an application from an Authorised Participant for Early Redemption of the XTBs.</p> <p>In respect of Underlying Bonds, means the redemption of the Underlying Bonds prior to the scheduled Maturity Date. Early Redemption of the Underlying Bond is only possible in the circumstances described in the Debt Issuance Programme.</p> |
| Extraordinary Expenses | Expenses that neither the Responsible Entity nor the Securities Manager have foreseen and which are not part of the expected normal expenses for the operation and administration of the Trust (for example legal costs to defend a court action brought against the Trust or Responsible Entity) (refer to Section 9.3.4). |
| Face value | The denomination of a bond, often \$100, \$1,000, \$10,000, \$100,000 or \$500,000. |

Glossary

| | |
|--------------------------------------|--|
| FATCA | Means the <i>Foreign Account Tax Compliance Act 2010</i> (US), a law of the United States of America which was enacted to improve compliance with US tax laws. It imposes certain due diligence and reporting obligations on foreign financial institutions (non-US financial institutions) to report to the US Government in respect of US citizens and tax residents. Failure to comply with FATCA has the potential to expose foreign financial institutions to a 30% withholding tax on US sourced payments. The Commonwealth of Australia and the US Government signed an intergovernmental agreement to implement FATCA. |
| GST | Goods and Services Tax and has the same meaning as in the “A New Tax System (Goods and Services Tax) Act 1999 (Cth)”. |
| Hybrids | Securities with both equity and fixed income features that may convert into equity securities in accordance with their terms. |
| Market Maker | An Authorised Participant that has agreed to provide buy and sell orders in the XTBs on ASX in accordance with the ASX AQUA Rules, to provide an opportunity for investors to buy and sell XTBs on ASX. The Market Maker may also be an ASX Participant. |
| Material Adverse Effect | Means in relation to an Underlying Bond an event or change that significantly affects the Bond Issuer’s ability to perform their obligations under an Underlying Bond. |
| Maturity Date | Maturity Date is the fixed date on which the Underlying Bonds are scheduled to be redeemed by the Bond Issuer (other than by way of an Early Redemption), the Principal is to be repaid and any final coupon is to be paid. |
| Market Price | The price of a bond, including the accrued interest. |
| Minimum Redemption Amount | The Minimum Redemption Amount is 10 XTBs where the Face Value of the Underlying Bond is \$1,000, 100 XTBs where the Face Value of the Underlying Bond is \$10,000 and 1,000 XTBs where the Face Value of the Underlying Bond is \$100,000, or such lesser amount as otherwise agreed with the Securities Manager. |
| Non-business day(s) | In addition to weekends, a number of public holidays are also declared by ASX to be non-business days. |
| OTC | ‘Over-the-Counter’, a market term relating to trading, meaning not traded on an exchange or other formal market. For example, bonds traded over the phone between two banks. |
| Outstanding Net Asset Value | The number of Underlying Bonds held in a sub-trust relating to a Class multiplied by the Market Price for that Underlying Bond calculated at the end of the day using the closing Market Price. |
| PDS | This product disclosure statement as amended or supplemented from time to time. |
| Payment frequency | Refers to the frequency of coupon payments by the Bond Issuer. Typically semi-annual. |
| Principal | Means the amount of capital to be repaid at the scheduled maturity of a Bond and is generally equal to the Face Value. |
| Public Offer Test | Means the Public Offer Test contained in section 128F of the <i>Income Tax Assessment Act 1936</i> (Cth). The <i>Income Tax Assessment Act 1936</i> imposes an interest withholding tax of 10% in respect of interest payments made to foreign investors, unless there is an applicable exemption. Bonds that meet the requirements of the Public Offer Test contained in section 128F are exempt from interest withholding tax. At the time of issuance, all of the Underlying Bonds referred to in this PDS met the Public Offer Test. |
| RBA | Reserve Bank of Australia |
| Redeem, Redemption, Redeeming | Market term for what may occur when certain securities mature or expire after a certain date or in certain circumstances. Securities are redeemed in accordance with their terms of issue. This may occur automatically at the end of their lifetime, such as with the XTBs, or when certain trigger events occur during their lifetime that causes them to be redeemed under their terms of issue. |

Glossary

| | |
|----------------------------------|---|
| Registrar | Registry Direct Limited (ABN 35 160 181 840) operates the registry for the XTBs, including recording the names of investors on the XTB registry and ensuring investors receive any Distributions and redemption monies. |
| Responsible Entity | Theta Asset Management Limited (ABN 37 071 807 684). The entity licenced under the Corporations Act to undertake the role of Responsible Entity of the Trust in accordance with the provisions of the Corporations Act. |
| Running Yield | Means the coupon payments as a percentage of the price (less accrued interest). |
| Securities Act | The United States Securities Act of 1933, as amended. |
| Securities Manager | Australian Corporate Bond Company Limited (ABN 34 169 442 657 and Authorised Representative No. 469037). The entity that manages the day-to-day operations of the Trust and all of the education and marketing activities around XTBs. |
| Semi-annual | When the coupon payment frequency is on a semi-annual basis, or two coupons per annum paid at six month intervals in arrears. |
| Senior Bonds | Bonds are called 'Senior Bonds' to give investors an indication of where they rank in terms of payment in a default situation. Senior Bonds, if unsecured, rank first for all 'Unsecured' indebtedness of the bond issuer (i.e., paid first in a default). There may be other senior unsecured bonds on issue that rank alongside the bonds in question, and other indebtedness of the bond issuer that is also senior e.g. bank loans. Senior unsecured means the bonds rank ahead of any 'subordinated' securities or loans and any hybrids and equity. Senior unsecured bonds rank behind any 'Secured' indebtedness of the bond issuer and any mandatorily preferred creditors. The wholesale market in corporate bonds is generally dealing in the issue by corporates and trading between institutional investors of senior unsecured bonds. Some issuers may issue senior secured bonds. Senior secured bonds will generally be secured by particular assets of the Bond Issuer, in such circumstances those assets are used to satisfy the obligations to the secured bond holders. If the claims of secured bondholders are not satisfied by the secured assets, then the bondholder may claim for the residual amount as an unsecured creditor. |
| Ticker code | Market vernacular for the ASX code under which a security trades. ASX codes may be three to six alpha-numeric characters long. |
| Total Class Assets | All of the assets held in an Underlying Bond Sub-Trust on behalf of XTB Holders in the Class, including without limitation, any Coupon Payments, Principal repayments, and, where applicable, an amount equal to the nominal face value of any Underlying Bonds currently held in the Underlying Bond Sub-Trust. |
| Trust | Australian Corporate Bond Trust. |
| Trustee | Means Valuestream Investment Management Limited (ABN 66 094 107 034, AFSL No. 246621) in its capacity as trustee of each Underlying Bond Sub-Trust. |
| Underlying Bond(s) | Senior secured or unsecured unsubordinated bonds issued by an ASX listed entity or a subsidiary of an ASX listed entity, and to which the performance of the XTBs is linked. |
| Underlying Bond Sub-Trust | A sub-trust of the Trust that holds the Underlying Bonds of a particular Bond Issuer against the Class of XTBs tracking the performance of those Underlying Bonds after fees and expenses. |
| XTBs | The exchange traded bond units on offer under this PDS. The beneficial interest of a holder in the Underlying Bond Sub-Trust. |
| XTB Holder(s) | Person or entity holding XTBs in the Trust. |
| Yield | See Yield to Maturity. |
| Yield to Maturity | The return an investor will receive if it buys a bond and holds the bond to maturity, based upon the purchase price and assuming that all coupons can be reinvested at the same yield. |

Application Form(s)



This page has been intentionally left blank.

Contact details

Responsible Entity

Theta Asset Management Limited
Suite 501, Level 5,
210 Clarence Street
Sydney NSW 2000
Telephone: 02 8012 0638
Mail: GPO Box Q423, QVB Sydney NSW 1230
www.thetaasset.com.au

Securities Manager

Australian Corporate Bond Company Limited
Suite 2, Level 10
1 Chifley Square
Sydney NSW 2000
Telephone: 1800 995 993
www.xtbs.com.au

Registrar

Registry Direct
Level 6, 2 Russell Street
Melbourne VIC 3000
Telephone: 1300 55 66 35
Facsimile: 03 9111 5652
www.registrydirect.com.au/contact-us/
Mail: PO Box 18366, Collins Street East
Melbourne VIC 8003

Custodian

Australian Executor Trustees Limited
Level 19, 60 Castlereagh Street
Sydney NSW 2000

Australian Legal and Tax Advisors

Baker & McKenzie
Tower 1 – International Towers Sydney
Level 46, 100 Barrangaroo Avenue
Sydney NSW 2000

