

# Long Tail Asset Management Pty Ltd

## Long Tail Partners No.1 Fund

### Information Memorandum

24 March 2021

ABN: 34 136 795 170

AFSL: 341474

[longtailasset.com](http://longtailasset.com)

This Information Memorandum has not been nor will it be lodged with the Australian Securities and Investments Commission. The offer or invitation set out in this Information Memorandum is made only to persons who receive it in Australia. The offer of units contained in this Information Memorandum is an offer of units that does not require the giving of a Product Disclosure Statement in accordance with Division 2 of Part 7.9 of the Corporations Act. Long Tail Asset Management has prepared this Information Memorandum to provide background information for investors considering applying for units in the Long Tail Partners No.1 Fund. Each person who applies for units pursuant to this Information Memorandum will be required to subscribe for units with the minimum amount payable on acceptance of the offer of at least \$500,000 or such lesser amount determined by Long Tail Asset Management in its discretion. Long Tail Asset Management does not guarantee the performance of the Fund or the return of capital to unit holders. Investors should read this Information Memorandum in its entirety prior to investing and, where appropriate, seek independent professional advice.

The information in this Information Memorandum is general information only and does not take into account your individual objectives, financial situation or needs.

## About Long Tail

Long Tail Asset Management is an Australian based fund manager that commenced operations in 2010 to manage the Fund and institutional investment mandates.

Long Tail Asset Management holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission (Licence No. 341474).

Long Tail Asset Management is owned entirely by its employees.

The name Long Tail Asset Management was taken from a Wired magazine article authored by Chris Anderson and expanded upon in his book, "The Long Tail" (Hyperion, 2006). The book explores demand curves for goods and services in an environment where there are low barriers to entry. The Long Tail describes the consistent and high level of activity of consumers seeking out niche offerings that suit their individual needs.

Long Tail Asset Management provides a high level of transparency concerning portfolio positions, results, attribution and thoughts regarding markets more broadly, on its website. Please use the information on the Long Tail Asset Management website ([www.longtailasset.com](http://www.longtailasset.com)) to monitor the Fund's progress.

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## Summary of Fund

Fund	Long Tail Partners No.1 Fund (the “Fund” or “Trust”)
Manager	Long Tail Asset Management Pty Ltd (“Long Tail Asset Management” or the “Manager”)
Investment objective	To generate positive absolute returns over a rolling three to five year period.
Fund structure	Unitised managed investment scheme. The Fund is a managed investment scheme under the Corporations Act. The governing rules of the Fund are set out in the Fund’s Constitution.
Who can invest in the Fund?	Only wholesale investors within the meaning of section 761G of the Corporations Act.
Minimum initial investment (and minimum holding)	\$500,000
Minimum additional application	\$250,000
Minimum redemption amount	\$250,000
Application / redemption frequency	Daily
Fund administrator	Apex Fund Services (Australia) Pty Ltd (“Apex”)
Management fee	1.25% (+GST) per annum (refer to section on Fees and Expenses)
Expenses	The Fund incurs a range of costs and expenses (refer to section on Fees and Expenses)
Application / redemption fee	0.25% for each application and redemption to cover Fund transaction costs (refer to section on Fees and Expenses)
Unit pricing	Daily
Distributions	At the discretion of the Manager

# Strategy of the Fund

## Investment process and strategy

The investment process reflects our view of what is most likely to deliver the best long term outcome for the investment of our own capital.

The investment process is based on our belief that markets generally correctly price assets but occasionally there are unique investment opportunities. Our focus is to identify these unique investment opportunities, perform rigorous fundamental research around these ideas and ultimately invest capital based on this research.

In order for the Fund to make an investment there needs to be a:

- Clearly articulated argument (investment tenet) around what we perceive is:
  - Creating the opportunity;
  - Difference in our views from the broader market; and
  - The magnitude of the opportunity.
- Some initial confirmation of the investment tenet being realised:
  - This confirmation may come through our own observations or actual financial results.

An investment tenet may be reflected in the portfolio through a single investment or multiple investments that relate to the same investment tenet.

Given our location and background, we maintain an active interest in the opportunities in the Australian and New Zealand markets. However, the Fund will consider a broad range of securities and asset classes for investment (refer Allowable Investments section below).

The Manager seeks to control risk through the investment guidelines (explained below) and underlying fundamental research.

When compelling investment opportunities cannot be found, the Fund may hold a significant level of cash.

## Allowable investments

The Fund may invest in a wide range of domestic and foreign assets, including:

- Shares;
- Hybrid securities;
- Fixed interest securities, debentures and other debt instruments;
- Cash;
- Commodities;
- Property;
- Managed investment schemes;
- Government bonds;
- Foreign exchange; and
- Derivatives (including options, futures, forwards and swaps).

The above list of allowed investments is a summary only and is not a complete list of investments allowed by the Fund's Constitution.

The investments held by the Fund may be listed or unlisted.

The Fund may short sell securities. A short sale involves the sale of a security that the Fund does not own, with the intention of repurchasing the security at a lower price in the future.

### Investment guidelines

The following table summarises the Fund's investment guidelines.<sup>1</sup> While the Manager will have regard to these guidelines in managing the Fund, these guidelines are not investment limits and the Fund may materially exceed any or all the guideline thresholds for a short or a prolonged period.

Investment Guidelines	Number or Net Asset Value of the Fund (unless otherwise stated)
Maximum number of investment tenets <sup>2</sup> held by the Fund	10
Minimum number of investment tenets held by the Fund	0
Maximum individual investment positions <sup>3</sup> per investment tenet	10
Minimum individual investment positions per investment tenet	1
Maximum Fund exposure to any single investment tenet	20%
Minimum Fund exposure to any single investment tenet	5%
Maximum individual investment position relative to size of the Fund	15%
Minimum individual investment position relative to size of the Fund	1%
Maximum cash holding of the Fund	100%
Maximum gross investment exposure <sup>4</sup>	115%
Maximum short exposure	30%

<sup>1</sup> Effective or actual currency weightings may fall materially outside these guidelines.

<sup>2</sup> An investment tenet represents one or a number of individual investment positions based around a single investment thesis. The Manager will decide which individual investment positions fit within each investment tenet.

<sup>3</sup> An individual investment position refers to, for example, each stock or bond holding.

<sup>4</sup> Gross investment exposure refers to the aggregate of "long" positions and short sale positions held by the Fund. A "long" position in a security, such as a stock or a bond, means the holder of the position owns the security and will profit if the price of the security rises.

# Risk Factors

This section summarises the key risks of investing in the Fund.

## Investment risks

The value of the Fund's assets may decrease depending on domestic or foreign economic, market, political, sovereign, regulatory, taxation, legislative and other conditions affecting the Fund's assets.

Assets held by the Fund may perform poorly and not meet expectations.

Share prices are dependent upon the financial circumstances of the companies in which the shares are purchased, their profits, earnings, cashflow and other factors. The return on a share investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

The performance of the Fund may deviate significantly from the performance of benchmark indices.

## Leverage risk

The Fund may use leverage which will magnify any investment losses.

## Short sales risks

The Fund may borrow securities on terms that allow such securities to be recalled by the lender. If the securities are recalled, the Manager may be required to unwind an investment position early, which may result in losses.

The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases before it is purchased. Any such loss may be significant.

## Liquidity risks

The market for some securities held by the Fund may be relatively illiquid which could impact the ability of the Fund to realise an investment in a timely manner.

## Derivatives risks

The Fund may use derivatives to implement or as a part of its investment strategy. The Fund can suffer losses significantly in excess of the amount invested in a derivative instrument. In addition, the Fund will be exposed to counterparty risk if the counterparty is unable to fulfil its obligations.

## Foreign currency risk

The Fund may purchase assets denominated in a foreign currency. Foreign currency movements against the Australian dollar may lead to losses in the value of the Fund's assets. The Fund may hedge none, some or all of its exposure to foreign currency movements.

## **The Manager**

The Manager and the Fund have a limited operating history. There is no guarantee the Fund will achieve its objective. Performance will depend on the skill of the Manager in selecting and implementing investment decisions. Changes in the personnel of the Manager may also have an impact on the performance of the Fund.

## **Funds under management risks**

If the Fund experiences a significant inflow or outflow of capital, this may constrain the Manager's ability to implement its investment strategy in a timely and effective manner.

## **Counterparty risk**

Counterparties that the Fund contracts with may become insolvent or bankrupt and unable to deliver on their obligations to the Fund.

# Fees and Expenses

## Management fee

The Fund Constitution entitles the Manager to receive a management fee of up to 3.0% per annum of the Net Asset Value of the Fund (plus GST) calculated daily and payable within 14 days of the end of each calendar month. For the duration of the Information Memorandum, the Manager intends to charge a management fee of 1.25% (plus GST) of the Net Asset Value (before fees and expenses) of the Fund.

## Expenses

The Manager is entitled to be reimbursed from the Fund in respect of a range of costs and expenses which include, but are not limited to, costs associated with the Constitution (including amendments), custody, unit registry, fund accounting and administration, unit holders meetings, audit fees, government duties and taxes, bank charges, brokerage, portfolio performance attribution and consultancies and services relating to the Fund.

## Performance fee

The Constitution of the Fund entitles the Manager to charge a performance fee calculated by reference to increases in the Net Asset Value of the Fund. However, for the duration of this Information Memorandum, the Manager does not intend to charge any performance fee.

## Buy / sell spread

The buy / sell spread seeks to recover transaction costs of buying or selling underlying assets held by the Fund as a result of an application for or redemption of units in the Fund. The buy / sell spread benefits the Fund and is not payable to the Manager. The buy / sell spread is 0.25% of the application and redemption amount.

## Miscellaneous expenses

Any charges to the Manager or the Fund by your financial institution may be deducted from your application amount, account balance or redemption proceeds (as appropriate). This includes cheque dishonour fees, electronic transfer fees and bank tracing fees.

In addition, government taxes (such as stamp duty) will be applied to your application amount or redemption proceeds as appropriate.

# How to Invest

## Minimum application

The minimum initial investment of an investor in the Fund (and the minimum holding) is \$500,000. The minimum subsequent investment is \$250,000. The Manager may, in its absolute discretion, reduce the minimum investment, the minimum holding or the minimum subsequent investment in the Fund.

The offer of units pursuant to this Information Memorandum is restricted to those persons to whom, or those situations where, the issuing of a Product Disclosure Statement is not required under Part 7.9 of the Corporations Act.

By lodging an application form in respect of the offer of units contained in this Information Memorandum you declare and warrant to the Manager that you are and will remain a wholesale client within the meaning of Sections 761G and 761GA of the Corporations Act.

Units are not certificated. The Fund Administrator keeps a register of unit holdings.

## Application for Units

To invest in the Fund, initially investors must complete and sign the application form attached to this Information Memorandum and return it to the address shown. Subsequent investments can be made with the additional application form. The Manager has the discretion to reject an application for units without giving a reason. For completed application forms and cleared funds received by 11.00am on a given business day, units will generally be issued at the unit price calculated at the close of business on the following business day. The Fund Administrator will send each unit holder a confirmation of the units issued.

The application price of units is the Net Asset Value of the Fund divided by the number of units on issue at the time of calculating the unit price plus 0.25% (being the buy / sell spread). There are no other application fees payable to the Manager.

By applying for units an investor agrees to be bound by the terms of the Constitution and this Information Memorandum, both as amended from time to time, whilst the investor remains a unit holder in the Fund.

## Redemption of Units

All redemptions of units must be made using the redemption form available on the Long Tail Asset Management website ([www.longtailasset.com](http://www.longtailasset.com)) or by providing us with such other written notice which the Manager requires.

Units may be redeemed on each business day. For completed redemption forms received by 11.00am on a given business day, units will generally be redeemed at the unit price calculated at close of business on the following business day. The minimum redemption amount is \$250,000 or the remaining value of your units.

If a redemption request is for less than the minimum amount, the Manager has the right (at its discretion) to treat the request as a request to redeem units for the minimum redemption amount. If a redemption request would result in the remaining value of your units in the Fund being less than \$500,000, the Manager has the right (at its discretion) to treat the request as a request to redeem all of your remaining units in the Fund.

The redemption price is the Net Asset Value divided by the number of units on issue at the time of calculation of the redemption price less 0.25% (being the buy / sell spread). There are no other redemption fees payable to the Manager.

At the Manager's discretion, proceeds of redemption may be paid in cash, transfer of assets in specie or a combination of both. Generally, the proceeds of redemption requests will be paid within 10 business days of receipt of the redemption notice. However, the Manager may in certain circumstances suspend redemptions or delay the implementation of a redemption request, in whole or in part. The circumstances in which the Manager may not give effect to all or part of a redemption request include (although not be limited to) situations where: an exchange or market on which the investments in the Fund are quoted is closed or suspended; in the opinion of the Manager, it is not practicable to sell investments in the usual time frame or where disposal would be prejudicial to other unit holders (e.g. a large single redemption, or a number of significant redemptions together or adverse market conditions); in the opinion of the Manager, the Net Asset Value of the Fund cannot reasonably or fairly be ascertained; the Fund is unable to repatriate funds to make payments on redemption; or at a time when a transfer of funds cannot, in the opinion of the Manager, be effected at normal rates of exchange. If the Manager does refuse to give effect to all or part of a redemption request, it will advise the unit holder as soon as practical of such refusal. The Manager will use reasonable endeavours to give effect to the redemption request as soon as possible thereafter, and in an orderly manner, which may involve giving effect to the redemption request by treating it as a series of smaller requests over a number of weeks or months.

#### **Interest earned on application, redemption and distribution account(s)**

Application money, proceeds of redemption requests and distribution amounts are held in a trust account(s) outside the Fund prior to being processed. Any interest earned on this account(s) (net of any fees) will be for the benefit of the Fund.

## **Additional Information**

### **Constitution**

The Constitution of the Fund provides the framework for the operation of the Fund and deals with the rights, responsibilities and duties of the Manager and the unit holders. The Constitution deals with various matters including:

- The rights of the unit holders;
- The power of the Manager to make investments;
- Limitation of liability of the Manager;
- The entitlement of the Manager to be paid fees and to be indemnified;
- Amendments to the Constitution;
- Distributions from the Fund;
- Voting rights;
- The limitation of liability of unit holders (the Constitution states that your liability is limited to the amount subscribed for your units, but the courts have not yet determined the effectiveness of provisions of this kind); and
- Termination of the Fund.

If an investor or prospective investor wishes to review the Constitution, a copy is available at our office.

### **Distributions**

The Fund will distribute income, if any, quarterly as at the end of March, June, September and December or more regularly at our discretion, in proportion to unit holdings at that time. Distributions will be re-invested automatically in additional units in the Fund as if the distribution amount is an application for additional units in the Fund, unless a unit holder elects to receive a cash distribution. Cash distributions will be paid by electronic transfer only in Australian dollars and will normally be paid within 30 business days from the end of the distribution period.

The Constitution allows the Manager to vary the distribution frequency without notice.

Your distributions are calculated on the basis of your per unit share of distributable income (including realised capital gains) of the Fund for the entire distribution period and not just for the period you hold your units.

If the Fund realises net assessable capital gains, these will be included in distributions made from the Fund. If an investor redeems units before the end of a distribution period, the investor will not receive a distribution for the redeemed units for that period. However, the redemption proceeds may comprise a return of capital as well as an amount of distributable income, including any realised capital gains accrued in the Fund up to the date of redemption. The Manager will determine the amount of distributable income including any such realised capital gains which are included in the redemption proceeds of those units and will notify the investor in an annual income statement after 30 June each year. The Manager also reserves the right to attribute any such realised capital gains, when meeting redemption request of a redeeming unit holder.

A distribution statement will be dispatched to all unit holders estimating the taxable income and available credits as soon as possible after 30 June of each year.

In the case of investors who have redeemed units, the statement will provide details of any capital gains and other income included in the redemption proceeds.

## **Communication**

Our website provides a high level of transparency concerning portfolio positions, results, attribution and our thoughts regarding markets more broadly. Please use the information on the Long Tail Asset Management website ([www.longtailasset.com](http://www.longtailasset.com)) to monitor the Fund's progress.

As an investor in the Fund you are entitled to receive, or have access to, regular reports, including:

- Income distribution statements;
- Annual tax distribution statements;
- Annual audited financial statements of the Fund; and
- A transaction statement each time you make an investment application or redemption.

The above regular reports will be provided electronically to investors. Hard copies are available to investors on request.

## **Calculation of unit prices**

Unit prices are calculated daily based on the Net Asset Value of the Fund divided by the number of units on issue.

## **General financial product advice**

LTAM may provide general financial product advice to wholesale investors for a fee as permitted by its AFSL. This advice can include general information on portfolio holdings of the Fund. Conflicts of interest that arise from this activity are controlled and managed as part of LTAM's AFSL obligations.

## **Taxation**

Taxation is complex and different investors have different circumstances. We encourage you to seek professional taxation advice prior to making an investment decision. The Manager does not know the individual taxation position of unit holders and therefore will not take it into account in making investment decisions. Generally, it is expected the Fund will distribute its net income to investors.

## **TFN or ABN**

If you do not provide your TFN or ABN or appropriate exemption information, the Manager is required to withhold tax at the highest marginal tax rate from income distributions made to you.

## **If you have a complaint**

If you have any queries or complaints, please contact us in writing. We will give your complaint proper consideration and endeavor to advise you of the outcome within 30 days of receipt of the complaint.

## **Custodian**

Long Tail Asset Management will appoint one or more suitably qualified custodians for the Fund. The role of the custodian will be limited to holding assets of the Fund and the custodian will have no supervisory role in relation to the operation of the Fund. Accordingly it will have no liability or responsibility to unit holders for any acts done or omissions made by the Manager or any other party.

## **Administrator**

Apex has been appointed as the Fund Administrator. As Fund Administrator, Apex is responsible for the day-to-day administration of the Fund including the register of unit holders, maintaining the Fund accounting records, valuing the assets of the Fund, calculating net asset values and unit prices and calculating and paying income distributions. The Fund Administrator has no supervisory role in relation to the operation of the Fund and does not provide any investment advisory or management services to the Fund. The Fund Administrator is not responsible for the performance of the Fund and, with the exception of its responsibilities as Fund Administrator, has no liability or responsibility to unit holders for any act done or omission made by the Manager or any other party.

The Fund Administrator makes no representations or warranties about, and is not responsible for, the accuracy of this Information Memorandum.

## **Privacy policy**

The Manager only collects personal information about you if it is necessary to provide services to you, to communicate with you, and to provide you with information about the Fund. The Manager may disclose personal information about you to third party service providers to the Fund and other parties, including custodians, unit registries, fund administrators, auditors, legal advisers, accountants, Australian Tax Office and other relevant professionals.

You may gain access to the personal information the Manager holds about you, subject to certain exemptions under the Privacy Act 1988 (Commonwealth).

If you think that any of our records are incorrect or out of date, it is important that you contact us so that we can correct the information.

## **Anti-money laundering and counter terrorism financing**

The Manager is required to comply with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Law). Accordingly, we will require you to provide personal information and documentation in relation to your identity when you invest in the Fund. We may need to obtain additional information and documentation from you to process your application or subsequent transactions, or at other times during your investment. In addition,

we may need to identify anyone acting on your behalf, including your representatives. In some circumstances we may need to verify or re-verify your information.

By applying to invest in the Fund, you acknowledge that we may decide to delay or refuse a request or transaction, including by suspending the issue or withdrawal of units in the Fund. We may also take this action if we are concerned that the request or transaction may breach our obligations or cause us to commit or participate in an offence under any AML/CTF Law. We will not incur any liability to you if we do so. Under the AML/CTF Law, we are required to disclose information about suspicious transactions to regulatory and/or law enforcement agencies, and may be prevented from informing you of such disclosure.

## Defined Terms

Defined terms used in this Information Memorandum have the following meanings:

<b>Constitution</b>	The constitution of Long Tail Partners No.1 Fund, dated 22 March 2010 as updated from time to time.
<b>Corporations Act</b>	The Corporations Act 2001 (Commonwealth) as amended and includes the Corporations Regulations.
<b>Fund</b>	Long Tail Partners No.1 Fund
<b>Long Tail Asset Management or the Manager</b>	Long Tail Asset Management Pty Ltd, ABN 34 136 795 170
<b>Trust</b>	Long Tail Partners No.1 Fund
<b>Net Asset Value (NAV)</b>	Means gross market value of all the assets of the Fund less any liabilities of the Fund
<b>Information Memorandum</b>	This Information Memorandum as modified or varied by any replacement or supplementary Information Memorandum by the Trust from time to time, any electronic copy of this Information Memorandum, and any replacement or supplementary Information Memorandum.

When we say “we” or “our” in this Information Memorandum, we are referring to Long Tail Asset Management or the Manager.

# Application Forms

Application form for individuals – [click here](#)

Application form for Australian companies – [click here](#)

Application form for regulated Australian trusts – [click here](#)

Application form for unregulated trusts – [click here](#)

Additional application form – [click here](#)

## Directory

### **Long Tail Asset Management Pty Ltd**

Office address:  
6 Bulletin Place  
Circular Quay  
Sydney NSW

Mailing address:  
PO Box R1777  
Royal Exchange  
NSW 1225

Phone: (02) 8241 1000  
Fax: (02) 8241 1001

### **Fund Administrator and Unit Registry**

Office address:  
Apex Fund Services (Australia) Pty Ltd  
Level 13, 459 Little Collins St  
Melbourne VIC 3000

Mailing address:  
PO Box 189  
Flinders Lane  
VIC 8009