TermPlus

Better returns from your savings

Supplementary Product Disclosure Statement

8 August 2025

SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

TERMPLUS (ARSN 668 902 323)

IMPORTANT INFORMATION

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this supplementary product disclosure statement.

SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

This is a supplementary product disclosure statement ('SPDS') issued by Pengana Capital Limited (ACN 103 800 568, AFSL 226 566) ('Responsible Entity', 'we' or 'us') in its capacity as responsible entity of TermPlus (ARSN 668 902 323) ('TermPlus' or 'Fund'). It supplements, and is intended to be read with, the product disclosure statement dated 19 March 2024 issued by the Responsible Entity in its capacity as responsible entity of the Fund ('Original PDS').

This SPDS is dated 8 August 2025. ASIC does not take any responsibility for the contents of this SPDS or the merits of the investment to which this SPDS relates.

The information set out in this SPDS is taken to be included in the Original PDS. All changes disclosed below will take effect from the date of issue of this SPDS. Except where otherwise defined in this SPDS, capitalised terms used in this SPDS have the meanings set out in the Original PDS.

It is important that you read the Original PDS (as supplemented by this SPDS) carefully and in its entirety before deciding whether to invest in the Fund.

This SPDS is available at: www.termplus.com.au. For additional information concerning this SPDS or for further information about the Fund, please see the website www.termplus.com.au or feel free to call us on 1300 883 881 or email us at support@termplus.com.au.

PURPOSE OF THIS SPDS

The purpose of this SPDS is to:

- update the language regarding the Target Rates to remove the references to the actual Target Rates that were applicable at the time the Original PDS was issued, and to instead refer to the methodology for determining the Target Rates; and
- update the wording regarding the TermPlus classes to reflect that each Term Account is a separate class; and
- amend the timing for when a new investment in TermPlus commences accruing an entitlement to income; and
- reflect that the PPNs will be valued at the most recent redemption price which will include a redemption spread as provided by the independent administrator of the Feeder Fund and Master Fund (rather than the net asset value of the PPNs which was previously used).

SECTION 1 – TERMPLUS AT A GLANCE

The first table included in section 1 of the Original PDS under the heading "TERMPLUS AT A GLANCE" is deleted and replaced with the following:

TERMPLUS DETAILS	
Name	*TermPlus*
Scheme Number	*ARSN 668 902 323*
Responsible Entity	*Pengana Capital Ltd*
Investment Manager	*Pengana Credit Pty Ltd*

Investment Consultant	*Mercer Consulting (Australia) Pty Ltd*
Website	*termplus.com.au*
Customer Support	*Phone: 1300 883 881 Email: support@termplus.com.au*

TERMS	***TERMPLUS TARGET RATES[1] AS AT DATE OF THIS PDS***	***MAXIMUM SAVINGS SUPPORT AVAILABLE AT MATURITY BASED ON INVESTED AMOUNT***
1 year	*RBA Rate* plus 3% p.a.*	*5%*
2 years	*RBA Rate* plus 3.65% p.a.*	*5%*
5 years	*RBA Rate* plus 4.15% p.a.*	*5%*

[1] Target Rates quoted are merely an objective. There is a risk that TermPlus may not be successful in achieving the Target Rates. None of the Responsible Entity, Pengana Credit or Mercer guarantee the performance of TermPlus. Account Holders' capital is not guaranteed. Like all investments, TermPlus' investments carry risks, and if these risks eventuate, Account Holders may lose some or all of their capital invested in TermPlus. Target Rates are not guaranteed, are not a forecast and may not be achieved. A Term Account is not a bank deposit or a term deposit with a bank. Past performance is not a reliable indicator of future performance and may not be repeated. The Target Rates are quoted net of all fees and costs.

** RBA Rate is the Reserve Bank of Australia Official Cash Rate. This is the RBA Board's operational target for monetary policy. It is the interest rate on unsecured overnight loans between banks. Also known as 'RBA Official Cash Rate' or 'RBA Rate'.*

TERM ACCOUNT LAYERS OF PROTECTION	
Priority Income Entitlement	*Pengana Capital Group will invest in TermPlus through a Support Account ('Support Account') to provide an extra pool of income returns that support our Target Rates for your account. We call it 'Priority Income Entitlement'.*
Income Stabilisation	*In the event that the value of your Term Account balance decreases for any given month, we will continue to calculate your Target Rate Income on the total Invested Amount (including any reinvestments of past Income). The monthly payment of accrued Target Rate Income is subject to TermPlus generating sufficient return.*
Savings Support	*Any decline in the amount you invest in TermPlus (less any Income paid) is eligible to be topped up by the Support Account at Maturity up to the Savings Support limit specified and further explained in Section* ***Error! Reference source not found.**.*

OPENING A TERM ACCOUNT AND INCOME PAYMENTS	
Opening a Term Account	*termplus.com.au/apply*
Minimum Investment	*$2,000*
Income	*Accrued daily, paid monthly*
Income Reinvestment	*Yes*
Rollovers	*Yes*
Withdrawals	*Your Term Account (comprising of the Closing Balance and any applicable Savings Support payment) will automatically rollover to a new Term of the same length, unless you notify us by the Election Due Date that you want to rollover to a new Term or withdraw all, or part, of your Term Account. Elections can be made at any time on or prior to the Election Due Date via your account dashboard.*

MATURITY BETWEEN	***ELECTION DUE DATE***
1 January - 31 March	*On or prior to 30 September*
1 April - 30 June	*On or prior to 31 December*
1 July - 30 September	*On or prior to 31 March*
1 October - 31 December	*On or prior to 30 June*

SECTION 2.2 – TERMPLUS CLASSES

Section 2.2 of the Original PDS is deleted and replaced with the following:

TermPlus has two categories of unit classes:

- *'**Term Account**' classes - Each Term Account held by an Account Holder which is offered through this PDS to eligible Australian investors ('Account Holders') split into separate 1-year term, 2-year term and 5-year term sub-categories. Each Term Account is a separate class; and*

- *‘**Support Account**’ class - Pengana Capital Group will invest in TermPlus via the Support Account. Refer to Section **Error! Reference source not found.** for further details.*

(collectively, ‘TermPlus Classes’).

SECTION 2.3.1 – TARGET RATES AND INCOME

The table in section 2.3.1 of the Original PDS and the 2 paragraphs immediately under the table are deleted and replaced with the following:

TERMS	*RBA RATE*	*ADDED RATE AT THE DATE OF THIS PDS*	*TERMPLUS TARGET RATES AS AT DATE OF THIS PDS*
1 year	*RBA Rate % p.a.*	*+3.00% p.a.*	***RBA Rate plus 3.00% p.a.***
2 years	*RBA Rate % p.a.*	*+3.65% p.a.*	***RBA Rate plus 3.65% p.a.***
5 years	*RBA Rate % p.a.*	*+4.15% p.a.*	***RBA Rate plus 4.15% p.a.***

The RBA Rate is the target interest rate on unsecured overnight loans between Australian banks. The RBA meets regularly to make monetary policy decisions which involve setting the RBA Rate. Monetary policy decisions by the RBA are typically explained in a media release on the RBA website (https://www.rba.gov.au/statistics/cash-rate/).

SECTION 3.3.8 – VALUATION

Paragraph 2 of section 3.3.8 of the Original PDS is deleted and replaced with the following:

The Administrator is reliant on the valuation of the PPNs held by TermPlus in the Feeder Class to value TermPlus. The Administrator utilises the most recent redemption price of the PPNs held by TermPlus, as provided by the independent administrator of the Feeder Fund and Master Fund, to value TermPlus at the end of each Income Period. The valuation forms the basis of the Income allocation set out in Section 2.3.2.

SECTION 4.8.3 – PPN AGREEMENT

Paragraph 7 of section 4.8.3 of the Original PDS is deleted and replaced with the following:

The value of a PPN in TermPlus is equal to the redemption price of the PPN of that relevant class. The redemption price of a PPN is the net asset value of the portfolio of assets and liabilities held by the Feeder Fund that is attributable to the class of PPNs divided by the number of PPNs issued for that class of PPNs, adjusted by the redemption spread for the class.

SECTION 6.1.1 – OPENING A TERM ACCOUNT

Paragraph 2 of section 6.1.1 of the Original PDS is deleted and replaced with the following:

Where the Application Process has been completed by 4.30pm on a Business Day (refer to Section 6.2.4.1 for further details about what is considered a completed application), your application will generally be accepted, and your Term Account issued, on the next Business Day provided that cleared funds are received by us on that day. If cleared funds are not received on that day, your application will be accepted, and your Term Account issued, on the Business Day that cleared funds are received (‘Issue Date’). Your investment will commence accruing an entitlement to Income from the Issue Date.

SECTION 10 – GLOSSARY OF INDUSTRY TERMS, DEFINED TERMS AND ABBREVIATIONS

The defined term for TermPlus Classes is deleted and replaced with the following:

TermPlus Classes	*Each Term Account and the Support Account*

Better returns from your savings

Product Disclosure Statement

19 March 2024

IMPORTANT NOTICE

PURPOSE OF PRODUCT DISCLOSURE STATEMENT

TermPlus (ARSN 668 902 323) ('TermPlus' or 'Fund') is an Australian multi-class unit trust which is registered with the Australian Securities and Investments Commission ('ASIC') as a managed investment scheme under Chapter 5C of the Corporations Act.

This product disclosure statement ('PDS') is dated 19 March 2024 and is issued by the responsible entity of TermPlus, Pengana Capital Limited (ACN 103 800 568, AFSL 226 566) ('Responsible Entity', 'we' or 'us').

The Responsible Entity has appointed Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160) as the investment manager of TermPlus pursuant to the Investment Management Agreement ('Pengana Credit' or 'Investment Manager').

LODGEMENT

An in-use-notice relating to this PDS has been lodged with ASIC. ASIC does not take any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates. Term Accounts opened under this PDS will be issued by the Responsible Entity on the terms and conditions set out in this PDS.

INVITATION TO APPLY FOR A TERM ACCOUNT

This PDS contains an invitation to apply for a Term Account in TermPlus. No person is authorised to provide any information, or to make any representation, about TermPlus or the invitation to apply for a Term Account that is not contained in this PDS. Potential Account Holders should only rely on the information contained in this PDS.

Any information or representation not contained in this PDS may not be relied on as having been authorised by the Responsible Entity in connection with the invitation to apply for Term Accounts. Except as required by law and only to the extent required by such law, the Responsible Entity nor any other person associated with the Responsible Entity (or the invitation to apply for a Term Account) guarantees or warrants the future performance of TermPlus, the return on an investment made under this PDS, the repayment of capital or the payment of Income on the Term Accounts.

OPENING AN ACCOUNT

By opening an account in accordance with Section 6.1 of this PDS, you declare that you have read the PDS that accompanied the Application Process.

NOT INVESTMENT ADVICE

The information contained in this PDS is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs.

Before deciding to open a Term Account, you should read this PDS in its entirety. You should take into account all risk factors and conflicts of interest referred to in this PDS (including those in Section 5) and consider whether opening a Term Account is appropriate in view of your personal financial circumstances. You should carefully consider your particular financial objectives, circumstances, and needs (including financial and taxation issues) and you should seek advice from your professional adviser before deciding whether to open a Term Account. You should consider the risk factors that could affect the financial performance of TermPlus as well as the conflicts of interest to which TermPlus may be subject. There is no guarantee that the Term Accounts offered under this PDS will provide a return on capital or lead to payment of Income. More details on the risks associated can be found in the Risks Section of this PDS.

Term Accounts are not a bank-deposit or other liability of the Responsible Entity or any of its related bodies corporate, and whilst certain mechanisms have been put in place by the Responsible Entity to provide levels of protection to Account Holders, these entities do not guarantee, or stand in any way, behind either the capital value or performance of Term Accounts. The Responsible Entity is not a bank and is not subject to regulatory supervision by the Australian Prudential Regulation Authority ('APRA') but is regulated by ASIC.

If you wish to apply open a Term Account, you must do so in accordance with Section 6.1 of this PDS.

NO OFFER WHERE OFFER WOULD BE ILLEGAL

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the offer of Term Accounts under this PDS, or to otherwise permit a public offering of Term Accounts, in any jurisdiction outside Australia. The distribution of this PDS outside Australia may be restricted by law and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

RIGHTS AND OBLIGATIONS ATTACHED TO TERM ACCOUNTS

Details of the rights and obligations attached to each Term Account, and the material provisions of the Constitution, are summarised in Section 4.8.1. A copy of the Constitution is available, free of charge, on request from the Responsible Entity.

DISCLAIMER

No person is authorised by the Responsible Entity to give any information or make any representation in connection with the offer that is not contained in this PDS. Any information or representation that is not contained in this PDS may not be relied on as having been authorised by the Responsible Entity, their directors, or any other person in connection with the offer. TermPlus' business, financial condition, operations, and prospects may have changed since the date of this PDS.

Certain statements in this PDS constitute forward-looking statements. These forward-looking statements are identified by words such as 'aim', 'anticipate', 'assume', 'believes' 'could', 'expects', 'intends', 'may', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would', and other similar words that involve risks and uncertainties. Term Account Holders should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance, or achievements to differ materially from anticipated results, implied values, performance, or achievements expressed, projected, or implied in the statements.

These forward-looking statements are based on current expectations, estimates and projections about TermPlus and the markets in which TermPlus will invest, and the beliefs and assumptions of the Responsible Entity. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's control. As a result, any, or all forward-looking statements in this PDS may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors and conflicts of interest described in Section 5.

Potential Account Holders and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. The Responsible Entity does not make any assurance, express or implied, in relation to whether any forward-looking statements will actually eventuate.

These forward-looking statements speak only as at the date of this PDS. Unless required by law, the Responsible Entity does not intend to publicly update or revise any forward-looking statements to reflect new information, future events or otherwise. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

Past performance, which is one of the principal components in developing these forward-looking statements, is not necessarily a guide to future performance.

Some numerical figures in this PDS have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

UPDATED INFORMATION

The information in this PDS is current as at the date of this PDS unless otherwise stated. Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to Account Holders ('Updated Information') will be made available on the website: **termplus.com.au**. We will provide a copy of the updated information, free of charge to any Account Holder who requests a copy by calling us on 1300 883 881 or emailing us at support@termplus.com.au.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary product disclosure statement to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures issued in conjunction with this PDS prior to making any investment decision.

WEBSITES

Any references to documents included on the TermPlus, the Responsible Entity, or the Pengana Credit websites are provided for convenience only, and none of the documents or other information on those websites is incorporated by reference into this PDS, except where the document or other information is Updated Information.

CURRENCY

References in this PDS to currency are to Australian dollars unless otherwise indicated.

TIME

Unless otherwise stated or implied, references to time in this PDS are to Sydney time.

MISCELLANEOUS

Photographs and diagrams used in this PDS that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this PDS or its contents or that the assets shown in them are owned by TermPlus.

All data contained in charts, graphs, and tables within this PDS are based on information available as at the date of this PDS unless otherwise stated.

GLOSSARY

Certain expressions used in this PDS have defined meanings which are in the Glossary.

CORPORATE DIRECTORY

The Fund	**TermPlus**
Responsible Entity	**Pengana Capital Ltd** ACN 103 800 568 AFSL 226 566 Suite 1, Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Investment Manager	**Pengana Credit Pty Ltd** ACN 659 608 849 CAR 001297160 Suite 1, Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Investment Consultant	**Mercer Consulting (Australia) Pty Ltd** ACN 153 168 140 AFSL 411 770 100 Barangaroo Avenue Sydney NSW 2000 Australia
Custodian	**BNP Paribas** ARBN 000 000 117 AFSL 238 043 Level 6, 60 Castlereagh Street Sydney NSW 2000 Australia
Auditor of TermPlus and the Compliance Plan	**Ernst & Young** 200 George Street Sydney NSW 2000 Australia
Legal and Tax Counsel	**DLA Piper Australia** Level 22, 1 Martin Place Sydney NSW 2000 Australia
Website	**termplus.com.au**
Customer Support	Phone: 1300 883 881 Email: support@termplus.com.au

TABLE OF CONTENTS

1. OVERVIEW

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this PDS. In deciding whether to apply for a Term Account, you should read this PDS carefully and in its entirety. You should seek relevant professional advice before making an investment decision.

TERMPLUS AT A GLANCE

TERMPLUS DETAILS	
Name	TermPlus
Scheme Number	ARSN 668 902 323
Responsible Entity	Pengana Capital Ltd
Investment Manager	Pengana Credit Pty Ltd
Investment Consultant	Mercer Consulting (Australia) Pty Ltd
Website	termplus.com.au
Customer Support	Phone: 1300 883 881 Email: support@termplus.com.au

TERMS	TARGET RATE[1] AS AT DATE OF THIS PDS	MAXIMUM SAVINGS SUPPORT AVAILABLE AT MATURITY BASED ON INVESTED AMOUNT
1 year	7.35% p.a.	5%
2 years	8.00% p.a.	5%
5 years	8.50% p.a.	5%

[1] Target Rates quoted are merely an objective. There is a risk that TermPlus may not be successful in achieving the Target Rates. None of the Responsible Entity, Pengana Credit or Mercer guarantee the performance of TermPlus. Account Holders' capital is not guaranteed. Like all investments, TermPlus' investments carry risks, and if these risks eventuate, Account Holders may lose some or all of their capital invested in TermPlus. Target Rates are not guaranteed, are not a forecast and may not be achieved. A Term Account is not a bank deposit or a term deposit with a bank. Past performance is not a reliable indicator of future performance and may not be repeated. The Target Rates are quoted net of all fees and costs.

TERM ACCOUNT LAYERS OF PROTECTION	
Priority Income Entitlement	Pengana Capital Group will invest in TermPlus through a Support Account ('Support Account') to provide an extra pool of income returns that support our Target Rates for your account. We call it 'Priority Income Entitlement'.
Income Stabilisation	In the event that the value of your Term Account balance decreases for any given month, we will continue to calculate your Target Rate Income on the total Invested Amount (including any reinvestments of past Income). The monthly payment of accrued Target Rate Income is subject to TermPlus generating sufficient return.
Savings Support	Any decline in the amount you invest in TermPlus (less any Income paid) is eligible to be topped up by the Support Account at Maturity up to the Savings Support limit specified and further explained in Section 2.3.2.3.

OPENING A TERM ACCOUNT AND INCOME PAYMENTS	
Opening a Term Account	termplus.com.au/apply
Minimum Investment	$2,000
Income	Accrued daily, paid monthly
Income Reinvestment	Yes
Rollovers	Yes
Withdrawals	Your Term Account (comprising of the Closing Balance and any applicable Savings Support payment) will automatically rollover to a new Term of the same length, unless you notify us by the Election Due Date that you want to rollover to a new Term or withdraw all, or part, of your Term Account. Elections can be made at any time on or prior to the Election Due Date via your account dashboard.

MATURITY BETWEEN	ELECTION DUE DATE
1 January – 31 March	On or prior to 30 September
1 April – 30 June	On or prior to 31 December
1 July – 30 September	On or prior to 31 March
1 October – 31 December	On or prior to 30 June

ASIC BENCHMARKS AND PRINCIPLES

This section of the PDS addresses the Australian Securities and Investment Commission's ('ASIC's') benchmarks and disclosure principles for hedge funds and provides references to other sections of the PDS where you can find further information. This information is intended to assist you in making an informed decision about investing in TermPlus. You should read the entire PDS for full details before deciding whether to invest in TermPlus.

BENCHMARK 1: VALUATION OF ASSETS	
Section 3.3.8	This benchmark addresses whether valuations of TermPlus' non-exchange traded assets are provided by an independent administrator or an independent valuation service provider. The Responsible Entity has appointed an independent administrator to provide administration services to TermPlus, including valuation services. TermPlus satisfies Benchmark 1 by having its non-exchange traded assets independently valued by the Administrator in accordance with its pricing policy. Over-the-counter ('OTC') derivatives are generally valued by reference to the counterparty settlement price which is based upon broad financial market indices.
BENCHMARK 2: PERIODIC REPORTING	
Section 6.4	This benchmark addresses whether the Responsible Entity will provide periodic disclosure of certain key information on an annual and monthly basis. This benchmark is met as Account Holders are provided with monthly performance information and annual reports.
DISCLOSURE PRINCIPLE 1: INVESTMENT STRATEGY	
Section 3.3	Pengana Credit in consultation with Mercer: • seeks to provide TermPlus with exposure to global private credit assets that aim to provide stable income, a degree of capital security and attractive total returns; • achieves this exposure principally through investing in a diversified range of funds managed by Underlying Managers that invest in private credit assets; • aims to develop a portfolio of high-quality funds managed by Underlying Managers with complementary strategies that provide attractive returns with diversification from individual fund, manager, and strategy risks; • may also provide TermPlus with exposure to more liquid debt strategies and cash. This further complements the reduction of risk through diversification as well as maintaining operational liquidity and flexibility; and • invests principally in European and North American funds. It may allocate to Australian funds, however, the private credit markets in Australia are smaller and less developed than in the US and Europe and the allocation is therefore expected to be lower. The investment strategy will be implemented primarily through participation in offshore investment funds.
DISCLOSURE PRINCIPLE 2: INVESTMENT MANAGER	
Sections 4.1; 4.2; 4.9.1	Pengana Capital Limited, as the Responsible Entity of TermPlus, has appointed Pengana Credit Pty Ltd as the Investment Manager. The Investment Management Agreement gives the Responsible Entity the right to immediately terminate the Investment Management Agreement and remove Pengana Credit by written notice if Pengana Credit becomes insolvent, ceases to carry on its business, materially breaches the Investment Management Agreement, ceases to be a member of the Pengana Group of companies or relevant law requires the Investment Management Agreement to terminate.
DISCLOSURE PRINCIPLE 3: FUND STRUCTURE	
Sections 3.2; 3.3.5.2; 4.1; 4.2; 4.4; 4.5; 4.6; 4.7; 4.9; 5; 7	TermPlus is an Australian multi-class unit trust which is registered with ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. Pengana Capital Limited, as the Responsible Entity of TermPlus, may appoint service providers to assist in the ongoing operation, management and administration of TermPlus. Key service providers include: • Pengana Credit Pty Ltd as the Investment Manager; • Mercer Consulting (Australia) Pty Ltd as the Investment Consultant to the Investment Manager; and

	• BNP Paribas as the Custodian. All of the key service providers operate in Australia. BNP Paribas is incorporated in France and operates in a number of international locations, including Australia. See Section 4 for further information on other key service providers and the Responsible Entity's role in monitoring the performance of service providers. See Section 3.2 for a diagram of the structure of TermPlus.
DISCLOSURE PRINCIPLE 4: VALUATION, LOCATION AND CUSTODY OF ASSETS	
Sections 3.2.1; 3.3.6; 3.3.6.2; 3.3.8; 4.5; 4.6; 4.9	The Administrator of TermPlus provides administrative and accounting services. The Administrator is responsible for TermPlus' valuation at least on a monthly basis. See Section 3.3.8 for more information on the valuation of assets. BNP Paribas is the Custodian of TermPlus and provides custodial services. Section 3.3 details the Investment Strategy including geographical exposure of TermPlus and Section 4.6 provides more information on the Custodian.
DISCLOSURE PRINCIPLE 5: LIQUIDITY	
Sections 3.3; 3.3.6.2	Due to the illiquid nature of private credit investments, the Responsible Entity does not reasonably expect to realise at least 80% of TermPlus' assets, at the value ascribed to those assets in calculating TermPlus' net asset value, within 10 days. Section 3.3.2 details the Investment Strategy and Section 3.3.6.2 details liquidity management.
DISCLOSURE PRINCIPLE 6: LEVERAGE	
Sections 3.3.10; 3.3.11	TermPlus may utilise leverage directly or indirectly at different levels within TermPlus' structure. The primary source of leverage that TermPlus will be exposed to is via the Underlying Funds' execution of their investment strategies or objectives as set forth in Section 3.3.10. TermPlus does not intend that the overall leverage ratio resulting from its exposure to the Underlying Managers' investment strategies will exceed 1.5x the NAV of TermPlus. The FX hedging implemented at the Feeder Class level, as set forth in Section 3.3.11, may employ leverage in the form of a FX hedging facility which allows for the deferral of FX settlement payments with TermPlus' counterparties. At a future date, and for the purposes of managing the short-term cash needs of TermPlus (e.g., to meet TermPlus' obligations in respect of any obligations or demands), further leverage may be employed at the level of the structure that is most appropriate within the TermPlus structure. Inclusive of all the different forms of leverage disclosed above, TermPlus does not currently intend to exceed an overall leverage ratio of 1.75x the NAV of TermPlus.
DISCLOSURE PRINCIPLE 7: DERIVATIVES	
Sections 3.3.11; 5	Pengana Credit seeks to hedge foreign currency exposures into AUD. The Feeder Class is exposed to foreign exchange fluctuations via its investments in the Master Classes which hold investments denominated in foreign currencies, including USD and EUR. To mitigate this risk, Pengana Credit seeks to hedge these exposures. Hedging activity is primarily implemented through the use of OTC forward foreign exchange contracts.
DISCLOSURE PRINCIPLE 8: SHORT SELLING	
Section 3.3.12	TermPlus does not directly engage in short selling as part of its Investment Strategy, nor is it expected to form a material part of Underlying Funds' investment strategies. The Underlying Funds' strategies focus on generating returns through lending in private credit markets. It is anticipated that short selling will be limited to certain specific periods and will not represent a material percentage of any of the Underlying Fund's at any point in time.
DISCLOSURE PRINCIPLE 9: WITHDRAWALS	
Sections 6.2.2; 6.2.3; 6.2.4	At Maturity, your Term Account Closing Balance will automatically rollover to a new Term unless you inform us via your dashboard to withdraw all, or part of, your Term Account Closing Balance by no later than the Election Due Date as noted on your Account dashboard. Withdrawal proceeds are payable at Maturity. We aim to pay withdrawal proceeds within five days of Maturity but can take up to 21 days after Maturity to complete the payment. See Section 6.2.4.2 for more information on withdrawal restrictions.

2. ABOUT TERMPLUS

2.1. TERMPLUS OVERVIEW

TermPlus (ARSN 668 902 323) is an Australian multi-class unit trust which is registered with ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

Pengana Capital Limited acts as the Responsible Entity of TermPlus.

The Responsible Entity has appointed Pengana Credit Pty Ltd as the Investment Manager of TermPlus.

Pengana Credit is a corporate authorised representative of Pengana Capital Limited and is a subsidiary of Pengana Capital Group Limited ('PCG', ASX: PCG).

Mercer Consulting (Australia) Pty Ltd ('Mercer') is the Investment Consultant to the Investment Manager.

Pengana Credit believes that global private credit offers investors a compelling risk-adjusted return premium over traditional fixed income, with diversification in multi-asset portfolios. Pengana Credit employs a diversified approach to investing in the global private credit market, primarily accessing highly rated direct lending managers to provide an anchor of durable yield and persistent spread premium, while adding structured credit and speciality finance to diversify the risk/return drivers.

Pengana Credit favours Underlying Managers and strategies that are capital efficient, focus on capital preservation, offer flexibility through the credit cycle through their multi-sector or broad approach to credit, and have a competitive advantage sourcing assets.

This global private credit capability gives Pengana Credit the ability to offer distinct global private credit products (of which TermPlus is one) specifically tailored to different market segments, including advised and direct retail investors, high-net-worth and family offices.

Managed by Pengana Credit and in consultation with Mercer, TermPlus provides access to global private credit via a highly diversified, multi-manager, multi-strategy, global private credit portfolio of funds managed by highly rated private credit fund managers ('Underlying Managers') which, in turn, invest in loans, primarily to corporate borrowers (the 'Underlying Assets').

The portfolio of Underlying Assets ('Portfolio') is the foundation through which TermPlus offers Term Accounts to Account Holders.

Term Accounts benefit from added account features which aim to deliver a significant level of confidence in our offering.

Through the three distinct built-in layers of protection offered by a Term Account, TermPlus aims to provide Account Holders with stability of capital and reliability of Income.

To do this, TermPlus provides a **Support Account**.

The Support Account is an investment by the Pengana Capital Group in TermPlus, that underpins these three layers of protection.

2.2. TERMPLUS CLASSES

TermPlus has two categories of unit classes:

- '**Term Account**' classes – Term Accounts held by Account Holders which are offered through this PDS to eligible Australian investors ('Account Holders') split into separate 1-year term, 2-year term and 5-year term classes; and
- '**Support Account**' class – Pengana Capital Group will invest in TermPlus via the Support Account. Refer to Section 2.2.2 for further details.

(collectively, 'TermPlus Classes').

2.2.1. TERM ACCOUNTS

Through the structure described in Section 3.2 of this PDS, Account Holders are provided with a choice of investment timeframes which comprise 1 (one) year, 2 (two) year and 5 (five) year (collectively, 'Terms').

Each Term has a specific Income objective calculated by reference to the Reserve Bank of Australia ('RBA') Official Cash Rate ('RBA Rate') plus a fixed spread ('Added Rate'), expressed on an annualised basis ('Target Rate'). The Target Rates are quoted net of all fees and costs.

TermPlus makes income distributions to Term Accounts ('Income') based on an underlying measure of net income provided for in the accounting policies of TermPlus, known as TermPlus Return ('TermPlus Return'). Income is capped at the Target Rates multiplied by the Invested Amount.

See Section 2.3.1 for further information.

TermPlus Accounts have three distinct built-in layers of protection:

'Priority Income Entitlement'

Account Holders have a priority claim to TermPlus' Return up to the Target Rate each month for their Term Account.

'Income Stabilisation'

If the Closing Balance of a Term Account is below the Invested Amount, the Target Rate will still be applied against the Invested Amount, rather than the Closing Balance for the month. The monthly payment of accrued Target Rate Income is subject to TermPlus generating sufficient return.

'Savings Support'

During the Term: if the Closing Balance of a Term Account is below the Invested Amount for any given month, any TermPlus Return (after meeting Target Rates for that month) will be allocated pro-rata to the balance of all accounts (including the Support Account) until the Closing Balances of all the Term Accounts return to their total Invested Amounts.

End of Term: if, at the end of an Account Holder's Term ('Maturity'), the Closing Balance of a Term Account plus the Income paid or accrued to the Account Holder over the Term ('Final Value') is less than the total Invested Amount, the Savings Support mechanism can cover up to 5% of the Invested Amount to the extent the Support Account has sufficient funds. Refer to Section 2.2.2 for details of the minimum Support Account commitments.

See Section 2.3.2 for further information on the Priority Income Entitlement, Income Stabilisation and Savings Support mechanisms.

2.2.2. Support Account

Pengana Capital Group will invest in TermPlus through the Support Account. The purpose of the Support Account is to provide the basis for the three distinct built-in layers of protection to Account Holders described in Section 2.2.1.

Pengana Capital Group will maintain a minimum Support Account balance of 5% of the aggregate value of the Invested Amount of all Term Accounts, less any Savings Support payments that have been made.

In return for providing Priority Income Entitlement, Income Stabilisation and Savings Support to Account Holders, the Support Account is entitled to Residual Income (see Section 2.3.2).

2.3. TERM ACCOUNT FEATURES

This section provides a detailed overview of the Terms and associated Target Rates offered under this PDS, and how the Priority Income Entitlement and Savings Support features work.

2.3.1. Target Rates and Income

Term Account Income is accrued daily, based on the Target Rate (applicable for that day) multiplied by the Invested Amount, and paid to Account Holders monthly subject to TermPlus generating sufficient return.

Term Account Income payments are generally made within 15 days of the end of the Income Period (as defined in Section 6.3.2). Residual Income is allocated to the Support Account at the end of the Income Period but remains available to support future Priority Income Entitlement for up to 11 months after the Income Period (see Section 2.3.2).

The following table shows the Terms being offered for investment, and the corresponding Target Rates being aimed for, under this PDS. The Target Rates are equal to the RBA Rate plus the Added Rate, expressed on an annualised basis, as set out in the following table.

TERMS	RBA RATE AT THE DATE OF THIS PDS	ADDED RATE AT THE DATE OF THIS PDS	TARGET RATE AS AT DATE OF THIS PDS
1 year	4.35% p.a.	3.00% p.a.	**7.35% p.a.**
2 years	4.35% p.a.	3.65% p.a.	**8.00% p.a.**
5 years	4.35% p.a.	4.15% p.a.	**8.50% p.a.**

The RBA Rate is the interest rate on unsecured overnight loans between Australian tars. The RBA meets regularly to make monetary policy decisions which involve setting the RBA Rate. Monetary policy decisions by the RBA are typically explained in a media release on the RBA website (https://www.rba.gov.au/statistics/cash-rate/).

The RBA Rate as at the date of this PDS is 4.35% p.a.

Given the RBA Rate is a variable component in determining the Target Rate, any movement in the RBA Rate alters the Target Rate. When the RBA Rate is varied by the RBA, the revised Target Rate for each Term will be detailed on the website: **www.termplus.com.au** and applied to both new and existing Term Accounts, effective on the day after the change in RBA Rate.

If the Added Rate is varied by us, it is applied only to any new Term Accounts, and we will update the information in the PDS via a supplementary or replacement PDS and on the website: **termplus.com.au**.

The Target Rates are quoted net of all fees and costs. Target Rates quoted are merely an objective. There is a risk that TermPlus may not be successful in achieving the Target Rates. None of the Responsible Entity, Pengana Credit or Mercer guarantee the performance of TermPlus. Account Holders' capital is not guaranteed. **Like all investments, TermPlus' investments carry risks, and if these risks eventuate, Account Holders may lose some or all of their capital invested in TermPlus. Target Rates are not guaranteed, are not a forecast, and may not be achieved.** A Term Account is not a bank deposit or a term deposit with a bank. Past performance is not a reliable indicator of future performance and may not be repeated.

2.3.2. Term Account Layers of Protection

TermPlus offers distinct built-in mechanisms designed with the objective of offering reliability of Income to Account Holders and stability of capital by mitigating of some of the risk of loss on the value of your Invested Amount.

Any positive TermPlus Return for the 12 months prior to the end of an Income Period (net of Income distributed to or allocated to Term Accounts to date) is first made available to meet Monthly Target Rates for that Income Period. Only after Monthly Target Rates have been met for a given month can any Residual Income be allocated to the Support Account.

Where the TermPlus Return for the 12 months prior to the end of an Income Period (net of Income distributed to or allocated to Term Accounts to date) is positive but does not provide sufficient return to pay Income to Account Holders based on the Monthly Target Rates, the entirety of that amount is paid to Account Holders and the Support Account receives no Residual Income.

Where the TermPlus Return for the 12 months prior to the end of an Income Period (net of Income distributed to or allocated to Term Accounts to date) is negative, the loss is proportionally allocated to Term Accounts and to the Support Account, reducing the Closing Balance of the Term Accounts and the Support Account. In subsequent Income Periods, a positive TermPlus Return for the 12 months prior to the end of an Income Period (net of Income distributed or allocated to Term Accounts to date) is:

- first made available to meet Monthly Target Rates;
- then proportionally allocated to Term Accounts and the Support Account where the Closing Balance of Term Accounts is less than the Invested Amount, until the Closing Balance of all Term Accounts equals their Invested Amounts; and
- and once the Closing Balance of the Term Accounts equals their Invested Amounts any remaining TermPlus Return is allocated to the Support Account ('Residual Income').

At the end of your Term, the Final Value of your Term Account is the Closing Balance of your Term Account at Maturity plus any Income paid or owing to you during the Term of the account.

If the Final Value of a Term Account at Maturity is still less than your total Invested Amount, the difference will be funded by the Support Account, to the extent it has sufficient funds, up to the Savings Support limit of 5% of your Invested

Amount, as detailed and further explained in Section 2.3.2.3. Refer to the Section 2.2.2 for details of the minimum Support Account commitments.

2.3.2.1. Priority Income Entitlement

TermPlus seeks to provide reliability of Income payments through a Priority Income Entitlement mechanism.

Each month, Account Holders have a priority claim to TermPlus Return to pay their monthly Income up to the Target Rate for their Term Account.

TermPlus Returns for the 12 months prior to the end of an Income Period (net of Income distributed or allocated to Term Accounts to date) are first made available to meet Monthly Target Rates for that Income Period on a pro-rata basis.

1 YEAR TERM ACCOUNT PRIORITY INCOME ILLUSTRATION	
Term Account Invested Amount	$10,000
Target Rate p.a. 1 Year Term Account	7%
Target Rate p.a. in $ 1 Year Term Account	$700

	SCENARIO 1	SCENARIO 2	SCENARIO 3
TermPlus Return p.a.	**7%**	**6.7%**	**6.4%**
Portion of Priority Income Entitlement notionally generated from Term Account's Invested Amount	$700	$670	$640
Portion of Priority Income Entitlement notionally generated from Support Account	Nil	$30	$32
Total Income paid to Account Holder	**$700**	**$700**	**$672**

The above table is based on the following assumptions:

- the Support Account has an Invested Amount sufficient to generate the Income stated as being generated and allocated to the above Term Account on a pro-rata basis;
- for simplicity, the table shows the effect of Priority Income Entitlement on an annualised basis over a 1 (one) year Term. The Priority Income Entitlement mechanism is actually applied at the end of each Income Period using the TermPlus Return for the 12 months ending at the end of each of the Income Periods falling within a Term; and
- Income is not reinvested.

In Scenario 1, the TermPlus Return of 7% for the 12 months prior to Maturity (net of Income distributed or allocated to Term Accounts to date) generates sufficient return to pay Income to the Account Holder based on the full Target Rate and their Invested Amount.

In Scenario 2, the TermPlus Return of 6.7% for the 12 months prior to Maturity (net of Income distributed or allocated to Term Accounts to date) is below the Target Rate of 7%. However, this is still sufficient to pay the Account Holder Income based on the 7% Target Rate, care of their Priority Income Entitlement to Income generated in respect of the Support Account.

In Scenario 3, the TermPlus Return of 6.4% for the 12 months prior to Maturity (net of Income distributed or allocated to Term Accounts to date) is below the Target Rate of 7%. Further, the Account Holder's Priority Income Entitlement to Income generated in respect of the Support Account is not sufficient to pay the Account Holder Income based on the 7% Target Rate.

2.3.2.2. Income Stabilisation

Income on your Term Account is accrued daily, based on the Target Rate (applicable for that day) multiplied by your Invested Amount and is paid monthly, subject to TermPlus generating sufficient return. Income will be accrued to the Account Holder based on the total Invested Amount, regardless of any fluctuations in underlying Unit Price or Closing Balance.

2.3.2.3. Savings Support

TermPlus seeks to reduce the potential of loss for Account Holders through a Savings Support mechanism.

For any given month during a Term, if the Closing Balance of any account is below the total Invested Amount, any TermPlus Return (after meeting all customer Target Rates for that month) will be allocated pro-rata to the balance of all accounts (including the Support Account) until the Closing Balances of all the Term Accounts return to their total Invested Amounts. This allocation will be an increase in Unit Price and not a separate distribution payment to Account Holders.

If at Maturity the Final Value of your Term Account is less than the Invested Amount, you will be entitled to a Savings Support payment of up to 5% of your Invested Amount. Your current indicative entitlement to the Savings Support payment at Maturity will be reported monthly during the life of the Term Account but any actual Savings Support payment will not be paid until Maturity when the Closing Balance is withdrawn or rolled over into a new Term.

If the Account Holder is entitled to a Savings Support payment, the Final Value plus the Savings Support will not exceed the Invested Amount.

The Savings Support payment is funded from the Support Account to the extent it has sufficient funds. Refer to Section 2.2.2 for details of the minimum Support Account commitments.

Savings Support Calculation

The following table provides four scenarios illustrating the application of the Savings Support in the event of a loss to the portfolio, based on a two-year Term Account.

DESCRIPTION	SCENARIO 1 $	SCENARIO 2 $	SCENARIO 3 $	SCENARIO 4 $
Opening Balance	**10,000**	**10,000**	**10,000**	**10,000**
Total Income reinvested during Term	-	-	-	1,498
Invested Amount	**10,000**	**10,000**	**10,000**	**11,498**
Change in the value of the Term Account at the end of the second year	-	(1,500)	(1,900)	(2,185)
Closing Balance	**10,000**	**8.500**	**8,100**	**9,313**
Total Income paid during Term (excluding reinvested Income)	1,400	1,400	1,400	-
Final Value: Term Account before Savings Support	**11,400**	**9,900**	**9,500**	**9,313**
Final Value deficit	-	(100)	(500)	(2,185)
Maximum Savings Support Entitlement (5% of total Invested Amount)	500	500	500	575
Savings Support paid	-	100	500	575
Final Value Balance of Term Account (including paid distributions) plus Savings Support payment	**11,400**	**10,000**	**10,000**	**9,888**

The above table assumes:

- TermPlus has delivered the Target Rate of 7% per annum across the two-year Term;
- the reinvestment option is selected in Scenario 4 for the entire duration of the Term;
- the loss has occurred at the end of the Term; and
- the Support Account is sufficient to fund the Savings Support payments.

In Scenario 1, the Account Holder's Final Value is greater than the Invested Amount and there is no need for Savings Support.

In Scenario 2, as a result of a 15% decrease in the value of the Portfolio, the Closing Balance at Maturity decreases by $1,500 and the Account Holder suffers a $100 notional loss on their Invested Amount after Income payments. As the Savings Support provides for payment up to $1,000, TermPlus provides a Savings Support payment of $100 to return the Account Holder's Final Value back to the Invested Amount of $10,000.

In Scenario 3, as a result of a 19% decrease in the value of the Portfolio, the Closing Balance at Maturity decreases by $1,900 and the Account Holder suffers a $500 notional loss on their Invested Amount after Income payments. As the Savings Support provides for payment up to $500, TermPlus will make a Savings Support payment of $500 bridging the difference between the Final Value and the Invested Amount.

Scenario 4 mirrors Scenario 3, but the Account Holder elects to re-invest Income during the Term. The Invested Amount has increased to $11,498 after reinvestments. As a result of a 19% decrease in the value of the Portfolio the Closing Balance at Maturity decreases by $2,185. As the Savings Support provides for payment up to $575, TermPlus will make a Savings Support payment of $575 towards bridging the difference between the Final Value and the Invested Amount.

2.3.3. Potential Benefits of Term Accounts

The following are the key potential financial benefits of Term Accounts, however, please refer to the risks of investing in TermPlus set out in Section 5.

BENEFIT	DESCRIPTION
Stable and consistent monthly Income	TermPlus seeks to provide stable and consistent monthly Income payments to Account Holders across all market conditions with the distinct built-in layers of protection of Priority Income Entitlement and Income Stabilisation, as described in Section 2.3.2.
Floating rate targets that move with the RBA Rate	TermPlus offers floating rate investment returns, as Target Rates are linked to the RBA Rate (which can vary throughout a Term), as described in Section 2.3.1. By linking Target Rates to the RBA Rate, TermPlus aims to deliver a consistent spread over the RBA for the duration of a Term.
Focus on capital preservation	Term Accounts benefit from a defensive investment strategy focused on preserving Account Holder capital and minimising volatility: • Proceeds from Account Holders are ultimately invested in a diversified global private credit portfolio of funds managed by highly rated Underlying Managers (refer Section 3.3.6.1) in North America, Western Europe, and potentially in Australia who lend to companies via a diverse range of lending strategies. • The underlying loans are significantly diversified by lending strategy, liquidity characteristics, geography, borrower, industry sector, collateral type, structure, credit quality and vintage. TermPlus further protects a portion of an Account Holder's Invested Amount through the Savings Support feature described in Section 2.3.2.
Multiple terms to meet Account Holders' unique requirements	TermPlus offers a variety of Terms that aim to provide Account Holders with options to meet their time and income requirements.
Choose how you earn, monthly	Account Holders are able to make monthly adjustments to how they would like to receive their Income payments. Choosing to have Income either paid to their bank accounts, or reinvested into their Term Account balances to accrue compounded monthly returns.
Experienced managers with strong performance track records	TermPlus is only invested in funds managed by Underlying Managers that have been recommended by Mercer. For more information about Mercer, see Section 4.2. All Underlying Managers have deep expertise and proven track records in originating, structuring, and managing private credit. Underlying Managers could include entities associated with Pengana Credit.
Compound returns	If you elect to reinvest Income payments, Income will be added to the balance of your Term Account, and benefit from each subsequent month's accrual. See Section 6.3.3.

3. INVESTMENT STRUCTURE, STRATEGY AND PROCESS

3.1. OVERVIEW OF GLOBAL PRIVATE CREDIT

3.1.1. Introduction

Private credit is an asset class that consists of non-bank lending to counterparties where the debt is not issued or traded on public markets. These counterparties may be companies operating industrial businesses, or companies who are non-bank originators of pools of assets (e.g. residential mortgages, auto finance, trade finance, commercial loans).

In the US and Europe, private credit lenders, funded by institutional investors like insurance companies and pension funds, have grown in importance and significance to both investors seeking income generation, capital resilience, return enhancement and diversification; and to borrowers who are willing to pay a premium for the certainty, speed and customisation private credit lenders offer.

This Section 3.1 provides an overview of the private credit asset class, its characteristics and investment options available to investors.

3.1.2. What is Private Credit?

Private credit is a subset of the corporate credit market. The corporate credit market is comprised of a diverse universe of securities which enable both large and small businesses to borrow money from lenders, including banks, non-bank financial institutions and fund managers. Corporate entities typically borrow to finance expansion of their businesses or to use as capital alongside equity investments when buying a new business.

A debt security represents a principal amount borrowed by a borrower with a commitment by the borrower to pay the lender an agreed rate of interest on the amount borrowed over a set time period. When that time period ends, the borrower repays the principal amount to the lender in full. Depending on the underlying arrangement of each transaction, the interest rate on the debt may be paid during or at the end of the period and may be either fixed or floating rate. Fixed interest rates require the borrower to pay a fixed rate of interest for the term of the loan. Floating rate securities require the borrower to pay an interest rate that is tied to a benchmark that will vary over the length of the term, such as the RBA Official Cash Rate ('RBA Rate').

Different types of debt securities pay different interest rates that are determined by the following:

- **Term** – how long the principal is outstanding;
- **Capital security** – debt can be secured or unsecured and can vary in seniority from senior to subordinated. Senior debt ranks first in terms of payment of interest and principal while subordinated debt ranks just above equity but below debt that ranks senior to it; and
- **Credit assessment** – the lender will perform its own or rely on a third-party assessment of the probability that the borrower will be able to meet its interest payment and principal repayment obligations.

There are two types of credit markets available for borrowers to borrow, traded credit and private credit.

Traded credits are typically loans, bonds or other debt securities issued by larger companies and are syndicated (syndicated loans are corporate loans large enough to be broken into smaller parcels and syndicated to a group of similar investors, typically managed, and arranged by a bank) to a group of lenders or issued in public fixed income markets. Syndicated securities, also referred to as Leveraged Loans, can also be traded in the public markets.

Traded credit markets, both public and syndicated, are typically only available to borrowers with large businesses (i.e., those with ≥USD$300 million Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")). At this size or greater, the volume of the debt being offered is sufficient to justify the effort required to assess the loans and the liquidity required for investors in these markets to finance them.

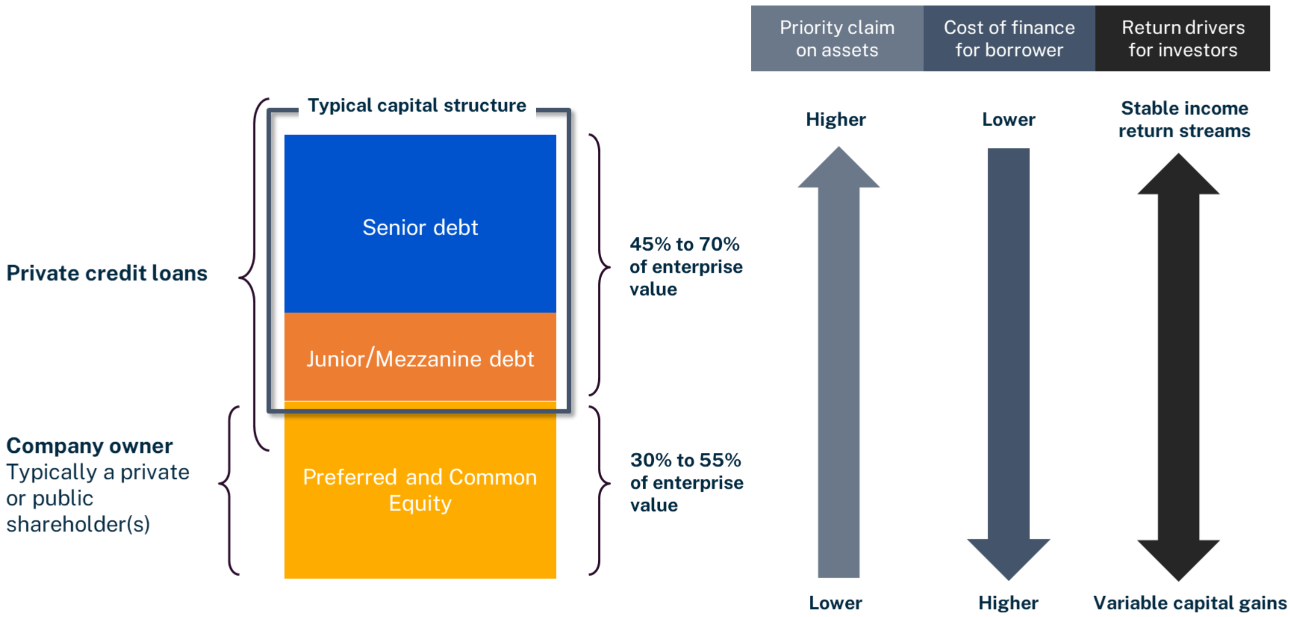
Public debt securities are rated investment grade or sub-investment grade by independent credit rating agencies who perform credit assessments of the borrower. The ratings are used by investors to properly assess the interest rate they require to take on the risk that a borrower may default. Sub-investment grade securities (sometimes referred to as 'high yield' debt) pay higher interest rates than investment grade securities.

Private credits are typically bilateral loans between a lender and a borrower with little or no syndication. These securities are not typically traded but are held by the lender until maturity. Private credit markets may be accessed by any size company with the lender using their own proprietary credit rating models to determine the appropriate interest rate required to compensate them for the risk of default. Medium-sized and smaller corporates (<USD$250 million EBITDA) can access private credit from banks, institutional investors and specialty fund managers but are generally too small to access public and syndicated loan markets.

Private credit encompasses a range of different instruments which have different risk and return characteristics as summarised below:

- **Senior debt** – debt that has priority over other debts in case of bankruptcy or liquidation. It includes loans that have a first claim on assets and/or earnings of a borrower before other debt and equity returns are paid (first lien loans) or have a second claim (second lien loans). In some cases, first and second lien loans are combined into one facility (called unitranche loans); and
- **Junior/mezzanine debt** – debt that ranks below senior debt (and is therefore referred to as 'subordinated') and above equity in the capital structure. It usually pays a higher interest rate but has lower security than senior debt, offering higher returns and potential equity participation for lenders.

The figure below depicts where private credit typically fits within a company capital structure.



In addition to the corporate instruments above, private credit encompasses loans that apply similar principles of seniority, subordination and equity, but rather than lending against operating cash flows of a business and taking security over business assets and enterprise value, the loans structures will be against assets and cash flows generated by those assets (see Section 3.1.6).

3.1.3. Background To The Private Credit Market

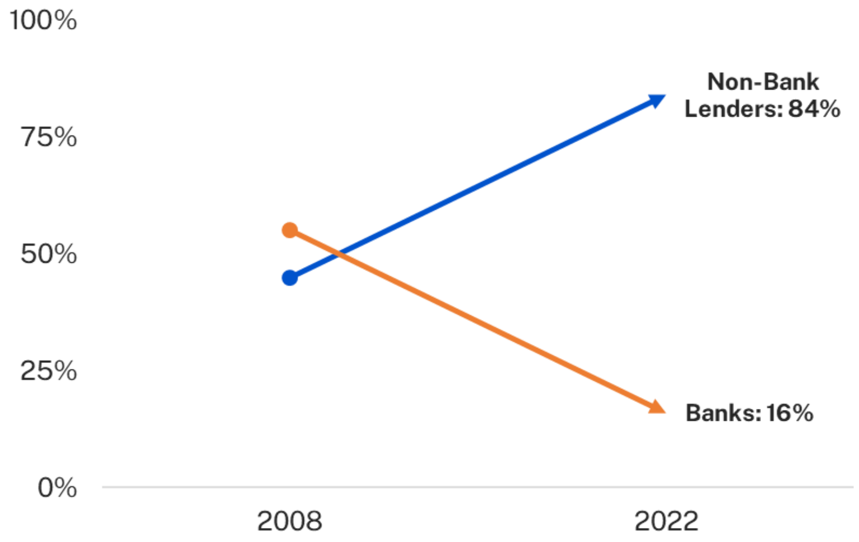
For most of the 20th century, loans to companies were almost exclusively provided by banks. The commencement of non-bank private credit lenders can be traced back to the 1980s, when private equity firms started to use mezzanine debt and other forms of subordinated loans to finance leveraged buyouts and acquisitions. As this debt was beyond the risk appetite of traditional commercial banks, it was financed predominantly by high-yield bonds issued to public markets by investment banks.

In the late 1980s and early 1990s, private equity firms faced a shortage of available credit to finance their transactions leading to the creation of private credit funds by private equity firms themselves, independent private credit fund managers and non-bank financial institutions that are not regulated as banks but provide similar services (e.g., insurance companies).

Despite the growing private credit market, it remained nascent prior to 2007. Until this time, the financing of companies remained the domain of commercial banks, however, the Global Financial Crisis ("GFC") of 2007-2008 significantly changed the market for corporate credit.

Post the GFC, regulatory reforms were implemented to prevent the recurrence of another systemic liquidity and credit crisis. In particular, the introduction and implementation of Basel 3 banking regulations resulted in increased bank capital and liquidity requirements and decreased leverage. This caused banks to retreat from many types of corporate lending, resulting in companies not large enough to issue broadly syndicated loans or issue bonds into public markets needing to find alternatives, creating a systemic shift of private credit risk from banks to long-term institutional investors through their funding of private credit managers as shown below.

Bank Share of US and European Primary Loans



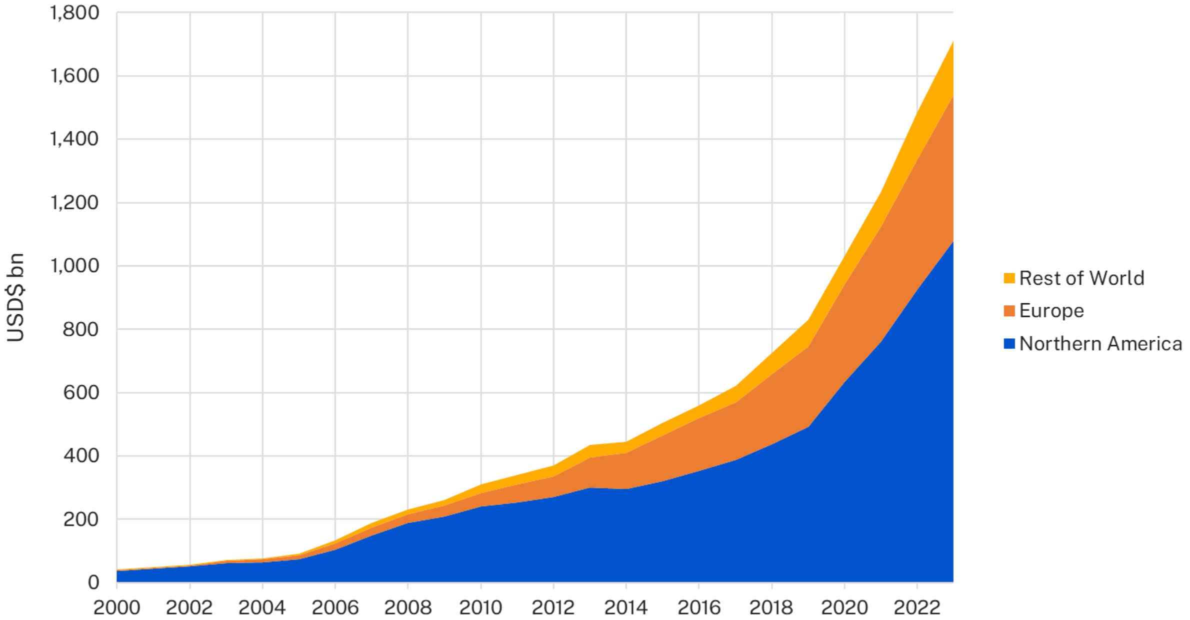
Source: LCD Global Leveraged Lending Review Q3 2023 and Mercer analysis. Calculated as an average between US and European markets. LCD has not provided consent to the inclusion of statements utilising their data.

The market for global private credit is expected to continue to experience strong growth into the future due to:

- ongoing regulatory scrutiny of bank liquidity and lending practices, reducing bank lending directly to corporates;
- volatility and dislocation in traded credit markets which create borrowing uncertainty for large company issuers; and consequently,
- increasing borrowers' demand for the unique value proposition that private lenders can offer, including:
    - greater customisation of structures, flexibility, and longer maturity profiles than traditional bank lending, allowing borrowers to better match their financing needs with their cash flow projections and business plans;
    - certainty of terms, faster speed of execution, privacy, and simplicity;
    - avoidance of the volatility and uncertainty of bank syndicated loans and public bond issuance; and
    - access to capital for borrowers who are too small to access liquid capital markets.

The growing demand for global private credit, which has approximately quadrupled in the past decade is shown as follows.

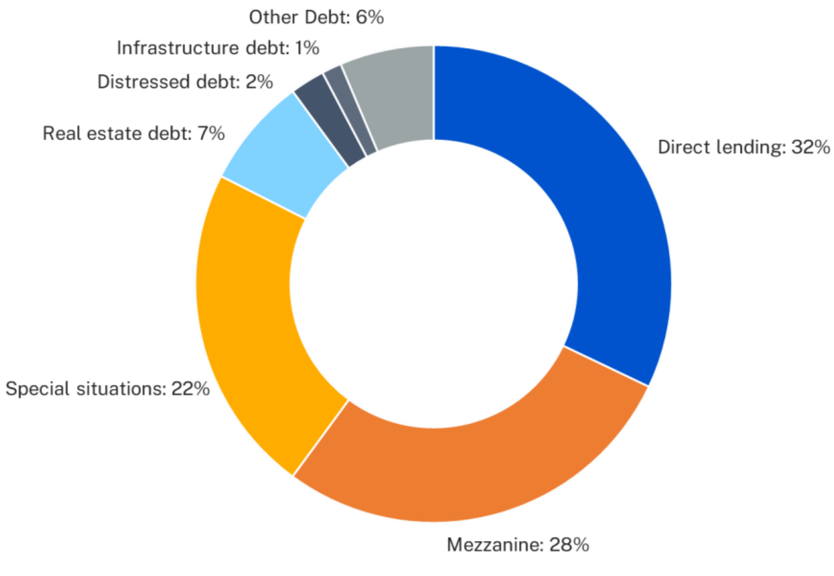
Growth in Private Credit Assets Under Management



Source: Preqin.. Horizontal axis covers the period between 31 December 2000 and 30 June 2023. Preqin has not provided consent to the inclusion of statements utilising their data.

With this growth has come an increase in the number and sophistication of private credit managers as well as the development of a wide range of private credit investing strategies. The diversity of strategies, as shown below, provides investors with the choice of varying risk, return and liquidity profiles.

Private Credit – Global AUM Split by Strategy Type



Source: PitchBook Data, Inc. 'H1 2023 Global Private Debt Report Summary'. Data as of 30 June 2023. PitchBook Data, Inc. has not provided consent to the inclusion of statements utilising their data.

3.1.4. CHARACTERISTICS OF PRIVATE CREDIT

Typical features of private credit instruments include the following:

Unlisted – private credit instruments are illiquid since they are held on the balance sheet of the lender until maturity and are not listed on public markets, so cannot be traded. Lenders are provided with a level of due diligence information that is typically not available to public debt lenders, such as detailed financial projections. The transactions are bilateral (negotiated directly between the borrower and the lender).

Floating rates – private credit borrowers usually pay interest on a floating rate basis. The floating rate is determined by applying a margin above a market indicator rate such as the RBA Rate. Therefore, in a rising interest rate environment, the interest payment will go up while in a falling rate environment it will go down. However, lenders typically have some protection from a decline in rates provided by base rate floors which limit how low the coupons can fall.

Income payment flexibility – In the case of subordinated or mezzanine loans, some or all the interest payments may be in the form of a Payment-In-Kind ("PIK"), which accrues on a current basis but is generally paid later, often at the maturity of the loan. PIK interest may be combined with regular cash payments or otherwise tailored to address the specific circumstances of the borrower. The flexibility to achieve these goals through combinations of floating rates, fixed rates and/or PIK interest is one of the main advantages of private credit.

Seniority – seniority is a form of protection which provides the private credit lender with priority in the payment of interest and principal. When a borrower is distributing cash flow to meet its obligations, the most senior creditor will be the first to receive distributions, or have capital repaid. Remaining funds are then distributed to other lenders in the borrower's capital structure with the last receiver of distributions or capital being the holders of ordinary equity. This feature is particularly important during insolvency events, where a borrower may have insufficient funds to repay all of its financial obligations. Senior secured loans have the first or second ranking priority of payment from the borrower. Subordinate or mezzanine loans rank below senior secured loans in the priority of distribution of funds after an insolvency event.

Security – security provides lenders with the legal right of enforcement over some or all assets of the borrower should the borrower be unable to meet its repayment obligations. In this event, the lender may have the right to take control of the assets subject to the security, which may enable the lender to directly apply cash flows to payment of interest and principal or sell the asset. Senior secured loans have security over the assets of the borrower, while subordinated loans may be secured (but subordinate to senior secured) or unsecured.

Structural protections – lenders are provided with structural protections called covenants, which protect the lender by providing a mechanism for monitoring the financial profile of the borrower against certain benchmarks and by restricting the borrower's ability to perform certain activities without the lender's permission, e.g., taking on additional debt, making acquisitions or paying dividends to ordinary shareholders. If covenants are breached there can be a range of potential consequences, including the right to demand early repayments of a loan, charge a higher interest rate or appoint a receiver to take control of the business and protect the interests of lenders. Covenants and other loan terms and conditions can enhance a lender's ability to monitor and influence the credit profile of a company. In addition, lenders typically receive prepayment protections via fees and other penalties on early repayments.

Income enhancements – the income returns of private credit investments are sometimes enhanced through other mechanisms like upfront fees, which are generally in the form of a discount between the issue price of the loan and its maturity value typically referred to as an Original Issue Discount ("OID"). Some forms of private credit can also provide lenders with equity exposure through warrants, preferred equity or common equity shares that may be incorporated as additional upside to the lender in certain transactions. The value of such equity participation is typically realised through a trade sale, IPO, or dividend payment.

3.1.5. Investment Attributes of Private Credit

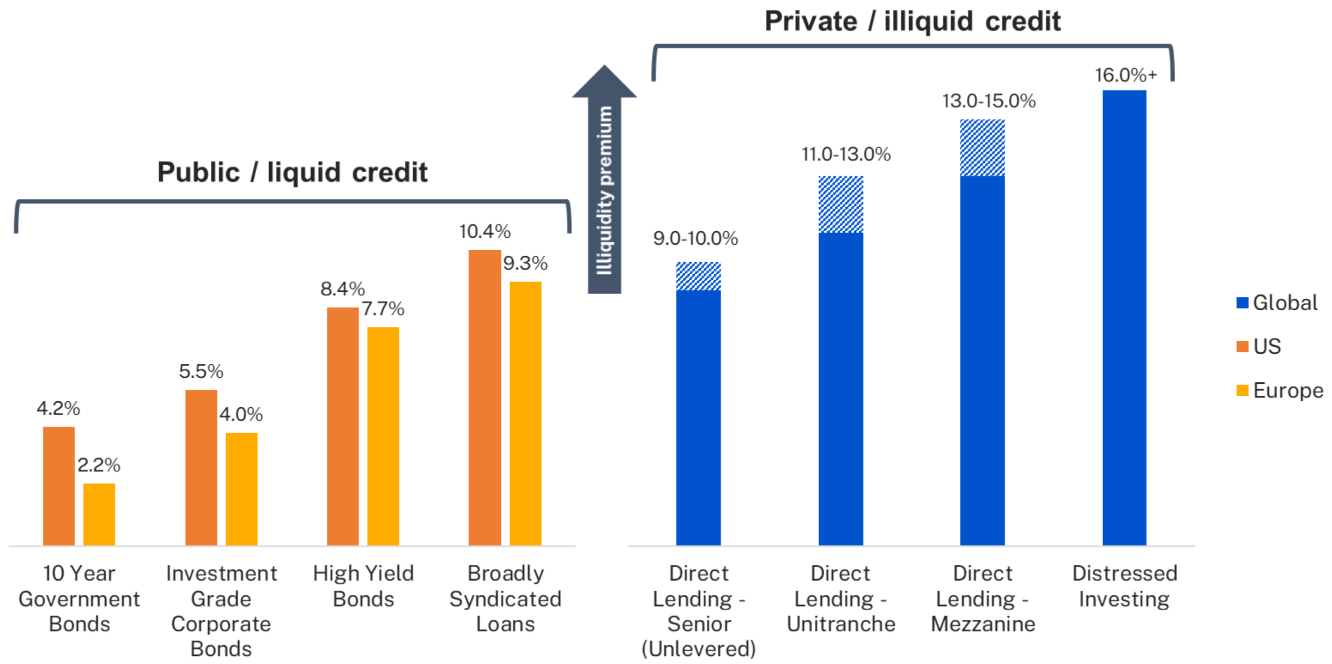
The characteristics of private credit described above underpin the investment attributes that make it a popular alternative, or complement, to traditional fixed income investment strategies and other traded credit investments.

Despite the different risk/reward profiles offered by private credit strategies, there are three attributes that particularly attract investors: the attractive historical returns, resilience and diversification.

3.1.5.1. Historical Returns: Attractive Yield and Potential Return Enhancement

Investors in global private credit generally receive a yield premium over traditional fixed income. This yield premium, or excess spread, is often referred to as an "illiquidity and complexity premium". The illiquidity premium is required to compensate lenders for their inability to trade the debt. Borrowers have also been willing to pay a premium for the complexity involved in originating, underwriting, and structuring private loans and the customisation offered by private lenders.

The following chart illustrates the premia global private credit has earned over liquid credit alternatives across various private credit instruments.



Source: DataStream and S&P LCD, as at 1 December 2023. 10 year government bond: Bloomberg Barclays US Treasury Bellwether 10 year and Germany Government Stored Yield Curve 10 year, Investment Grade Corporate Bond: Bloomberg Barclays US Corporate Investment Grade and Bloomberg Barclays Euro Aggregate Corporates, High Yield Bonds: Bloomberg Barclays US High Yield 2% Issuer Cap and Bloomberg Barclays Pan European High Yield, Broadly Syndicated Loans: S&P Leveraged Loan Index and S&P European Leveraged Loan Index. Private credit annualised yields to maturity are estimates based on Mercer analysis on the basis that such loans are held to maturity. DataStream and S&P LCD have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

In addition to illiquidity and complexity premiums, private credit can provide enhanced returns due to its resilience characteristics and floating rate nature, particularly in a rising rate environment. Private credit instruments are typically tied to floating rates (such as the RBA Rate and Secured Overnight Financing Rate ('SOFR')). When interest rates rise, increases are automatically reflected in the private credit interest payments. This dynamic makes floating rate debt less sensitive to interest rates compared to fixed-rate bonds, which typically lose value as interest rates rise.

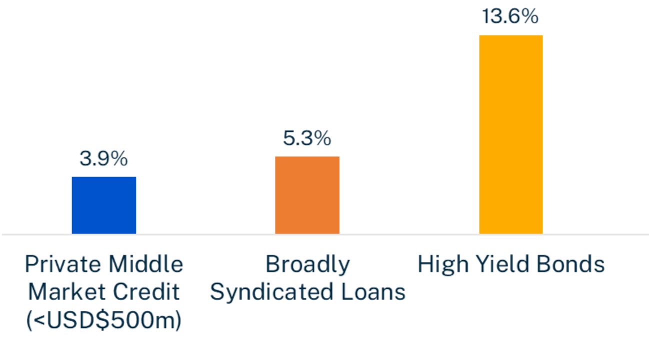
3.1.5.2. Resilience

The resilience of private credit is evident in two ways, through lender protections and the way loans are valued.

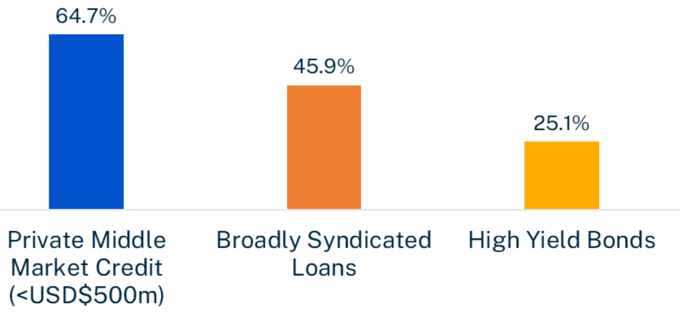
Lender protections arise out of bespoke structuring and bilateral negotiation and include contractual limitations and covenants on the borrower. Enhanced protections are also provided in relation to the priority of repayments to lenders in a default scenario. Deep access to company records received by private lenders also enables strong due diligence and documentation. The typical bilateral relationship can make for a quicker and more efficient workout (i.e., renegotiation of a loan in default) and potentially greater recovery in the case of a default, when compared to publicly syndicated debt placements and public bonds that feature multiple lenders with potentially competing priorities.

These enhanced protections have resulted in lower default rates and higher recovery rates for private credit assets relative to other credit alternatives as shown following.

USD$ Cumulative Default Rate



USD$ Average Annual Recovery Rate



Sources:

- USD$ Cumulative Default Rate 1995 – 2021: S&P LCD & CreditPro (1995 to 2021), as at 31 December 2021. The cumulative default rate is the percentage of commercial borrowers within a certain category that have defaulted on their obligations by a specific point in time. It is the total number of defaults accumulated over a period, expressed as a percentage of the initial loan pool. This metric helps investors and analysts to assess the historical default likelihood of borrowers within a specific category over different timeframes. The S&P LCD cumulative default rate has a one-year lag since it assumes a loan will not default within one year of origination. Past performance is not a reliable indicator of future performance and may not be repeated.
- USD$ Average Annual Recovery Rate 1995-2022: S&P LCD & CreditPro (1995 to 2022). The Annual Recovery Rate is the average percentage of the loan principal amount recovered by lenders following a default event within a specific year. This metric provides insight into the expected loss in case of a default, showing how much lenders might recoup on their investments on average. Middle market loans defined as those <$500m in size. Past performance is not a reliable indicator of future performance and may not be repeated.

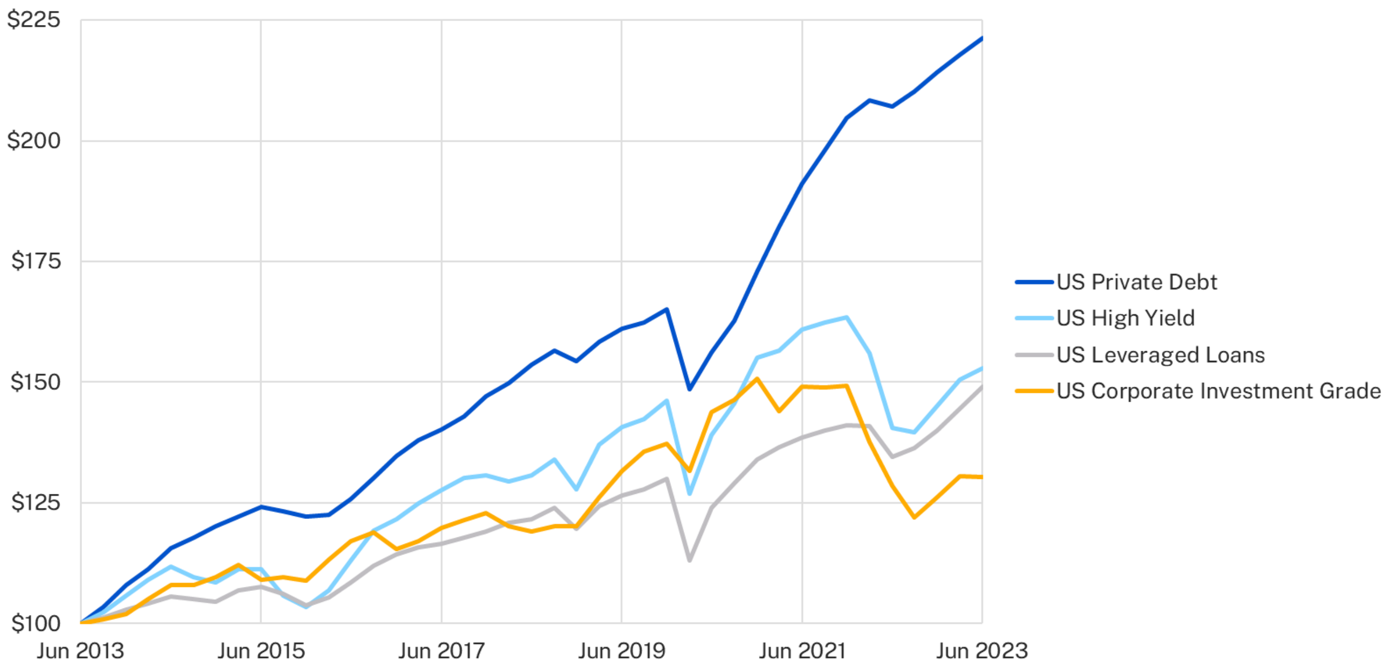
S&P LCD & CreditPro have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

In respect of valuations, private credit is not traded and, therefore, valuation methodologies can look through shorter-term market volatility and focus on true fundamentals. Although valuation methodologies can vary, in aggregate this characteristic has generally smoothed private credit portfolio return profiles when compared to other traded credit investments, which are more directly exposed to market price volatility.

The resilience of private credit relative to a wide range of traded investment options can be seen in the figures below, which illustrate the strong relative historical performance of global private credit as an asset class during periods of both economic growth and turbulence, with shallower drawdowns and lower volatility.

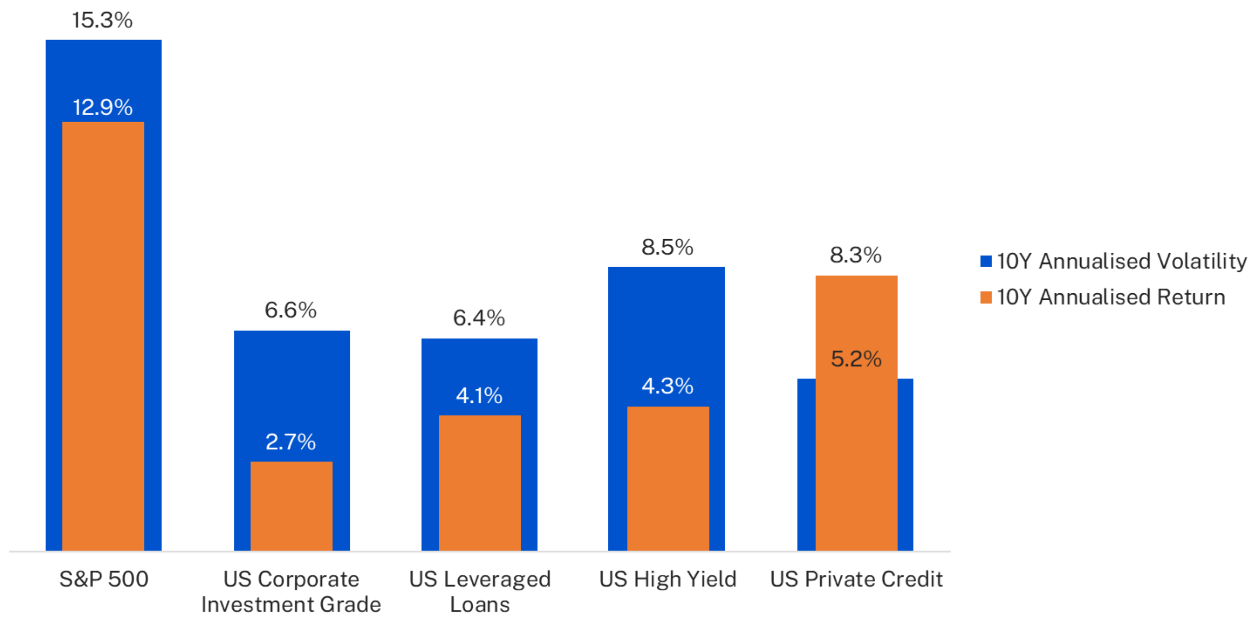
Growth of USD$100

Resiliency and downside protection of private credit vs. more volatile growth fixed income asset classes



Returns in USD. 10-year period from 1 July 2013 to 30 June 2023. Sources: Bloomberg (Bloomberg US Corporate Total Return Value Unhedged USD), Burgiss (Burgiss - Private Debt (North America)), and Thomson Reuters Datastream (ICE BofAML US High Yield Master II, S&P Leveraged Loan). Bloomberg, Burgiss and Thomson Reuters have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

Higher annualised historical returns than other debt asset classes, with no significant realised increase in risk as measured by volatility (with volatility measured by the Annualised Standard Deviation of quarterly returns)



Returns in USD. 10 year period from 1 July 2013 to 30 June 2023. Sources: S&P (S&P 500 Total Return Index), Bloomberg (Bloomberg US Corporate Total Return Value Unhedged USD), Burgiss (Burgiss - Private Debt (North America)), and Thomson Reuters Datastream (ICE BofAML US High Yield Master II, S&P Leveraged Loan). S&P, Bloomberg, Burgiss and Thomson Reuters have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

"Annualised Standard Deviation" is a measure of how much the price of an asset or the return of a portfolio of assets has fluctuated (both up and down) over a certain period. If an asset or portfolio of assets has a high Annualised Standard Deviation, the price of the asset or return of the portfolio of assets has historically fluctuated vigorously. If an asset or portfolio of assets has a low Annualised Standard Deviation, the price of the asset or return of the portfolio of assets has historically moved at a steady pace over a period of time.

3.1.5.3. Diversification

Private credit can offer diversity through a range of strategies that target different parts of the capital structure and market segments. The strategies can be broadly characterised as "capital preservation" or "return maximisation".

Strategies with defensive characteristics, like traditional senior debt funds, seek to deliver predictable returns while protecting against losses. These portfolios tend to be negatively skewed, i.e., they focus their analysis and terms on repayment of principal, with few losses and even fewer unexpected gains.

Return-maximising strategies include distressed corporate credit funds and funds that focus on capital appreciation. These funds offer the prospect of larger gains and often have positively skewed portfolios, i.e., while there is a focus on repayment of principal, the lender expects to be compensated with a degree of equity appreciation resulting from its efforts to recapitalise a borrower.

Strategies that do not easily fall into one of these categories are either opportunistic (investing across the credit spectrum as market opportunities permit) or niche/specialty finance strategies, like aviation finance or health care royalties. Opportunistic and specialty finance strategies must be evaluated individually to determine the appropriate expectations for risk and return.

So, while the premise of private credit is straightforward, complexity arises when considering the number of different strategies across many dimensions, including geography, sector, currency, seniority, security, collateral type, structure, and tenor. The benefit of this complexity is diversification, within the asset class and also relative to other alternative and traditional asset classes.

The following Section 3.1.6 describes private credit investment strategies in more detail.

3.1.6. Private Credit Investment Strategy Types

The macroeconomic environment has caused investors to face numerous bouts of volatility and market dislocation since the GFC. Private credit has attracted increasing interest, with a very wide range of investment strategies available to investors subject to their risk, return and liquidity requirements. These strategies can be broadly categorised into five types, as follows:

STRATEGY TYPE	DESCRIPTION	RETURN PROFILE	LOAN TYPE
Direct Lending	Lending directly to companies, generally secured against assets and earnings	Income	Floating rate
Structured Credit	Consists of loans dependent on performance of asset pools	Predominantly income, may have some capital appreciation	Floating rate
Specialty Finance	Includes niche lending that requires specialised knowledge	Predominantly income, may have some capital appreciation	Floating rate
Real Asset Lending	Lending to companies that own and operate real assets. Includes real assets such as real estate and infrastructure	Income	Floating rate, fixed rate
Credit Opportunities	Potential benefit from dislocations in the credit or equity markets	Income and capital appreciation	Floating rate, fixed rate, and equity exposure

Within each of the five strategies, there are numerous sub-strategies which allow for further diversification of risk, return and level of downside protection subject to an investor's investment objective. Details of the most prevalent sub-strategies are set forth in Sections 3.1.6.1 to 3.1.6.5.

The wide range of sub-strategies can be characterised into three types of investment attributes as set forth below, each of which possesses a distinct risk/reward.

- **Income**: Sub-strategies with an Income attribute derive returns from contractual cash interest payments, e.g., Direct Lending. Capital preservation is critical so there is a focus on seniority in the capital structure and widely diversified portfolios (e.g., large number of individual loans, 100+), which are predominantly focussed on delivering stable income with strong downside protection provided by security over assets and/or the enterprise value of the business;
- **Balanced**: Sub-strategies with a Balanced attribute seek to exploit the wider private credit opportunity set beyond Direct Lending. These strategies provide mainly contractual returns and seek further diversification to reduce corporate credit market correlation and to exploit credit imbalances and sourcing barriers in specific sectors, which may allow for capital appreciation through sharing in potential capital appreciation provided by the provision of credit. Investment managers in this category may specialise in a single strategy (typically Structured Credit or Specialty Finance), or have capabilities to execute multiple strategies within a single fund; and
- **Total Return**: Sub-strategies with a Total Return attribute predominantly focus on opportunities stemming from market volatility, liquidity mismatch or episodes of stress/distress. They typically accept greater risk (e.g., credit, structuring and/or event) than Income and Balanced investments to achieve returns which are in line with or above equity. Opportunities for these funds are more abundant during periods of market stress. The Credit Opportunities sub-strategies that comprise Total Return include Distressed, Opportunistic and Special Situations.
- **Enhanced Cash**: Sub-strategies with an Enhanced Cash attribute derive floating rate returns from income on shorter term senior corporate credit. Such strategies exhibit very low defaults and interest rate risk, and stability in volatile markets. Their shorter term allows more favourable liquidity terms and they do not employ leverage.

In seeking to achieve the Investment Objective via an execution of the Investment Strategy – refer to Sections 3.3.1 and 3.3.2 – TermPlus will seek to invest in strategies and sub-strategies across all four attributes.

3.1.6.1. Direct Lending Sub-Strategies

Direct Lending encompass directly originated senior secured debt of middle market corporate borrowers across a wide range of industries and sizes. Direct loans are generally structured as first lien, second lien or unitranche. Direct Lending is the largest and most mature asset class within private credit. It has been adopted as a defensive source of floating rate income with an attractive illiquidity premium. This strategy is generally levered, meaning the fund manager will fund its loan to a borrower through a combination of fund subscriptions from investors and its own external borrowings (typically the loan portion will be 1x to 2x the fund manager's subscriptions) to enhance returns. The return drivers are contractual yield, fees for arranging the debt, OID and prepayment and covenant-breach fees. Direct Lending has an Income attribute.

Mezzanine is subordinated debt that is predominantly used for growth or transaction purposes (e.g., funding acquisitions). It is a particularly important source of credit for corporates during periods when bank lending is constrained and borrowers need sources of junior capital to fill gaps in their balance sheets. They often employ PIK structures. Given their unsecured nature, they earn higher returns than Direct Lending to compensate for the higher risk and can have access to equity upside through equity warrants. Mezzanine typically has a Total Return attribute.

Venture Debt involves lending to small, newly established companies during their high growth phase. Generally, they have not reached EBITDA positive or are not positive enough to secure a traditional loan. These companies are typically backed by venture capital firms and considered to have a high chance of commercial success. While the debt is senior secured, it is considered to be speculative with lending based on estimates of the borrower's loan to value, cash, tangible and intangible assets and pathway to profitability. In exchange for startup risk, venture debt lenders demand higher contractual spreads, covenants, and a meaningful level of equity warrants. Venture debt has a Total Return attribute.

3.1.6.2. Structured Credit Sub-Strategies

Asset Backed investments are comprised of debt backed by cash flowing portfolios of hard assets (e.g., equipment, autos, aviation) or financial assets (e.g., consumer loans, trade receivables). Private asset backed investments are special purpose vehicles that are set up to acquire assets. To finance the acquisition of the assets, they simultaneously issue various tranches of debt and equity secured by those assets. These structures, like Direct Lending, must adhere to numerous covenants which provide governance and structural downside protection for investors. These investments appeal to a wide range of investors, including those who require investment grade assets (so the senior tranches) and those seeking higher returns through junior tranches and equity. The return drivers are contractual yield and principal repayments. This sub-strategy possesses an Income, Balanced or Total Return attribute depending on the fund manager's focus and return objectives.

Collateralised Loan Obligations ('CLOs') are special purpose vehicles with eight to ten year lives established to purchase senior secured loans (referred to as "collateral") through the issue of tranches of debt and equity (so a corporate form of Asset Backed). Typically, the collateral is a diversified pool of 150 to 200 or more large and/or mid cap loans actively managed by the collateral manager. The manager's goal is to exploit the spread between income earned by the collateral and the cost of debt financing. The CLO manager is typically a credit asset management firm with expertise in sub-investment grade debt. The capital structure of the typical CLO contains a senior tranche which is AAA, or highest investment grade (typically 65% of the total), mezzanine which range from AA to BB at (typically between 5% to 15% of the total), with the balance being equity (typically 8% to 10% of the total). CLOs benefit from numerous structural downside protection features which help preserve capital in periods of loan market volatility. These include ongoing interest and asset coverage tests and rules that redirect cash flows from subordinate to senior tranches in periods of credit stress. The return drivers are contractual yield and capital appreciation. Depending on the strategy employed by the fund manager these investments can be Income, Balanced or Total Return.

3.1.6.3. Specialty Finance Sub-Strategies

Asset-Based Lending within the context of the Specialty Finance strategy involves senior loans made to companies that have assets they use as collateral such as hard assets (e.g., equipment, inventory) or financial assets (e.g., accounts receivable). As a result, the recovery of asset-based loans is based on the value of borrowers' assets and not on financial performance of the borrower. Unlike asset-backed lending, asset-based lending does not involve the use of securitisations. The loan to value of an asset-based loan is measured against the liquidation value of specific assets. Lenders often seek to maintain a diverse asset pool in the form of correlated and/or non-correlated assets to protect their principal. In some cases, asset-based lenders will obtain warrants in the borrower as an additional form of compensation. The return drivers are contractual yield, OID and occasionally equity warrants. These sub-strategies are typically Balanced in nature but can be Total Return.

Royalties are a broad asset class that involves cash payments to the owner of a financial asset in exchange for the right to use the asset for commercial purposes. Asset types may include patents, mineral rights, trademarks, pharmaceuticals, music, and entertainment rights. Pharmaceutical is one of the largest, most established royalty sub-strategies whereby asset managers acquire the royalties (typically from hospitals, universities, and research laboratories), invest significantly to commercialise them through product development and monetise their value through drug sales. The yield is based on the exploitation of the underlying asset and so is based on detailed assumptions of future demand and revenue that can be earned, with the security being based on the assumed value of the asset. The return driver is yield. Royalties possess Balanced or Total Return attributes subject to the underlying assets, risk, and cash flow characteristics.

3.1.6.4. Real Asset Lending Sub-Strategies

Infrastructure lending refers to investments in debt tranches backed by infrastructure development projects rather than directly into a corporate entity. The projects are generally monopolistic or semi-monopolistic, regulated and very stable as their demand is generally inelastic. Example sectors include energy, utilities, social infrastructure, and telecommunications infrastructure. These projects are typically long term (e.g., 10-20 years), illiquid and have strong downside protection given there are essential and monopolistic. The debt tranches provide the opportunity for different risk/reward characteristics based on where investors fund into the capital structure.

Real estate primarily targets major commercial and residential property types including industrial, multifamily, office, retail, lodging and aged care properties. Strategies can focus on stable properties, redevelopments and new developments and investment types can include senior secured first mortgages, mezzanine financing and/or equity.

Transportation is lending that is typically used to fund the acquisition of assets for leasing including shipping, aircraft, and railcars. The assets typically generate cash flows from long-term contracts and downside protection from the tangible assets. The assets are typically managed by servicers owned by the fund manager or outsourced to experienced third parties that manage the daily lease operations while aiming to maximise the lease and asset value of the portfolio.

3.1.6.5. Credit Opportunities Sub-Strategies

Distressed typically offers the greatest potential for outsized returns and is the highest risk private credit sub-strategy. The sub-strategy involves gaining influence over, or taking control of, a good company in a stable industry that is financially or operationally distressed. When a private credit manager seeks to gain control of a company to affect a turnaround, it may do so by converting a deeply discounted debt instrument (e.g., senior secured loan) into all, or a majority equity position through a bilateral negotiation or a bankruptcy process. To be successful, a distressed manager must orchestrate many complex steps: identifying the target company and debt instrument that will provide the negotiation leverage, equitising the credit asset through a bankruptcy proceeding, implementing an operational and financial turnaround as may be required and orchestrating a successful exit of the equity to realise an outsized return. This process is competitive, time intensive and expensive and carries market and execution risks. Distressed managers typically have deep legal, valuation, financial and restructuring skills. The return drivers are high contractual yield and capital appreciation through equity ownership. Distressed has a Total Return attribute.

Opportunistic sub-strategies seek the most attractive relative value across multiple credit types (e.g., private versus traded debt, senior versus junior, structured versus non-structured, performing through stressed credit and investment strategies). Managers are multi-strategy and have the proven management experience and proprietary investment processes and platform advantages to target returns above relevant indices, particularly during dynamic and stressed market environments. Given the broad and flexible nature of the sub-strategy, there is a wide range of return and risk profiles. The return drivers are contractual yield and capital appreciation from buying credit below par. Opportunistic managers may be Balanced or Total Return.

Special Situations sub-strategies typically involve an event-driven catalyst (or multiple catalysts) to unlock value and drive capital appreciation of performing or stressed credit. Investments can involve complex, negotiated facilities and terms agreed bilaterally with borrowers or other capital providers. Other examples are credit assets purchased at a discount to intrinsic value that are facing financial stress due to near term challenges (e.g., upcoming debt maturity, liquidity crunch) or operational stress (e.g., supply chain disruption). Borrowers can also have strong business models but inappropriate capital structures. Investment managers seek to influence a company via board seat or a restructuring committee membership, but not to control it through ownership. Special situations can perform well across all market environments given cyclical and non-cyclical sources of borrower stress, though generally outperforms during periods of market volatility and stress given an expanded opportunity set during these times. The return drivers are typically contractual yield and capital appreciation through some form of equity participation. This sub-strategy may be Balanced or Total Return.

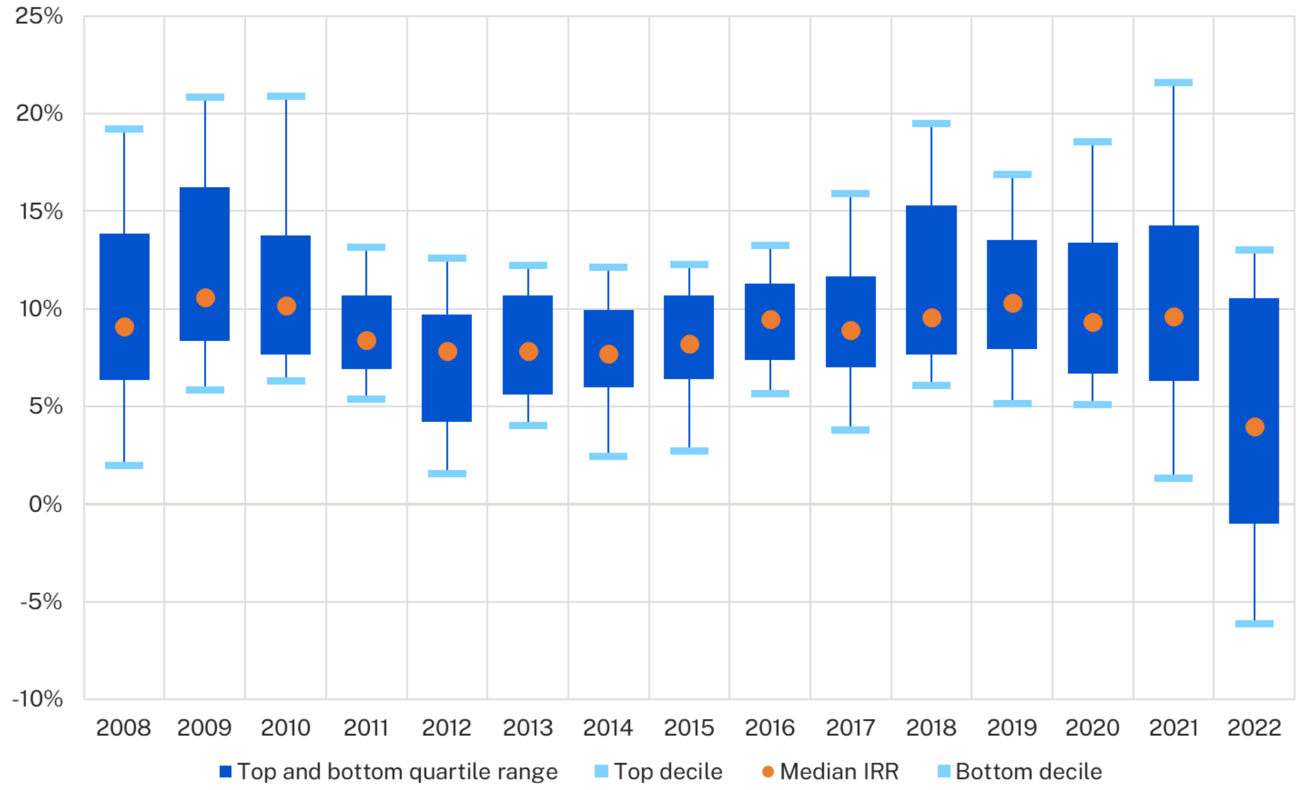
3.1.7. Accessing Private Credit Investments

To access global private credit typically requires an investment in a private credit fund managed by a professional private credit manager. There are a number of criteria investors need to consider when seeking to access professionally managed private credit funds, some of which are discussed below.

3.1.7.1. Manager selection

With the significant growth in global private credit there has been a significant increase in the number of private credit managers. North American and European based private credit vehicles make up around 90% of the private credit assets universe and 82% of the 2,097 private credit investment managers. Identification and selection of quality managers, being those with demonstrated experience and consistent track records of performance, can be challenging for Australian investors in the absence of having access to global networks and resources. This is particularly important given the performance dispersion of managers as shown below:

Global Private Credit IRR Dispersion By Vintage Year



Source: PitchBook Data, Inc. 'PitchBook Global Benchmarks: Q1 2023'. Underlying data is net of fees and carry and based on pooled cash flow data and is based on Pitchbook classifications, which may differ from those of Mercer. As of 31 March 2023. The vintage year refers to the year the private credit vehicles were formed. PitchBook Data, Inc. has not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

3.1.7.2. Manager subscriptions

Minimum subscription commitments for investors who want to subscribe to private credit funds vary depending on the fund's size, strategy and structure. The typical minimum subscription amounts for offshore institutional commingled funds range anywhere from USD / EUR 5-10 million. These minimum subscription amounts may serve as a constraint for some investors seeking to access private credit and/or diversify across varying strategy types and managers.

3.1.7.3. Fund Structure

Private credit managers use different types of fund structures and provide varying liquidity for those investments which determine the time periods an investor can invest and redeem. How often income from underlying investments is paid to investors (e.g., monthly, quarterly, semi-annually) may also vary. There are three predominant fund structures:

- **Closed-Ended Funds**: These are funds that have a fixed term (usually 7 to 10 years) and raise capital commitments from investors during a limited period (typically 6 to 12 months) after which it is then closed to new investors. Closed-end funds then call capital from investors as investment opportunities arise and distribute proceeds to investors as investments are realised. They typically have a limited investment period, usually 2 to 5 years, during which capital is called and invested and a harvest period, usually 5 to 10 years when they realise proceeds from investments and return proceeds to investors. Closed-end funds are suitable for strategies that required long-term capital lock-up such as Credit Opportunities strategies. They typically charge management fees based on committed or invested capital and performance fees based on performance over a specific hurdle rate.
- **Open-Ended Funds**: These are funds that have no fixed term and allow investors to subscribe and redeem their capital at certain intervals, usually monthly or quarterly, subject to notice and lock-up periods. Open-ended funds invest in assets that are relatively more liquid and can be valued more frequently, such as Direct Lending and Structured Credit. Open-ended funds charge management fees based on net asset value and performance fees based on high-water mark or hurdle rate mechanisms that prevent the manager from earning fees on previously lost capital or below a minimum return threshold. Open-Ended Funds can offer an unlimited number of units.

- **Evergreen Funds**: These are funds that have an indefinite term and reinvest a portion of the proceeds from realised investments into new opportunities, while distributing the remaining portion to investors. Evergreen funds provide a balance between long-term capital commitment and periodic liquidity to investors. Investors are periodically given the opportunity to divest, in which case their investment typically goes into "run off", whereupon no new investments are made on behalf of the investor and the proceeds are distributed back to investors as they are received by the fund. Evergreen funds are suitable for a wide range of private credit strategies, depending on the reinvestment policy and the distribution frequency. Evergreen funds typically charge management fees based on net asset value and performance fees based on high-water mark or waterfall (a waterfall mechanism typically begins with the payment of management fees to the fund manager, followed by the payment of preferred returns to investors and then the payment of carried interest to the fund manager) mechanism.

Generally, closed-end funds offer lower liquidity than open-ended and evergreen funds, as investors cannot redeem their capital until the end of the fund's term or through secondary market transactions. However, closed-ended funds may provide some liquidity through current income distributions or interim distributions of realised gains. Open-ended funds offer higher liquidity than closed-ended funds, as investors can redeem their capital periodically, subject to certain restrictions. However, open-ended funds may face liquidity challenges if they invest in assets that are less liquid than their redemption terms or if they face large redemption requests in times of market distress.

3.2. INVESTMENT STRUCTURE

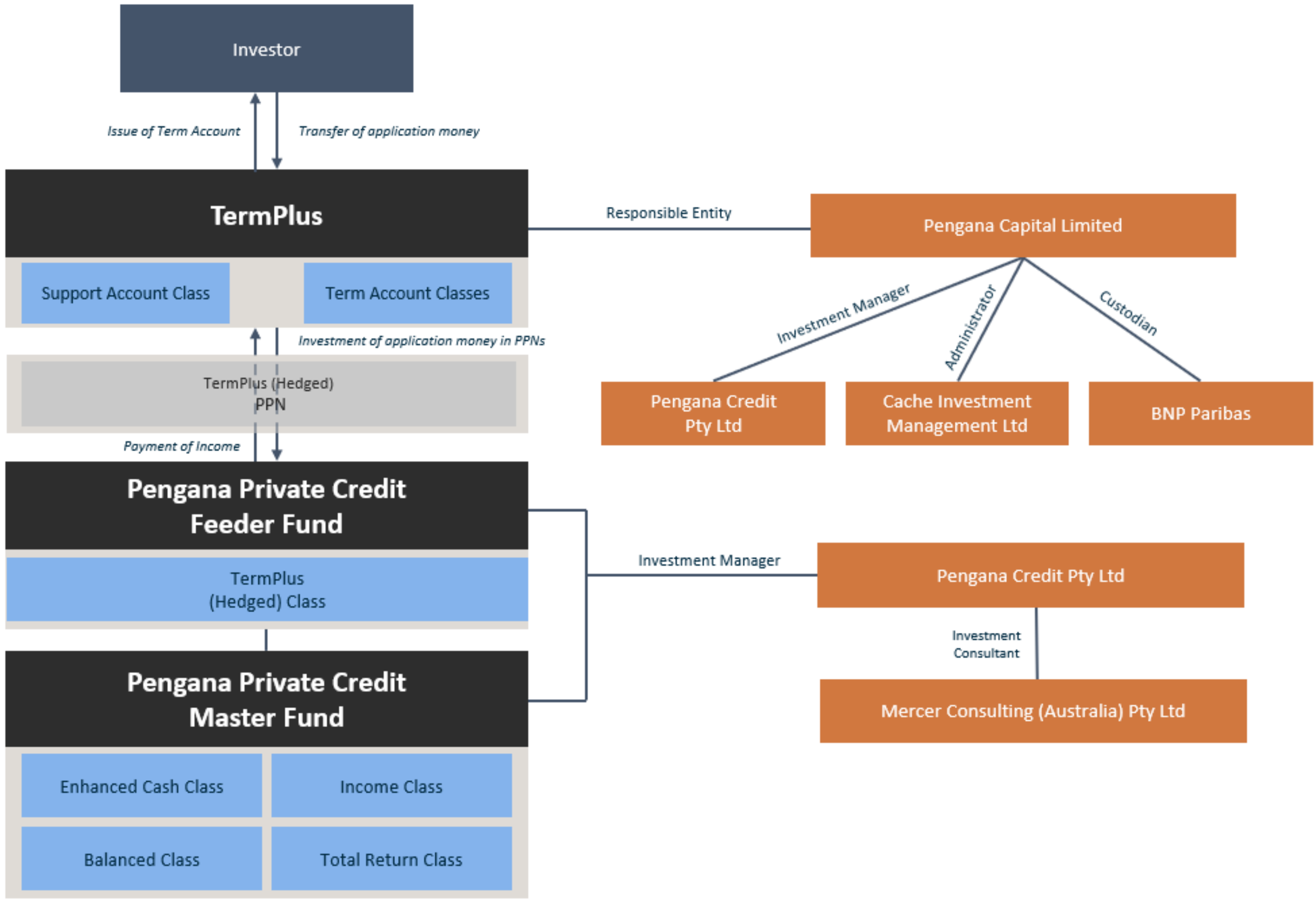
TermPlus is a managed investment scheme. The Responsible Entity of TermPlus is Pengana Capital Limited. The Responsible Entity has appointed Pengana Credit Pty Ltd, a corporate authorised representative of Pengana Capital Limited, as the Investment Manager of TermPlus.

TermPlus aims to achieve its Investment Objective through economic exposure to global private credit assets. This is achieved via investments in Profit Participating Notes ('PPNs') in the TermPlus (Hedged) Class (the 'Feeder Class') issued by the Pengana Private Credit Feeder Fund ('Feeder Fund'). A PPN is a debt security which provides economic exposure to the underlying investments of the Feeder Class.

The Feeder Class invests in non-voting participating shares in the Pengana Private Credit Master Fund ('Master Fund'). The Master Fund in turn invests predominantly in global private credit funds managed by Underlying Managers.

Returns from the Feeder Fund flow to TermPlus via the PPNs, which in turn are distributed to Investors in TermPlus. For more details on PPNs and the PPN Agreement, see Section 4.8.3.

The assets of TermPlus are held by the Custodian. Further information on TermPlus' service providers is set out in Section 4.



3.2.1. Overview of the Master Fund and Feeder Fund

The Master Fund is an exempted Cayman Islands company incorporated with limited liability.

The Master Fund has multiple share classes (each a 'Master Class'). Each Master Class represents a sub-portfolio of investments that share common risk, return and other key attributes.

The Master Fund invests in funds managed by Underlying Managers primarily in the established markets of North America, Western Europe, and Australia. These funds provide diversification by strategy, geography, sector, credit quality and type of instrument. The Portfolio currently has exposure to over 1,000 individual loans on a look through basis.

The Master Fund has appointed Pengana Credit to execute the Investment Strategy of the Master Fund. Pengana Credit has appointed Mercer as the Investment Consultant for the Master Fund to provide support in the identification and sourcing of investments and portfolio construction. Refer to Section 4.2 for further information regarding Mercer.

The Feeder Fund is an exempted Cayman Islands company incorporated with limited liability.

The Feeder Fund issues PPNs via multiple classes of notes, aligned to separate investor pools each with a unique investment objective and strategy. Each Feeder Fund class invests in non-voting participating shares in Master Classes to achieve their unique investment objectives and strategies. Cash is held in each Feeder Fund class to meet liquidity requirements.

TermPlus invests via PPNs in the TermPlus (Hedged) Class.

The Feeder Fund has appointed Pengana Credit to execute the individual investment strategies of each of the Feeder Fund's classes. Pengana Credit has appointed Mercer as the Investment Consultant for the Feeder Fund to provide asset and liability modelling, liquidity planning, portfolio construction and portfolio analysis and reporting. Refer to Section 4.2 for further information regarding Mercer.

The Master Fund and Feeder Fund will each provide the Responsible Entity all information that it reasonably requests within the timeframe as required to enable the Responsible Entity to comply with its legal and regulatory obligations, requests for information from government and regulatory authorities and to deal with all communications required to be provided to Account Holders.

The Feeder Fund, Master Fund and Investment Manager will also undertake appropriate due diligence and ongoing oversight in respect of the service providers they engage.

3.2.2. Service Providers to the Master Fund and Feeder Fund

3.2.2.1. Investment Manager

The Master Fund and Feeder Fund have each appointed Pengana Credit as the investment manager of the Master Fund and Feeder Fund, respectively. See Section 4.1 for further information on Pengana Credit.

3.2.2.2. Investment Consultant

Pengana Credit as the investment manager of the Master Fund and Feeder Fund has appointed Mercer Consulting (Australia) Pty Ltd as the Investment Consultant for the Master Fund and Feeder Fund, respectively. See Section 4.2 for further details on the Investment Consultant.

3.2.2.3. Administrator

The Master Fund and Feeder Funds have each appointed Citco Fund Administration (Cayman Islands) Limited as the administrator of the Master Fund and Feeder Fund, respectively. The administrator will perform certain administrative, accounting, registrar and transfer agency services for the Master Fund and Feeder Fund, subject to the overall supervision of the fund's investment manager.

3.2.2.4. Custodian

The Master Fund has appointed Citco Custody Limited as the custodian of the Master Fund. The role of the custodian is limited to holding assets of the Master Fund; the custodian has no supervisory role in relation to the operation of the Master Fund. The custodian does not make investment decisions in respect of the assets held or manage those assets.

3.2.2.5. Auditor

Ernst & Young is the independent auditor of the Master Fund and Feeder Fund.

3.3. INVESTMENT STRATEGY AND PROCESS

3.3.1. Investment Objective

Account Holders are provided with a choice of investment timeframes which comprise 1 (one) year, 2 (two) year, and 5 (five) year Terms. Each Term has a specific Target Rate, calculated by reference to the RBA Rate plus a fixed Added Rate, expressed on an annualised basis and net of all fees and costs.

TermPlus invests via an offshore fund structure into the Master Fund. The Master Fund has four share classes (each a 'Master Class'). Each Master Class represents a sub-portfolio of cash, liquid credit investments and private credit investments that share common risk, return and other key attributes, as described below. Pengana Credit seeks to purchase what it believes to be the appropriate amount of shares in the Master Classes to create a private credit portfolio designed to achieve the Target Rates while minimising risk. An appropriate amount of cash is held for the Term Accounts and the private credit portfolio is highly diversified to ensure consistent performance.

- **Enhanced Cash Class** – the objective of the Enhanced Cash Class is to preserve capital and achieve a return, principally paid out by way of income. This Master Class invests in fixed income securities or funds with at least annual and at best one day liquidity, senior security, and historically low volatility.
- **Income Class** – the objective of the Income Class is to provide exposure to a core portfolio of private credit investments in Underlying Funds managed by private credit managers to generate attractive risk adjusted returns, with a majority of the return paid out as income. This Master Class provides investment exposure principally in Direct Lending strategies that generate contractual debt interest payments, with high diversification and strong security requirements and leverage exposure is targeted to be less than 1.5x the net asset value of this Master Class.
- **Balanced Class** – The objective of the Balanced Class is to generate attractive long term risk adjusted returns. The Master Class invests in funds that employ multiple strategies (including Direct Lending, Structured Credit, Speciality Finance, Real Asset Lending and Credit Opportunities) to provide exposure to a core portfolio of private credit investments in Underlying Funds managed by private credit managers to generate returns from contractual debt interest payments, but which may also include equity components and structural leverage. Overall leverage exposure is targeted to be less than 1.25x the net asset value of this Master Class, with the Underlying Assets well diversified and with strong security.

- **Total Return Class** –The objective of the Total Return Class is to provide exposure to a value-add portfolio of private credit investments through investments in Underlying Funds managed by private credit fund managers to generate attractive long-term returns. The Master Class invests in funds that receive a combination of contractual debt interest payments and equity upside. These funds typically employ Credit Opportunities strategies, have lower diversification and security requirements, and generally do not use leverage.

3.3.2. Investment Strategy

Pengana Credit believes that the global private credit asset class offers attractive returns, resilience in different market and economic conditions and diversification by targeting different parts of the capital structure and market segments. Pengana Credit employs a diversified approach, anchoring portfolios with direct lending for durable yield and persistent spread premium, while adding structured credit and speciality finance to diversify the risk/return drivers.

In executing the Investment Strategy, Pengana Credit follows an investment process that draws upon internal and external third-party expertise. Pengana Credit's resources and the process it follows in building the portfolios, are described in detail in this Section 3.3. In summary, Pengana Credit:

- seeks to provide TermPlus with exposure to private credit assets that aim to provide stable income, a degree of capital security and attractive total returns;
- achieves this exposure principally through investing in a diversified range of funds managed by Underlying Managers that invest in private credit assets;
- aims to develop a portfolio of high-quality funds managed by Underlying Managers with complementary strategies that provide attractive returns with diversification from individual fund, manager, and strategy risks;
- may also provide TermPlus with exposure to more liquid debt strategies and cash. This further complements the reduction of risk through diversification as well as maintaining operational liquidity and flexibility; and
- invests principally in European and North American funds. It may allocate to Australian funds, however, the private credit markets in Australia are smaller and less developed than in the US and Europe and the allocation is therefore expected to be lower.

The implementation of the Investment Strategy is ongoing and includes making new investments in Underlying Funds, divesting from existing Underlying Funds, managing the allocations between different assets, monitoring performance and risks, and any required hedging of currency exposure.

3.3.3. Investment Resources and Responsibilities

Mercer is responsible for Underlying Manager sourcing, research, due diligence, and portfolio construction. All Underlying Managers and their funds are approved by Mercer's investment and operational due diligence teams. Mercer also provides assistance with Underlying Manager monitoring, valuation, performance measurement and reporting, liquidity planning and asset and liability modelling. See Section 4.2 for further details on Mercer.

Pengana Credit is primarily responsible for overseeing the investment process, managing the liquidity, and implementing the FX hedge.

3.3.4. Investment Universe

Pengana Credit seeks to invest in a diversified range of global private credit investments with strong risk adjusted return characteristics. These Underlying Assets are typically accessed indirectly through investments in private credit funds. The private credit funds are managed by specialist Underlying Managers that have extensive experience and resources. All Underlying Managers and their funds are required to be approved by Mercer, following Mercer's investment and operational due diligence processes which are described in this Section 3.3. Underlying Managers may have the flexibility to invest in multiple private credit investment strategies, which allows them to develop more resilient "all weather" portfolios that are expected to perform well in different economic and market environments. Access to Underlying Managers is intended to provide Investors with exposure to investment opportunities that are not readily available to Australian investors.

3.3.5. Investment Selection and Due Diligence

3.3.5.1. Underlying Manager Selection

Pipeline of Investment Opportunities

Mercer leverages its extensive network of relationships with private credit fund managers as well as its knowledge of the underlying investments through existing fund investing activities. Mercer focuses on opportunities involving managers (and/or management teams) with whom it has already invested or with whom it is otherwise familiar.

Mercer sees a substantial flow of new fund openings through its proprietary research and prior fund investments. Mercer is highly selective in reviewing opportunities, ensuring that investments meet the investment philosophy and Pengana Credit's requirements.

Initial Assessment

The Master Fund has three private credit Master Classes and an Enhanced Cash Master Class that differ by return expectation, risk, liquidity, and other characteristics. Underlying Manager offerings are assessed by Mercer as potential investments using a proprietary screening system which has regard to pace of capital deployment, return profile and structural and other features.

3.3.5.2. Underlying Manager Due Diligence

Investment Due Diligence

Mercer's manager research includes two forms of quantitative analysis: past performance and portfolio structure analysis, as well as substantial qualitative manager research. Underlying Manager meetings involve interview-style discussions with the key decision-makers involved in the management of the product and other relevant staff.

When evaluating a fund managed by an Underlying Manager, Mercer focuses on assessment criteria based on four key factors as outlined below.

FACTOR	DESCRIPTION
Business management	Measures both the quality of the individuals as well as their ability to work together as a team. This analysis considers and evaluates: • departures of partner(s) and the justification / their performance; • manager transition issues; and • processes along several dimensions including sourcing, pipeline management, value creation, performance evaluations, investor relations and cash flow management.
Strategy	Measures how effective the fund's strategy is expected to be in the current market environment by evaluating: • the uniqueness of the strategy; • the execution of the strategy; and • whether managers have incorporated "lessons learned" and evolved their strategy.
Alignment of interests	Measures how well the Underlying Manager's interests are aligned with investors. This considers the fund under evaluation as well as changes from the previous fund offered, including whether the terms are getting better or worse from the investors' perspective.
Track record	Focuses on the historical performance with a particular emphasis on consistency across and within the fund, including loss ratios. This analysis considers relevant and attributable prior investments and track records.

Mercer believes these four factors encompass the qualities that Underlying Managers must possess to deliver strong performance in private markets. Each of the factors is assigned a score that ranges between one out of four (negative) to four out of four (very positive). Overall strategy ratings are then derived based on an overall research opinion.

Environmental, Social and Governance ('ESG')

ESG is integrated into Mercer's due diligence process. Mercer's ESG ratings have been undertaken by Mercer's global manager research team since 2010, as part of the standard research process by strategy.

Mercer evaluates the ESG policies, capabilities, and practices of Underlying Managers as part of the standard research, manager selection and monitoring process, by drawing on Mercer's ESG ratings and associated commentary from the Mercer Manager Research team.

Mercer assigns ESG ratings to strategies that represent its view on the extent to which ESG and active ownership practices (voting and engagement) are integrated into the Underlying Managers' investment process and decision-making across asset classes where relevant.

3.3.5.3. Operational Due Diligence

As a part of the due diligence process, Mercer prepares a detailed operational risk assessment report, which considers the risks associated with the investment mandate type, firm size and significant third party or outsourced relationships, along with the mitigating or compensating controls that a firm may have to manage potential issues. The report is prepared by a dedicated team, Mercer Sentinel, that specialise in evaluating non-financial risks.

3.3.5.4. Underlying Manager Selection Decisions

The Master Fund may invest in an Underlying Managers' fund if it is approved by Mercer for investment by the Master Fund, following investment and operational due diligence and if there are no adverse legal or tax issues that have been identified and which cannot be reasonably resolved. Underlying Manager selection is made with reference to such fund's risk and return characteristics, other attributes such as liquidity and pace of deployment and how well it complements the Master Fund's existing investments.

3.3.6. Portfolio Construction

3.3.6.1. Master Fund

For the Master Classes, Mercer seeks to construct portfolios by investing in funds managed by Underlying Managers with appropriate attributes for the Master Class that it believes will generate attractive long-term investment returns and significant distributions to the Master Fund. Mercer conducts extensive analysis of target sectors and regions, including an analysis of the economic conditions, investment environment and the state of the private credit markets. These top-down analyses guide sourcing, due diligence, and portfolio construction decisions. This approach takes into consideration several factors, such as the Underlying Managers' expertise, relationships, market conditions, long-term value creation opportunities, workout resources and risk mitigation.

Mercer's approach to enhance returns and mitigate risk is through thorough diversification of the following aspects of the private credit exposure.

Underlying Manager

Underlying Manager risks relate to individual fund managers such as key personnel, third party relationships, corporate strategy, business management and other financial risks. Mercer therefore seeks to invest with a number of Underlying Managers such that if a fund management organisation suffers from a business-related risk it is less likely to have a significant impact on the Master Fund.

Strategy

As discussed in Section 3.1.6, the private credit asset class includes a range of different strategies. The key differences relate to the purpose of the loan, type and financial situation of the borrower, the security for the loan and financial covenants, the length of the loan and repayment terms, additional equity like exposures and whether the debt is listed or unlisted. Mercer seeks to obtain exposure to a broad range of strategies to develop a resilient portfolio that may perform well across an economic cycle.

Geography

Mercer seeks geographic diversification with the majority of capital allocated to the most developed and established private credit markets in North America and Western Europe. Mercer may enhance diversification with opportunistic exposures to other geographies, such as Australia.

Sector

Mercer typically constructs portfolios by investing in funds managed by Underlying Managers that specialise in diverse industries such as: communications, consumer products, healthcare and select areas within manufacturing, industrial goods, technology, and business/financial services. Exposure to a broad set of industries seeks to ensure that significant underperformance in certain sectors is balanced with relative outperformance in other industries.

Credit quality

The Underlying Assets vary in terms of their credit quality. Some of the instruments have a credit rating from a credit ratings agency. However, private credit instruments are typically unrated although they may have an equivalent rating assigned by the Underlying Manager. Credit ratings reflect the opinion of the relevant credit rating agency or Underlying Manager about the likelihood of the underlying borrower failing to meet its interest and principal payment and repayment obligations when they fall due. Borrowers considered to be at greater risk of not making their interest payments or principal repayments are rated below investment grade. These borrowers must pay a higher interest rate or coupons to attract investors to buy their bonds compared to investment grade rated borrowers.

Type of instrument

The Underlying Assets are primarily comprised of senior secured bilateral loans. On a more limited basis they may include, bonds, notes (fixed and floating rate) and other debt securities and related financial instruments, including traded senior secured bank loans and high yield bonds.

The debt instruments may be fixed or floating rate. Fixed rate debt investments require the borrower to pay a fixed rate of interest for the term of the investment. Floating rate debt investments pay interest rates that are tied to a benchmark that vary over their term, such as U.S. treasury bill rates.

3.3.6.2. Feeder Class

Target Allocations

Target allocations to the Master Classes are designed to achieve the Target Rates while minimising risk and satisfying future liquidity requirements. The target allocations are reviewed periodically and will conform with the investment guidelines described below. Changes to the target allocations are infrequent and driven principally by changes to the expected return and yield profiles of the Master Classes as a result of changes in the economic or lending environment.

Target allocations are established based on long-term cash flow modelling. Inputs to the model include Underlying Fund commitments, calls, distributions, capital returns, subscriptions, redemptions, foreign currency rates and fees. Management of TermPlus also considers its yield requirements and distribution policy as key components of its objectives and therefore modelling.

The modelling relies on assumptions for some of the data inputs, which are generally related to the Underlying Funds. These assumptions are constantly updated to take into account information directly sourced from the Underlying Managers regarding pipeline, current portfolios, capital calls and return of capital.

Investment Guidelines

Strong risk management practices are an integral part of the investment process. Pengana Credit and Mercer monitor portfolio exposures to ensure the Feeder Class operates within its investment guidelines. The guidelines are:

- Master Fund Income Class: 0% - 80%
- Master Fund Balanced Class: 0% - 80%
- Master Fund Total Return Class: 0% - 90%
- Master Fund Enhanced Cash Class, plus cash held in the Feeder Class and TermPlus: 0% - 35%

Each of the foregoing guidelines is to be applied only at the time that a new investment is made in, or in certain limited circumstances a voluntary redemption is made from, a Master Class. Market movements, distributions and mandatory redemptions will not result in non-conformity with any of the above guidelines even if as a result TermPlus (via the Feeder Class) no longer conforms to certain of the foregoing guidelines.

In the event that TermPlus (via the Feeder Class) no longer conforms to one of the above guidelines in any material respect, then Pengana Credit shall use reasonable best endeavours to bring TermPlus (via the Feeder Class) back into material conformity with the guidelines within a reasonable period following Pengana Credit becoming aware of such nonconformity. Pengana Credit's ability to do so will be subject to the limited liquidity of the portfolio's investments.

Underlying Fund Diversification

From time to time TermPlus' exposure to an Underlying Fund may exceed 10%. As at the date of this PDS, TermPlus has over 10% invested in five Underlying Funds:

- European mezzanine debt fund
- US multi-strategy finance fund
- European venture lending fund
- Global distressed debt fund
- US multi strategy finance fund

These funds have passed Mercer's due diligence process and satisfy their requirements in terms of business management, strategy, alignment of interests and track record. They have received a positive rating from Mercer and have complimentary strategies that are suitable for TermPlus' objectives. The Fund has relatively high allocations to the above five funds because they offer differentiated investment strategies, attractive long term returns, diversification from other funds, appropriate terms and liquidity, and are highly rated by the Investment Consultant.

Ongoing Portfolio and Cash Management

Pengana Credit uses a Cash Management Strategy ('CMS') to assess the adequacy of aggregated cash balances to meet short term liquidity requirements. It is the purpose of the CMS to monitor, observe and control cashflow on a real time basis arising from the sources and uses of funds.

- Uses of funds include call drawdowns from Underlying Managers, interest paid, return of capital to investors, redemptions, cashflows to fund foreign currency hedging.
- Sources of funds include Investor subscriptions, distributions and capital returns from Underlying Managers, redemptions from Underlying Managers, interest received, cashflows from hedging.

Subject to this cash requirement, Pengana Credit seeks to invest TermPlus' assets as efficiently as reasonably practicable through the Feeder Class and into the Master Fund to maximise the return on capital.

The key dependencies and assumptions underpinning TermPlus' ability to produce investment returns include:

1. The continued need for commercial borrowers to seek funding outside, or in addition to, more traditional sources of funding available via traded credit markets or receiving a loan directly from a bank;
2. There being a large number of potential investment opportunities within private debt (i.e. lending opportunities) to ensure investment exposure to a diversified Portfolio can be maintained;
3. Attractive levels of interest generated by such private credit investments above the official rates such as the RBA Official Cash Rate;
4. The ability of commercial borrowers to pay the interest due and to repay their loans when required;
5. The ability of the Underlying Funds to use leverage to enhance returns; and
6. The ability to effectively implement a foreign currency hedging strategy given TermPlus is denominated in AUD and the underlying loans are in a variety of foreign currencies.

Governance and Oversight

The Pengana Credit Risk and Allocation Committee oversees compliance with the Investment Policy and the Allocation Policy. The Investment Policy sets out the investment objective, strategy and guidelines for the Master Fund. The Allocation Policy governs how the allocation of investments by feeder funds, including the Feeder Fund, into the Master Fund is managed and how conflicts of interest between such feeder funds are addressed.

The committee comprises Pengana Capital Group Limited's Chief Financial Officer, Chief Operating Officer and Head of Risk and Performance. Pengana Credit attends the meetings and provides the Pengana Credit Risk and Allocation Committee with a Risk and Liquidity Report and an Allocation Report.

The Pengana Credit Risk and Allocation Committee meets monthly and reports directly to the Responsible Entity quarterly or intra-quarter if required.

Changes to the Investment Strategy

It is expected that TermPlus' investment strategy will be implemented as detailed in this PDS. However, changes in market conditions, which could be favourable or adverse to TermPlus' performance, may require Pengana Credit to adopt changes to the Feeder Fund or the Master Fund's investment objective, investment strategy and investment guidelines, which in turn will require the Responsible Entity to adopt changes to TermPlus' investment objective, investment strategy and investment guidelines. Subject to compliance with the Corporations Act, Pengana Credit, the Feeder Fund and the Master fund may (subject to the Responsible Entity's consent) change the Feeder Fund or the Master Fund's investment objective, investment strategy and investment guidelines as it sees fit. Any material change in the TermPlus investment strategy will be made available on the TermPlus website.

The investment strategy, investment objective and investment guidelines for the portfolio attributable to the Feeder Class described above may not be amended without the written agreement of the Feeder Fund, Master Fund, and Investment Manager and also the consent of all the noteholders of the Feeder Class to which the portfolio relates.

3.3.7. Labour standards, environmental, social or ethical considerations

Environmental, Social and Governance

Mercer believes a sustainable investment approach is consistent with an objective to create and preserve long-term investment capital.

Where relevant and aligned with achieving investment objectives, Mercer expects appointed investment managers to assess and reflect ESG risks and opportunities when they select securities or assets and construct portfolios.

Examples of ESG factors that may be considered by appointed investment managers are shown below.

Environmental

• Climate change • Water security • Waste and pollution • Biodiversity
Social
• Health and safety • Labour standards and modern slavery, including supply chains • Human rights • Demographics/consumption
Governance
• Board diversity, composition and effectiveness • Executive remuneration • Conduct, culture and ethics • Shareholder rights

A key way Mercer aim to integrate ESG considerations into their manager selection processes is through consideration of ESG Ratings developed by Mercer's Manager Research capability. The ESG Ratings represent an assessment of the extent to which ESG and active ownership (voting and engagement) are integrated into a strategy's investment decision making process. A number of factors are considered and documented within the research commentary and an overall rating assigned, where ESG1 is the highest possible rating and ESG4 is the lowest possible rating.

The four factors against which a manager's investment strategy is assessed are as follows.

ESG integration in the Four-Factor Framework	
Idea Generation	How does the investment team identify ESG risks and opportunities at the portfolio level? How are ideas sourced? How is the materiality determined and incorporated into financial analysis?
Portfolio Construction	How effectively does the portfolio manager translate ESG views into active positions in the portfolio?
Implementation (Stewardship)	To what extent does the portfolio manager engage on ESG topics at the portfolio level? How has the engagement led to a change in portfolio positioning and/or the investment horizon? What efforts does the manager make to minimise portfolio turnover?
Business Management (Firm-wide commitment)	To what extent do the business leaders understand and support responsible investment and to what extent are these integrated across the business? What firm-wide beliefs, policies and responsible investment strategies are in place?

The ESG ratings represent Mercer's view of the investment manager's capability in terms of what they are doing across the four factors: idea generation; portfolio construction; implementation (voting and engagement); and firm-wide commitment. The ratings are as below.

ESG 1	**The highest ESG rating is assigned to strategies that Mercer believe to be leaders in integrating ESG and active ownership into their core processes, and that provide clear evidence that ESG overall, or a particular ESG theme, is embedded and core to idea generation and portfolio construction.**
ESG 2	The second highest rating is assigned to strategies that, in Mercer's view, include ESG factors as a consistent part of decision making, with a strong focus on risk in valuation processes and commitment at the firm-wide level, including on active ownership.
ESG 3	The penultimate rating is assigned to strategies that, in Mercer's view, the investment manager has made some progress with respect to ESG integration and/or active ownership, particularly on corporate governance, but for which there is little evidence that ESG factors are taken into consideration consistently in valuations and investment processes.
ESG 4	The lowest ESG rating is assigned to strategies that, in Mercer's view, have little to no integration on ESG and active ownership into their core processes.

The Feeder Class PPNs, in which TermPlus invests, seek to gain exposure to Underlying Funds that have a rating of ESG 3 or better. This indicates they have at least a well-developed integration of governance issues and show signs of overall progress on stewardship and ESG issues generally. Underlying Funds that show little or no integration of ESG or stewardship into core processes, and no indication of future change, are avoided where possible.

Ratings are monitored and reviewed periodically by the Investment Manager. There is no specified time frame for this review process. Most managers are aiming to improve their ESG integration, however if an Underlying Fund's rating deteriorates and it no longer meets the minimum ESG 3 standard expected by TermPlus, the fund will receive no new commitments and the Investment Manager will take reasonable measures to prudently reduce the exposure.

Labour Standards and Ethics

TermPlus' investment criteria does not take into account labour standards or ethical considerations when making, retaining or realising investments of TermPlus.

3.3.8. Valuation

The Responsible Entity has appointed an independent administrator, Cache Investment Management Ltd ('Administrator'), to provide administration services to TermPlus, including valuation services.

The Administrator is reliant on the valuation of the PPNs held by TermPlus in the Feeder Class to value TermPlus. The Administrator utilises the most recent net asset value of the PPNs held by TermPlus, as provided by the independent administrator of the Feeder Fund and Master Fund, to value TermPlus at the end of each Income Period. The valuation forms the basis of the Income allocation set out in Section 2.3.2.

3.3.8.1. Valuation of the PPNs

Citco Fund Administration (Cayman Islands) Limited is the independent administrator of the Feeder Fund and Master Fund. The administrator of the Master Fund and the Feeder Class is responsible for the preparation of statutory financial reports and for the calculation of the net asset value of Feeder Class PPNs. Valuation of PPNs is based on:

- shares held in the Master Classes;
- cash; and
- FX forward contracts (as applicable)

held by the Feeder Class.

PPNs are valued in line with the Master and Feeder Fund Valuation Policy and typically utilise the most recent net asset value provided for Underlying Funds by Underlying Managers and/or administrators of Underlying Funds and, to the extent it is determined to be appropriate, will be adjusted for subsequent cash flow activity (i.e., contributions and distributions).

Valuations for Underlying Funds are typically issued on a quarterly basis as much as (and in some cases in excess of) 90-days after each calendar quarter-end. While such information is expected to be issued on a quarterly basis, the Master Fund and Feeder Class will report their net asset values on a weekly basis and the weekly net asset values will be calculated using the latest available net asset value of Underlying Funds.

Pengana Credit seeks to ensure that it receives unaudited Underlying Fund financial statements typically on a quarterly basis (and more frequently where available) and, to the extent practicable, financial statements that have been audited by a third-party accounting firm annually. Whilst the valuations are generally obtained quarterly, given the nature of the investments, the process of completing the valuations can take up to three months, or longer in some cases.

Profit / loss on foreign exchange forwards contracts is recognised with reference to movements in exchange rates during the period of the contract.

3.3.9. Liquidity

The Responsible Entity does not reasonably expect to realise at least 80% of TermPlus' assets, at the value ascribed to those assets in calculating TermPlus' net asset value, within 10 days. TermPlus is expected to be at least 10% exposed to the private credit asset class via Underlying Funds. Such investments cannot reasonably be expected to be realised at the value ascribed to those investments in calculating TermPlus' most recent net asset value within 10 days. Key aspects of TermPlus' liquidity management policy are set forth in Section 3.3.6.2.

3.3.10. Leverage

TermPlus may utilise leverage directly or indirectly at different levels within TermPlus' structure.

- The primary source of leverage that TermPlus will be exposed to is via the Underlying Funds' execution of their investment strategies or objectives as set forth in Section 3.3.1. There is no formal TermPlus policy on the leverage to be used by Underlying Funds. However, the Investment Manager or the Investment Consultant assesses the appropriateness of using leverage in executing the Underlying Funds' investment strategy both during due diligence before investing and as part of ongoing monitoring. TermPlus does not intend the overall leverage ratio resulting from its exposure to the Underlying Managers' investment strategies to exceed 1.50x the NAV of TermPlus.

- The FX hedging implemented, as set forth in Section 3.3.11, may employ leverage in the form of a FX hedging facility which allows for the deferral of FX settlement payments with counterparties. The terms of the facility are documented in a credit support annex with the provider of the facility. This facility will be used to reduce short term liquidity requirements arising from FX hedging, rather than for long term use. The amount of leverage used will vary between 0.00x and 0.25x the NAV of TermPlus.
- It is possible that at a future date and for the purposes of managing the short-term cash needs of TermPlus (e.g., to meet TermPlus' obligations in respect of any obligations or demands) further leverage may be employed at the level of TermPlus structure that is most appropriate. Further leverage will not be introduced to TermPlus for the purposes of making long term investments, outside of the Underlying Funds.

Inclusive of all the different forms of leverage disclosed above, TermPlus does not currently intend to exceed an overall leverage ratio of 1.75x of the NAV. The exposure to leverage may affect TermPlus' ability to deliver returns and may magnify TermPlus' gains and losses. Assuming TermPlus is operating at the maximum intended leverage ratio (i.e., $1.75 of debt for every $1 of assets) then:

- A 1% increase in the return on assets of TermPlus will result in a 2.75% increase in the TermPlus Return; and
- A 1% decrease in the return on assets of TermPlus will result in a 2.75% decrease in the TermPlus Return.

The FX hedging facility and any short term debt facility will be provided by one or more large global banks regulated by APRA, the US Securities and Exchange Commission, the UK Financial Conduct Authority, and/or an equivalent regulator.

3.3.11. DERIVATIVES

Pengana Credit seeks to hedge the foreign currency exposure into AUD. The Feeder Class in which TermPlus invests is exposed to foreign exchange fluctuations via its investments in the Master Classes which hold investments denominated in foreign currencies, including USD and EUR. To mitigate this risk, Pengana Credit seeks to hedge these exposures.

There are a number of hedging options available. The selected method may depend on prevailing market conditions, however hedging activity is primarily implemented through the use of OTC forward foreign exchange contracts. The relevant hedges are based on the foreign currency exposure in the Master Fund attributable to the Feeder Class. Pengana Credit may determine to change the hedging strategy from time to time.

Hedging can, during periods of extreme volatility, cause cash outflows due to collateral or margining requirements. Commitments arising from the hedging strategy are generally met through available cash or by redeeming shares in the Master Fund. If required, the settlement of losses may be deferred by capitalising and rolling the loss into another hedge. Pengana Credit includes such scenarios in its cashflow forecasting and stress testing regime.

In connection with the hedging strategy, the Feeder Fund may grant a security interest to relevant trading counterparties over the underlying assets (including shares in the Master Fund) and cash instead of posting daily margins.

TermPlus' currency strategy may expose TermPlus to certain risks. Please refer to 'Currency risk', 'Derivatives and hedging risk' and 'Counterparty risk' for more information as set forth in Section 5.

External counterparty risk is mitigated by selecting partners who have strong credit ratings and are key to our transactional process.

Pengana Credit has no intention to utilise derivatives for speculative or gearing purposes for TermPlus.

3.3.12. SHORT SELLING

TermPlus does not directly engage in short selling as part of its Investment Strategy, nor is it expected to form a material part of Underlying Funds' investment strategies. The Underlying Fund's strategies focus on generating returns through lending in private credit markets and would only employ short selling to, for example, hedge market broad risk through derivative instruments. It is anticipated that this type of exposure will be limited to specific periods where the Underlying Managers have macroeconomic or geopolitical concerns and will not represent a material percentage of any of the Underlying Fund's at any point in time.

Mercer and Pengana Credit monitor the positions in the Underlying Funds and will seek to verify the purpose of any short positions and their consistency with such Underlying Fund's investment strategy and guidelines.

3.3.13. What are the key aspects of TermPlus' risk management strategy?

Investment Consultant: Pengana Credit has appointed Mercer Consulting (Australia) Pty Ltd as the Investment Consultant providing advisory services in respect of the Master Fund and Feeder Fund. Mercer is primarily responsible for Underlying Manager sourcing, research, due diligence, and portfolio construction. All Underlying Managers and their funds are approved by Mercer's investment and operational due diligence teams. Mercer also provides assistance with Underlying Manager monitoring, valuation, performance measurement and reporting, liquidity planning and asset and liability modelling. Mercer's experience is set forth in Section 4.2.

Underlying Manager and investment due diligence: Mercer's manager research includes two forms of quantitative analysis: past performance and portfolio structure analysis, as well as substantial qualitative manager research. Research meetings with Underlying Managers focus on identifying evidence of any sustainable competitive advantages that should give a manager above average prospects for future outperformance and evidence of any significant potential weaknesses which may affect the prospects for future outperformance or give rise to an above-average risk of future underperformance.

Operational due diligence: Mercer prepares a detailed operational risk assessment report, which considers the risks associated with the investment mandate type, firm size and significant third party or outsourced relationships, along with the mitigating or compensating controls that a firm may have to manage potential issues. The report is prepared by a dedicated team, Mercer Sentinel, that specialise in evaluating non-financial risks.

Legal and tax due diligence: Pengana Credit arranges for legal and tax due diligence to be undertaken by subject matter experts as required on prospective investments.

Diversification: Mercer's approach to enhance returns and mitigate risk is through thorough diversification of the following aspects of the private credit exposure: Underlying Manager, strategy, geography, sector, credit quality and type of instrument. TermPlus' investment guidelines are set out in Section 3.3.6.2.

Portfolio Construction Endorsement and Approval: The Mercer Private Debt Investment Committee ('PDIC') reviews the proposed portfolio plans to ensure consistency of advice across its client portfolios and adherence to current best practice. Asset allocation and other key decisions require the unanimous approval of the Investment Committee ('IC'), which currently comprises four senior members from Mercer, PCG and Pengana Credit, see Section 4.3 for more detail.

Ongoing portfolio and cash management: Pengana Credit uses a Cash Management Strategy ('CMS') to assess the adequacy of aggregated cash balances to meet short term liquidity requirements. It is the purpose of the CMS to monitor, observe and control cashflow on a real time basis arising from the sources and uses of funds.

Governance and oversight: The Pengana Credit Risk and Allocation Committee oversees compliance with the Investment Policy and the Allocation Policy. The Pengana Credit Risk and Allocation Committee meets monthly and reports directly to the Responsible Entity quarterly or intra-quarter if required.

FX hedging: The Feeder Class is exposed to foreign exchange fluctuations via its investments in the Master Classes which hold investments denominated in foreign currencies, including USD and EUR. To mitigate this risk, Pengana Credit seeks to hedge the foreign currency exposure into AUD. Hedging activity is primarily implemented through the use of OTC forward foreign exchange contracts.

Removal for cause: The Responsible Entity has the ability to remove Pengana Credit for cause. Pengana Credit has the ability to remove Mercer for cause.

PPN redemption rights: The Responsible Entity has the right to redeem the PPNs from the Feeder Fund (and realise its investment). Please refer to Section 4.8.3 for a more comprehensive summary.

Amending the investment objective, investment strategy and investment guidelines of the Feeder Class: Pengana Credit, the Feeder Fund and the Master Fund cannot amend the investment objective, investment strategy and investment guidelines of the Feeder Class without consent from the Responsible Entity.

4. INVESTMENT MANAGER, INVESTMENT CONSULTANT, RESPONSIBLE ENTITY AND OTHER KEY SERVICE PROVIDERS

4.1. INVESTMENT MANAGER

The Responsible Entity has appointed Pengana Credit, a corporate authorised representative of Pengana Capital Limited, as the Investment Manager of TermPlus under the Investment Management Agreement. There are no unusual or materially onerous terms in the Investment Management Agreement.

The primary responsibility of Pengana Credit is to implement the Investment Strategy and administer the investment structure.

As Investment Manager of TermPlus, Pengana Credit has been appointed to:

- implement the investment strategy, including actively managing and supervising TermPlus investments;
- regularly update the Responsible Entity regarding the portfolio and provide all information necessary for the maintenance of TermPlus' financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the records of TermPlus and compliance with the Corporations Act.

Pengana Credit is a subsidiary of PCG.

Driven by the needs of PCG's client base, Pengana Credit was established in 2022 to address a significant limitation in the Australian market. Increased volatility in public markets has meant Australian retail investors are diversifying into other asset classes in their search of higher yielding and capital stable investment products.

Pengana Credit has built a diversified, multi-manager, multi-strategy global private credit portfolio designed to deliver both higher yields and a stable capital base.

Pengana Credit has appointed PCG to provide a range of distribution, marketing, compliance, and client service functions associated with TermPlus. Pengana Credit has also appointed Mercer as the Investment Consultant. Further details on Mercer can be found in Section 4.2.

As at the date of this PDS, there have been no adverse regulatory findings against Pengana Credit.

The appointment of Pengana Credit as the Investment Manager of TermPlus is documented in an Investment Management Agreement ("IMA"). Further details on the IMA can be found in Section 4.8.2.

4.1.1. PENGANA CAPITAL GROUP LIMITED

PCG is an ASX publicly listed company headquartered in Sydney, with offices in Melbourne and Brisbane.

Since 2003 PCG has been in the business of offering Australian investors access to unique and distinct investment solutions. Today, PCG is recognised as one of Australia's leading providers of innovative investment solutions, managing over $3bn for retail investors, select high-net-worth clients and financial planners in Australia and New Zealand, across a range of international and Australian strategies, including unlisted and listed vehicles investing in both public and private markets.

PCG believes that the optimal active funds management environment exists when the interests of expert investment managers are aligned with the interests of investors within a disciplined and risk-controlled structure. PCG is structured and managed within this framework, as are its funds, through their employment of active investment strategies with non-benchmark focused mandates and emphasis on delivering superior long-term risk adjusted returns to investors.

4.2. INVESTMENT CONSULTANT

Pengana Credit has appointed Mercer Consulting (Australia) Pty Ltd as the Investment Consultant under the Investment Consulting Agreement, which consists of an engagement letter, statement of works and terms and conditions ('Investment Consulting Agreement').

Mercer is one of the world's largest outsourced asset managers with US$420 billion global assets under management (as of 31 December 2023) and US$16.2 trillion global assets under advice in total (as of 30 June 2023), placing them in a unique position to offer a distinctive ability to source, diligence, and access a diversified portfolio of some of the best global private credit opportunities available.

The Investment Consulting Agreement provides that Mercer will assist Pengana Credit as investment sub-advisor in respect of the Master Fund and Feeder Fund in the selection of investments including, but not limited to, attending regular investment consultation meetings, reviewing investment proposals and policies, making recommendations, sourcing investments, conducting investment and operational due diligence, performing financial modelling and assisting with the negotiation of the terms of any investment. The Investment Consulting Agreement also covers Mercer's reporting and monitoring obligations, service standards, staffing obligations and the professional fees and expenses which it may charge. Mercer's fees are incurred by the Master Fund and Feeder Fund.

Pengana Credit believes Mercer's global research capability, scale, investment pipeline management and access to highly rated managers is a core strength of TermPlus. As at 30 September 2023, Mercer maintained the following insights and analytics, providing one of the broadest manager research coverages of any investment firm.

6,769	36,817	11,595	3,262	6,307
Managers on Mercer Insight	Strategies on Mercer Insight	Total Strategies Rated	Strategies Rated A	ESG Rated Strategies

Mercer's manager research is undertaken by a group of over two hundred dedicated investment specialists located in seven major cities globally. The research process is consistent across asset classes and is designed to produce reliable, forward-looking analysis that identifies the highest quality managers in each universe. Through a combination of on-site visits to managers and discussion amongst colleagues, Mercer evaluates managers through qualitative views, desk-based quantitative analysis, the direct experience of their consultants and ongoing reviews.

Within the research team, Mercer has an experienced and cycle tested Private Credit Team that has extensive experience in all major markets and segments, with 20+ years' experience in private credit investment advisory and 12 years of private credit portfolio management.

Mercer uses its size and scale to access a wide range of opportunities, with the Mercer Private Credit Team having over 550 managers and over 1,300 strategies covered in their research database, with over 400 of these strategies having received an investment rating (as of 30 September 2023). Mercer's size and scale has allowed it to procure an average fee saving (across 62 separate investment funds/vehicles) of 0.35% p.a. (being the simple average of management fee savings achieved by Mercer versus manager stated "rack rates" as of 21 February 2024).

4.3. KEY PERSONNEL

Asset allocation and other key decisions require the unanimous approval of the IC, which currently comprises four senior members from Mercer, PCG and Pengana Credit. The investment team will devote as much of their time and attention to the investments of TermPlus as is, in the discretion of the Investment Manager and/or Investment Consultant, reasonably required for the effective execution of the TermPlus Investment Strategy.

As at the date of this PDS, there have been no significant adverse regulatory findings against Pengana Credit, the Responsible Entity or the key individuals involved in the investment decisions of TermPlus.

4.3.1. Nehemiah Richardson – Chief Executive Officer, Pengana Credit

Nehemiah Richardson is an experienced executive with over 20 years of financial services experience at leading international and Australian institutions including Credit Suisse, JPMorgan, Merrill Lynch (now Bank of America), National Australia Bank and Latitude Financial Services.

Nehemiah has advised large financial institutions and corporations on significant M&A and financing transactions, led teams that have delivered transformative improvements in strategic direction, reputation, risk management, financial performance, and culture across a diversity of generalist and specialist leadership roles in the financial services industry.

4.3.2. Nick Griffiths - Chief Investment Officer, Pengana Capital Group Limited

Nick Griffiths is the Chief Investment Officer for PCG, responsible for manager monitoring, due diligence, performance analysis and reporting across Pengana's investment strategies. He also chairs the PCG Risk Management Committee and is an Executive Director of Pengana Capital.

Nick has more than 25 years' experience in the actuarial and investment industries in the UK and Australia. Prior to his current role, Nick was Head of Investment Research within Aon's Investment Consulting Practice in Sydney. Nick is a qualified Actuary and CFA Charterholder.

4.3.3. Rebecca Jacques – Principal and Senior Investment Consultant, Mercer

Rebecca Jacques is a Principal in Mercer's Institutional Wealth business. As a Senior Investment Consultant, Rebecca is involved in preparing strategic investment advice to institutional and wealth management clients as well as supporting Mercer's focus on delivering retirement income solutions. She is based in Sydney.

Prior to joining Mercer in October 2018, Rebecca gained over 20 years of investment and financial services experience. This included heading up the managed funds research business at ASSIRT Pty Ltd, where she was responsible for managing the research team and developing the first retail alternative asset class product rating in the Australian retail marketplace. Rebecca was also part of the executive management team brought in to establish the retail presence of Deutsche Asset Management in Australia. She was also the chief operating officer of a boutique Hedge Fund established by the Chairman of AIMA Australia. Rebecca has led her own consultancy business providing investment and portfolio construction advice to independent financial planning firms, and dealer groups, as well as product and asset management consultancy to asset management firms.

Rebecca holds a Bachelor of Arts (Economics and Politics) (Honours) from Monash University; and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

4.3.4. Scott Wilkinson – Head of Private Debt APAC, Mercer

Scott Wilkinson is Head of Private Debt APAC at Mercer based in Sydney. Mr. Wilkinson joined Pavilion Alternatives Group in London during 2009, which was acquired by Mercer in 2018.

Mr. Wilkinson is responsible for the oversight of all APAC private debt investments, along with leading portfolio construction and planning efforts for Mercer's global discretionary private debt accounts. He is a member of the Private Debt Ratings Review Committee ("RRC") and Investment Committee, in addition to the Co-Investment & Secondaries RRC. During his tenure at Pavilion / Mercer, Mr. Wilkinson has also led private equity fund investments across Europe, in addition to client and portfolio management in the region.

Mr. Wilkinson has been in the financial services industry since 2005, focusing on private markets since 2009. Previously, he worked at Alliance Bernstein, Threadneedle and State Street in client services. Prior to that, he worked in financial planning, providing investment and retirement advice, and managing the Australian financial accounts of a Chinese-headquartered aluminium manufacturer.

Scott Wilkinson holds a BCom in Accountancy and Finance from the University of Wollongong in Australia and an MBA with distinction from Durham University Business School in the U.K. He also holds the Investment Management Certificate in the U.K.

4.4. RESPONSIBLE ENTITY

Pengana Capital Limited, a wholly owned subsidiary of PCG, is the Responsible Entity for TermPlus and is ultimately responsible to Account Holders for all aspects of TermPlus including supervising TermPlus and its overall investment policy. Specifically, its responsibilities include:

- acting in the best interests of Account Holders and ensuring that Pengana Credit complies with the investment mandate;
- administering the issue, and withdrawal of Term Accounts by Investors;
- TermPlus asset valuation;
- managing investor applications and withdrawals;
- calculation and distribution of Fund Income;
- calculating and administering the Priority Income Entitlement and Savings Support benefits should they be applicable;
- acquisition, disposal, and management of TermPlus assets;
- monitoring service provider adherence to contracted service standards; and
- Investor reporting.

While the Responsible Entity has the power to delegate investment management and administrative services to other entities, it retains ultimate responsibility for these functions. As such, the Constitution contains indemnity provisions covering the Responsible Entity for losses and liabilities incurred in connection with the operation of TermPlus.

Pengana Capital Limited holds Australian Financial Services License number 226 566 issued by ASIC, which authorises it to operate TermPlus.

4.4.1. Governance

Responsibility for proper governance of TermPlus rests with the Responsible Entity. The Responsible Entity's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of Investors.

The Responsible Entity has entered into a management agreement with Pengana Credit pursuant to which Pengana Credit provides certain investment management services to TermPlus (the 'Investment Management Agreement'). The Responsible Entity, with reliance upon Pengana Credit and its service providers, monitors the operational and financial position, and performance of TermPlus.

The Responsible Entity undertakes a detailed initial due diligence review of each non-related service provider to TermPlus to confirm it has the necessary skills, experience, and authorisations to perform the required functions.

The Responsible Entity ensures that service providers to TermPlus, including related bodies corporate, comply with their ongoing obligations under the relevant service agreements by monitoring their performance. In case of non-related entities, the Responsible Entity monitors service providers performance through strict Key Performance Indicator ("KPI") reporting, ongoing reporting by each service provider to the Responsible Entity on a regular basis and requiring completion of an attestation ensuring compliance with service deliverables and applicable law. The Responsible Entity will also conduct an onsite due diligence review of every non-related service provider which will involve key staff involved in the provision of the services as well as a review of all operational areas of the service provider. The Responsible Entity is bound by the Constitution and the Corporations Act.

The Feeder Fund, Master Fund and Investment Manager will also undertake appropriate due diligence and ongoing oversight in respect of the service providers they engage.

4.5. ADMINISTRATOR

The Responsible Entity has outsourced TermPlus' valuation and accounting to Cache Investment Management Limited ('Administrator'). The Administrator performs certain administrative and accounting services for TermPlus, subject to the overall supervision of the Responsible Entity and Pengana Credit. The Administrator manages the daily accrual process and calculates the NAV of TermPlus at each month-end and, as soon as it is practical, provides these calculations to the Responsible Entity.

4.6. CUSTODIAN

BNP Paribas ('Custodian') provides custody services to TermPlus. The role of the Custodian is limited to holding assets of TermPlus; the Custodian has no supervisory role in relation to the operation of TermPlus. The Custodian does not make investment decisions in respect of the assets held or manage those assets. The Responsible Entity may change the appointed custodian from time to time, without prior notice.

4.7. AUDITOR

Ernst & Young ('Auditor') are the independent auditor of TermPlus.

4.8. OTHER KEY AGREEMENTS OF TERMPLUS

4.8.1. Constitution

TermPlus has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

Pengana Capital Limited is the Responsible Entity of TermPlus. The respective rights and obligations of the Responsible Entity and the Account Holders are determined by the Constitution and the Corporations Act, together with any exemptions and declarations issued by ASIC and the general law relating to trusts.

The Constitution is a lengthy and complex document. The following is a brief outline of the Constitution. Because the outline is brief, Account Holders should confirm all information by reference to the Constitution itself, which is available free of charge from the Responsible Entity. If you are unsure about anything, you should seek advice from a legal or financial adviser and examine a copy of the Constitution.

The Constitution deals with a wide range of matters, including:

- Applications for Term Accounts and the nature of an Account Holder's interest in TermPlus;
- how TermPlus may be wound up and Account Holders' entitlements on winding up;
- distributions;
- powers of the Responsible Entity;
- Investors' meetings;
- Investors' liability;
- the Responsible Entity's right to be indemnified out of TermPlus; and
- how the Constitution may be amended.

4.8.1.1. Term Accounts and units

The beneficial interest in TermPlus is divided into units. When you open a Term Account you will receive a single unit in TermPlus which represents your Term Account ('Term Account').

A Term Account does not confer an interest in any particular asset. The Responsible Entity can issue Term Accounts in accordance with the Constitution.

The Responsible Entity will exercise any discretion it has under the Constitution in relation to Term Account pricing in accordance with its unit pricing discretions documentation. You can obtain a copy of any unit pricing discretions documentation at any time on request, at no charge, by contacting TermPlus on 1300 883 881 or on support@termplus.com.au.

The Responsible Entity will allocate notional units ('Units') to each Term Account to represent your actual investment. The Responsible Entity will use Units and notional unit prices ('Unit Prices') to determine the value of each Term Account. Units allocated to a Term Account are initially assigned a value of $1 and will not have a price of greater than $1.

If Underlying Assets become impaired, Unit Prices can fall below $1.

Liability of Account Holders

As the Term Accounts are fully paid, an Account Holder's liability is limited to its investment in TermPlus, however the effectiveness of such provisions has not been confirmed by superior courts.

Responsible Entity's Powers and Duties

The Responsible Entity holds TermPlus' assets on trust or may have assets held by a custodian. The Responsible Entity may manage the assets as if it were the absolute and beneficial owner of them, subject only to the terms of the Constitution and its duties and obligations to Account Holders.

Examples of the Responsible Entity's powers include acquiring or disposing of any holding, borrowing, or raising money, encumbering any asset, incurring any liability, giving any indemnity, providing any guarantee, entering into derivative and currency swap arrangements, and entering into underwriting arrangements.

The Responsible Entity may appoint delegates or agents to perform any act or to exercise any of its powers as well as to assist with its duties and functions.

4.8.2. Investment Management Agreement

The Responsible Entity has entered into the Investment Management Agreement with Pengana Credit. A summary of the material terms of the Investment Management Agreement are set out below.

4.8.2.1. Services

Pengana Credit will invest and manage the assets and liabilities of TermPlus as the agent of the Responsible Entity in accordance with the terms of the Investment Management Agreement.

4.8.2.2. Powers and Discretions of the Investment Manager

For the purpose of carrying out its functions and duties under the Investment Management Agreement, Pengana Credit has the powers of a natural person to deal with the assets and liabilities of TermPlus and to do all things and execute all documents necessary for the purpose of investing, managing the assets and liabilities of TermPlus.

The Responsible Entity may, at any time, instruct Pengana Credit or vary any decision of Pengana Credit in the performance of Pengana Credit's functions, in which circumstances the Responsible Entity has the sole responsibility for the consequences of that instruction or variation. However, Pengana Credit may complete any transaction already commenced provided it does not act contrary to any reasonable direction by the Responsible Entity.

4.8.2.3. Powers and Discretions of the Responsible Entity

Pengana Credit must not, without the prior consent of the Responsible Entity:

a. Enter into derivative contracts unless there are at all times, in the case of each derivative contract, sufficient assets in TermPlus to support the underlying liability of the Responsible Entity under every derivative contract in the assets and liabilities of TermPlus in the form of one or more of the following:

   i. assets of the kind required to be delivered under the derivative contract;
   ii. other derivative contracts or assets which substantially offset the underlying liability under the derivative contract; and/or

   cash or immediately realisable assets of sufficient value either to discharge the maximum contingent liability or effect an offset as described in (ii);

b. charge or encumber in any way (other than as arises by lien in the ordinary course of business, by statutory charge in relation to derivative margin and collateral accounts) any asset of TermPlus;
c. perform any broking function in relation to the assets and liabilities of TermPlus, but Pengana Credit may, using reasonable care and diligence, on behalf of the Responsible Entity appoint any broker to act on behalf of the Responsible Entity in relation to the assets and liabilities of TermPlus, subject to reasonable monitoring of capacity and performance of the broker by Pengana Credit; and
d. engage in securities lending in relation to the assets and liabilities of TermPlus (in which case Pengana Credit must provide a copy of the agreed policy and any set limits).

4.8.2.4. Delegation

Pengana Credit may not delegate any of its discretionary management powers without the prior written consent of the Responsible Entity. Pengana Credit has engaged Mercer as the Investment Consultant.

4.8.2.5. Expenses

The Responsible Entity must pay all taxes, costs, charges, and expenses properly incurred in connection with the proper performance of its duties, or the acquisition, disposal, or maintenance of any investment of the assets and liabilities of TermPlus (including all custodian fees) or in acting under the Investment Management Agreement, and Pengana Credit may cause them to be deducted from the assets of TermPlus. Pengana Credit may allocate expenses incurred in connection with an asset acquired or to be acquired on behalf of several clients between those clients proportionately to their interest in the asset. Pengana Credit is liable for the in-house administration costs of Pengana Credit in the nature of rent for Pengana Credit's premises, computer charges, salaries, research costs and other like expenses.

4.8.2.6. Non-exclusivity

Pengana Credit's services are provided to the Responsible Entity on a non-exclusive basis. Pengana Credit may perform investment and management services for itself and other persons which are similar to the services performed for the Responsible Entity under this Agreement.

4.8.2.7. Term

The initial term of the Investment Management Agreement commences as at and from the date TermPlus was commenced and will continue until terminated by the parties (see below).

4.8.2.8. Termination

Termination by the Responsible Entity

The Investment Management Agreement gives the Responsible Entity the right to immediately terminate the Investment Management Agreement and remove Pengana Credit by written notice on the occurrence of any one of the following events:

a. an insolvency event occurs with respect to Pengana Credit;
b. Pengana Credit ceases to carry on business in relation to its activities as a manager;
c. Pengana Credit breaches any provisions of the Investment Management Agreement, or fails to observe or perform any representation, warranty or undertaking given by Pengana Credit under the Investment Management Agreement and Pengana Credit fails to rectify such breach or failure within 10 Business Days of receiving notice in writing from the Responsible Entity specifying such breach or failure;
d. Pengana Credit is subject to a change in control;
e. relevant law requires the Investment Management Agreement to terminate.

Termination by the Investment Manager

The Investment Management Agreement gives Pengana Credit the right to terminate the Investment Management Agreement by 20 Business Days written notice.

4.8.2.9. Management After Termination

Pengana Credit may deal with the assets and liabilities of TermPlus for up to 30 Business Days from the effective date of termination of the Investment Management Agreement in order to vest control of it in the Responsible Entity (or as the Responsible Entity may otherwise direct in writing) and during that time Pengana Credit:

a. subject to the consent of the Responsible Entity, may enter transactions to settle or otherwise extinguish or offset obligations incurred by Pengana Credit in relation to the assets and liabilities of TermPlus before that date;
b. must, with respect to obligations not capable of settlement before transfer of the assets and liabilities of TermPlus, create provision for such contingent liability as will arise, notify the Responsible Entity of that provision, and the Responsible Entity must procure that the Custodian holds sufficient assets of the assets and liabilities of TermPlus to satisfy that liability;
c. may instruct the Custodian to deduct from the assets and liabilities of TermPlus the fees, charges and expenses due to the date on which the transfer of the assets and liabilities of TermPlus is effected if, after giving 10 Business Days' notice to the Responsible Entity of its intention to so direct the Custodian, the Responsible Entity has not objected, and all charges and expenses incurred in such actions;
d. must deliver to the Responsible Entity (or as the Responsible Entity reasonably directs) all records which may reasonably be required by the Responsible Entity in respect of the assets and liabilities of TermPlus;
e. may, with the written consent of the Responsible Entity, pay or cause to be paid to the Responsible Entity (or as the Responsible Entity otherwise directs) the net realisable value of any asset that forms part of TermPlus; and
f. may deal with the assets and liabilities of TermPlus in accordance with instructions from a new manager appointed by the Responsible Entity.

The Responsible Entity must take all necessary steps to facilitate the transfer of the assets and liabilities of TermPlus from Pengana Credit.

4.8.2.10. Use of Related Bodies Corporate

The Responsible Entity acknowledges that Pengana Credit may invest in, deal with, or engage the services of Pengana Credit's related bodies corporate which are entitled to charge fees provided that they are in the ordinary course of business and on arm's length terms.

4.8.2.11. Amendment

The Investment Management Agreement may only be altered by the agreement of the parties to the Investment Management Agreement.

4.8.2.12. Responsible Entity Indemnity

The Responsible Entity must indemnify Pengana Credit against any losses, costs, charges and expenses of any kind including any taxes payable reasonably incurred by Pengana Credit arising out of, or in connection with Pengana Credit or any of its officers or agents acting under the Investment Management Agreement or on account of any bona fide investment decision made by Pengana Credit or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by breach of the Investment Management Agreement by Pengana Credit or the negligence, fraud or dishonesty of Pengana Credit or its officers, employees or supervised agents. This obligation continues after the termination of the Investment Management Agreement.

4.8.2.13. Manager Indemnity

Pengana Credit must indemnify the Responsible Entity against any losses or liabilities reasonably incurred by the Responsible Entity arising out of, or in connection with the breach of this Investment Management Agreement by Pengana Credit or any negligence, fraud or dishonesty of Pengana Credit or its officers, employees, or supervised agents. This obligation continues after the termination of the Investment Management Agreement.

4.8.3. PPN Agreement

To facilitate the investment of TermPlus into Feeder Class PPNs issued by the Feeder Fund, the Responsible Entity and the Feeder Fund have entered into a PPN Agreement, which consists of a note deed poll and note subscription agreement.

The note deed poll provides for the issue of PPNs of various classes and the note subscription agreement provides for a noteholder to subscribe for PPNs of a particular class. The Feeder Fund will issue PPNs of a class in denominations of units (called unit notes).

TermPlus will be the holder of TermPlus (Hedged) Class of PPNs (the 'Feeder Class').

The Feeder Fund will apply all amounts raised with the PPNs of a class towards meeting the investment objectives of the relevant class of PPNs. Pengana Credit is engaged pursuant to the investment management agreement with the Feeder Fund to manage the assets attributable to each class of PPNs.

Each of the Feeder Fund classes are denominated in AUD. The terms of each class of PPNs will be the same except that each different class of PPNs will be attributable to a different portfolio of assets and liabilities held by the Feeder Fund that are attributable to a class of PPNs held by the Feeder Fund.

Each portfolio of assets and liabilities of a class will be investment managed in accordance with the investment management agreement between Pengana Credit and the Feeder Fund. The investment objective, investment strategy and investment guidelines for each portfolio of assets and liabilities of a class as provided for in the investment management agreement may not be amended without the consent of all the noteholders of the class to which the portfolio of assets and liabilities relates.

The value of a PPN is equal to the net asset value of the PPN of that relevant class. The net asset value of a PPN is the net asset value of the portfolio of assets and liabilities held by the Feeder Fund that is attributable to the class of PPNs divided by the number of PPNs issued of that class of PPNs.

The Feeder Fund shall pay interest for each interest period on each PPN, the amount of which will be the net income of the relevant class of PPNs divided by the number of PPNs of that class on issue.

The net income of a whole class of PPNs is equal to the income derived by the portfolio of assets and liabilities (including realised and unrealised gains and losses on any portfolio assets) net of costs. If the income derived by the portfolio of assets and liabilities (including realised and unrealised gains and losses on any portfolio assets) net of costs is less than $0, the net income will be $0.

The Feeder Fund may determine from time to time if any interest is to be distributed as income or capitalised and reinvested with new additional PPNs issued by the Feeder to the noteholder for the value of such interest.

Ongoing redemptions are at call by the noteholder on a weekly basis by means of a redemption notice from the noteholder. Redemptions are effected by the cancellation of the redeemed PPNs. The Feeder Fund may suspend the redemption of PPNs and/or the payment of any redemption amount upon the occurrence of certain circumstances, such as where the Feeder Fund determines it is in the best interests of noteholders or where the Master Fund has effected a similar suspension. Ongoing subscriptions are carried out by means of a subscription notice from the noteholder. Subscriptions are effected by an increase in the number of PPNs. Ongoing redemptions and subscriptions are processed at the current net asset value of the PPNs of that class of PPNs.

The Feeder Fund may suspend redemptions upon the occurrence of various circumstances including but not limited to where:

- the disposal of investments held by the Feeder Fund would not be reasonably practicable or might prejudice the non-redeeming noteholders;
- the calculation of the net asset value, acceptance of subscriptions for unit notes, redemptions of unit notes or payment of the redemption amount is impracticable or undesirable;
- the Feeder Fund determines that such limitation or suspension is in the best interests of the noteholders; or
- any of the above applies to the Master Fund or the Master Fund has effected a similar suspension.

The maturity date of a class of PPNs is the date on which the last asset attributable to the class of PPNs has been realised and final distribution has been made in respect of all PPNs of the class.

The PPNs are issued on an unsecured basis. The recourse of the noteholder shall at all times be limited to the proceeds of realisation of the unsecured assets of the Feeder Fund referrable to the relevant PPNs.

The note deed poll is governed by the laws of NSW. The Feeder Fund and each affected noteholder may together amend the note deed poll.

4.9. OTHER KEY AGREEMENTS OF THE MASTER FUND AND THE FEEDER FUND

4.9.1. The Investment Manager

Pengana Credit Pty Ltd is the Investment Manager of the Master Fund and the Feeder Fund. For more information on Pengana Credit Pty Ltd please refer to Section 4.1.

As Investment Manager of the Master Fund and the Feeder Fund appointed under an investment management agreement, Pengana Credit has agreed to:

- implement the Investment Strategy, including actively managing and supervising the Master Fund and Feeder Fund investments; and
- construct and manage the portfolio of the Master Fund and Feeder Fund in accordance with the investment guidelines set out in such investment management agreement.

4.9.2. The Administrator

Citco Fund Administration (Cayman Islands) Limited ('Master Fund Administrator') performs certain administrative and accounting services for the Master Fund and the Feeder Fund.

4.9.3. The Custodian

Citco Custody Limited ('Master Fund Custodian') provides custody services to the Master Fund. The Master Fund Custodian is a member of the leading global Citco group and is a Maltese company authorised by the Malta Financial Services Authority. The role of the Master Fund Custodian is limited to holding assets of the Master Fund; the Master Fund Custodian has no supervisory role in relation to the operation of the Master Fund and the Feeder Fund. The Master Fund Custodian does not make investment decisions in respect of the assets held or manage those assets. The assets of the Master Fund are held by the Master Fund Custodian in Malta. Cash may also be held on deposit with one or more authorised deposit-taking institutions. The Master Fund may change the appointed custodian from time to time, without prior notice.

4.9.4. The Auditor

Ernst & Young (Cayman Islands) is the independent auditor of the Master Fund and of the Feeder Fund.

4.10. CONSENTS

Mercer has consented to the use of its name in respect of the PDS and to each of the statements in sections of the PDS in which:

- Mercer is named or referred to; or
- information about Mercer is included;

in the form and context in which they appear (the "Statements").

Mercer has confirmed that each of the Statements (including, but not limited to, any information in the Statements regarding investment strategy and approach, investment objective, minimum investment horizon and sector allocation ranges) is true, correct and not misleading or deceptive.

To the maximum extent permitted by law, Mercer takes no responsibility for any other statements contained in the PDS other than the Statements and specifically disclaims liability to any person for any other statements in the PDS.

Pengana Credit as the Investment Manager of TermPlus, the Master Fund and the Feeder Fund has given, and has not withdrawn, its consent to:

- be named in this PDS;
- the statements attributed to it in Section 2.1;
- the statements about it in respect of the Support Account in the 'Priority Income Entitlement' sub-section of 'Terms at a Glance' within 'Terms at a Glance' in Section 1, Section 2.2 and Section 2.2.2;
- the statements about it and its services in respect of TermPlus in Section 4.1;
- the statements about its personnel in Section 4.3.1; and
- the statements about it and its services in respect of the Master Fund and the Feeder Fund in Section 4.9.1.

but it does not make any other statement in the PDS, nor is any other statement in this PDS based on any statement by Pengana Credit.

Ernst & Young has consented to being named in this PDS as the auditor of TermPlus, and as the Compliance Plan Auditor of TermPlus for information purposes only. Ernst & Young has had no involvement in the preparation of this PDS other than in relation to this paragraph and the appearance of its name in the corporate directory, has not authorised or caused the issue of the whole or any part of this PDS and expressly disclaims and takes no responsibility for any statements in or omissions from this PDS.

DLA Piper Australia has consented to being named in the Corporate Directory and elsewhere in this PDS as the Legal and Tax Counsel to the Responsible Entity and to the inclusion of the tax statement set out in Section 8, but it does not make any other statement in this PDS, nor is any statement in this PDS based on any other statement by DLA Piper Australia.

Part 7.9 of the Corporations Act imposes a liability regime on the Responsible Entity (as the offeror of the units), the directors of the Responsible Entity, persons named in this PDS with their consent as having made a statement in this PDS and persons involved in a contravention in relation to this PDS with regard to misleading or deceptive statements made in the PDS. Although the Responsible Entity bears primary responsibility for this PDS, other parties involved in the preparation of this PDS can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to its name and any statement or report included in this PDS with the consent of that party as described above.

5. RISKS

This section provides Investors with risk disclosure that is relevant to TermPlus, to the extent that the protection mechanisms offered by TermPlus are exhausted. All investments carry risk. The likely income returns and the risk of losing money is different for each managed investment scheme as different strategies may carry different levels of risk depending on the portfolio of assets that make up the scheme. Those assets with potentially higher long-term returns may also have a higher risk of losing money in the shorter term.

Prior to investing, you should consider the risks involved and whether it is appropriate for your objectives and financial circumstances. You should read this PDS in its entirety to gain an understanding of the risks associated with an investment in TermPlus.

Risks can be managed but cannot be eliminated completely. Investors can undertake several steps to help minimise the impact of risk. First, seek professional advice suited to your personal investment objectives, financial situation, and particular needs. Second, only make investments with a risk level and time frame recommended by your professional adviser.

It is important to understand that the value of your investment may go down and laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on a range of factors including your age, investment time frame and risk tolerance and other investments held and how they are invested.

Although Pengana Credit and the Responsible Entity believe the expectations reflected in any forward-looking statements are reasonable, neither Pengana Credit nor the Responsible Entity can guarantee any rate of return in terms of Income or return of capital or the investment performance of TermPlus. The Income paid and maintenance of the initial capital investment of your investment will depend on the performance of the investments made by TermPlus and current market conditions. There can be no certainty that TermPlus will generate Income to your satisfaction.

This section describes certain areas the Responsible Entity believes represent risks associated with investing in TermPlus. It is not possible to identify every risk associated with investing in TermPlus. Prospective investors should note that this is not an exhaustive or complete list of all the risks associated with TermPlus.

5.1. RISKS ASSOCIATED WITH THE INVESTMENT STRATEGY

Investment risk – the value of an investment in TermPlus and/or TermPlus' investments may fall or perform poorly for a number of reasons, including general economic and market conditions, changes in laws, currency exchange controls and national and international political and socioeconomic circumstances. An Investor is exposed to these risks through the Term their TermPlus Term Accounts and through TermPlus' investment strategies and policies.

Investment strategy risk – the investment strategy to be used by Pengana Credit on behalf of TermPlus includes inherent risks. These include, but are not limited to the following:

- the ability of Pengana Credit to devise and maintain a portfolio that achieves the Investment Objective of TermPlus within the guidelines and parameters within which it is permitted to invest and set out in this PDS and the law; and
- the ability of Pengana Credit to continue to manage TermPlus in accordance with this PDS, its mandate and the law which may be compromised by such events as the loss of its licence or registrations; and
- the ability of Pengana Credit to diversify TermPlus to mitigate and manage risk.

There is no guarantee that the Investment Strategy will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of TermPlus, resulting in loss of capital to Account Holders.

Fund manager due diligence – the success and profitability of TermPlus will depend in large part upon the performance of the funds managed by the Underlying Managers. Mercer is primarily responsible for identifying, due diligence and monitoring Underlying Managers following the process detailed in Section 3.3.5. There is no guarantee that this process is effective and identifies Underlying Managers whose funds will meet their investment objectives or contribute to TermPlus meeting its Investment Objective. The performance of the funds managed by Underlying Managers is dependent on a number of factors that may not be correctly assessed in the due diligence process, such as the stability and expertise of the investment team. Such performance will also be subject to changes in those factors, which may not be accurately identified or assessed in the monitoring process. While the Underlying Managers' documentation may provide some safeguards against adverse developments at an Underlying Manager, such as key person clauses, it may be that TermPlus is unable to influence or divest from an underperforming fund managed by an Underlying Manager.

Investment Manager and Investment Consultant risk – The success and profitability of the Feeder Fund, the Master Fund and TermPlus will depend in large part upon the performance of the Investment Manager and Investment Consultant, which is dependent on the skill and expertise of the investment team deployed by these entities. If the Investment Manager and Investment Consultant were to lose the services of any of its key members of the investment team or otherwise be precluded from providing their respective management services (for example, by virtue of the loss of their respective licences or registration), the success and profitability of TermPlus, the Feeder Fund and the Master Fund could be materially and adversely affected. There can be no assurance that the investment team will remain wholly intact or that the Investment Manager and Investment Consultant will maintain key licences and registrations throughout the term of TermPlus. In addition, there are also risks that the Investment Manager and Investment Consultant may cease to be associated with TermPlus. If this were to occur, the Responsible Entity will need to identify and engage an alternative, and suitably qualified and experienced, replacement investment manager or investment consultant. This may affect TermPlus' success and profitability.

Portfolio construction – Pengana Credit invests the assets of TermPlus and in doing so, exposes TermPlus to multiple Master Classes in differing proportions having regard to a number of factors so as to best achieve the Investment Objective. These factors may include (but are not limited to) availability of capital, origination of opportunities, matters specific to the Underlying Managers such as liquidity requirements and prevailing market conditions. Pengana Credit may not be able to achieve its preferred allocation in seeking to achieve the Investment Objective.

Debt investments – the Underlying Managers' funds invest principally in loans, bonds and other types of debt instruments and securities. Such investments may be secured, partially secured or unsecured and may have speculative characteristics. Changes in interest rates generally will cause the value of fixed income debt investments to vary inversely to such changes. Debt investments with longer terms to maturity or duration are subject to greater volatility than investments in shorter-term obligations. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. An obligor's willingness to pay interest or to repay principal due in a timely manner may be affected by, among other factors, its cash flow. Commercial bank lenders may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements.

Liquidity risk of Underlying Managers – at any given time, the Underlying Managers may be exposed to significant numbers of securities and other assets that are very thinly traded, for which no market exists, or which are restricted as to their transferability. The risks of such illiquidity can be further increased by changes in the financial condition or business prospects of a company, changes in national or international economic conditions and changes in laws, regulations, fiscal policies, or political conditions of countries in which the Underlying Managers' investments are made. Prices realised on any sale of illiquid investments may be less than the prices used in calculating the NAV per Unit of TermPlus, this is particularly so in times of market distress.

Interest rate risk – TermPlus' investments are exposed to interest rate risks, meaning that changes in prevailing market interest rates could negatively affect the value of such investments and the yield they generate. Factors that may affect market interest rates include, but are not limited to, inflation, slow or stagnant economic growth or recession, unemployment, money supply, governmental monetary policies, international disorder, and instability in relevant financial markets.

In particular, global central banks' decisions regarding interest rate policy to manage inflation could impact the private lending market. There may be significant unexpected movements in interest rates which could have adverse effects on portfolio companies and other issuers in which the Underlying Managers invest and global economies as a whole. In a changing interest rate environment, neither the Underlying Managers nor Pengana Credit may be able to manage this risk effectively.

Credit and default risk – credit risk is the risk that one or more assets to which TermPlus is exposed may decline in price or fail to pay interest or principal when due because the credit counterparty or borrower experiences a decline in its financial status. Losses may occur because the value of the asset is affected by the creditworthiness of the borrower or by general economic and specific industry conditions.

While all debt assets are subject to credit risk, to the extent TermPlus is exposed to lower-grade debt, it will be exposed to a greater amount of credit risk than a fund that is exposed to higher rated credit assets. The values of lower-grade debt instruments are more sensitive to negative developments, such as a decline in the borrower's cash earnings or a general economic downturn, than are the values of higher-grade debt instruments. Lower-grade debt instruments are higher risk with respect to the counterparty's capacity to pay interest and repay principal when due and therefore involve a greater risk of default.

In circumstances where a borrower defaults or the credit risk increases for a borrower, there are a number of strategies that may be employed by the Underlying Managers to manage losses, including seeking to renegotiate the terms of the loan arrangement with the borrower. While such action may mitigate further losses to the Underlying Manager's fund, there is no assurance that this may be achieved.

Valuation risk – the valuation of TermPlus will be calculated with reference to the valuation of the PPNs issued by the Feeder Fund, which in turn is calculated with reference to the valuation of shares in the Master Fund and valuation of Underlying Funds. Valuations of the investments made by the Underlying Managers are expected to involve uncertainties and discretionary determinations. Third-party pricing information may not be available regarding a significant portion of investments made by the Underlying Managers. The valuation of illiquid securities and other assets is inherently subjective and subject to increased risk that the information utilised to value such assets or to create the price models may be inaccurate or subject to other errors. In some circumstances Underlying Managers may rely on valuation models that the Underlying Managers have created in order to value the assets. In addition, to the extent third-party pricing information is available, a disruption in the secondary markets for investments with Underlying Managers may limit the ability to obtain accurate market quotations for purposes of valuing investments and calculating net asset value. Further, the liquidation values of securities and other investments may differ significantly from the interim valuations of these securities and other investments.

Currency risk – the functional currency of TermPlus is the Australian dollar. For investments in global assets, which have currency exposure, there is potential for adverse movements in exchange rates to reduce their Australian dollar value. For example, if the Australian dollar rises, the value of the foreign investments expressed in Australian dollars will fall. Currency markets can be extremely volatile and are subject to a range of unpredictable events. Pengana Credit seeks to mitigate currency risk by hedging foreign currency exposures to the Australian dollar but may, from time to time, not be able to do so. Additionally, while foreign currency hedging should mitigate against adverse currency movements, the foreign currency hedging strategy will not provide complete protection from adverse currency movements.

Market and economic risk – certain events may have a negative effect on the price of all types of investments within a particular market in which the Underlying Managers hold investments. These events may include (but are not limited to) changes in legal, tax, economic, social, technological, or political conditions, laws as well as general market sentiment. Industry specific shocks relevant to underlying loan assets and general market disruption can adversely impact the value of the assets that underpin the value of TermPlus.

International investing risk – The Underlying Managers primarily invest in North America and Europe. The risks of international investing include foreign withholding tax or duties on income or capital gains, securities regulations, market and settlement practices, potential political and economic instability affecting overseas markets, limited liquidity and volatile prices of international investments, foreign exchange controls and investment and repatriation restrictions. Regulatory intervention could also materially affect the ability of the Underlying Managers to give effect to their investment strategy and adversely affect TermPlus' performance.

Underlying Managers – TermPlus is exposed to funds managed by third-party Underlying Managers. Pengana Credit does not have an active role in the management of the assets of funds that are managed by third-party Underlying Managers, including in the valuation of investments by the third-party Underlying Managers. Although Pengana Credit monitors the performance of Underlying Managers and their funds, it relies upon third-party Underlying Managers to operate their funds on a day-to-day basis. Pengana Credit's ability to withdraw from or transfer interests in such funds is strictly limited. Further, the performance of each Underlying Manager and their funds depends significantly on decisions made by third parties, who will generally have sole and absolute discretion in structuring, negotiating and purchasing, financing, monitoring and eventually divesting investments made by such third-party Underlying Managers and such decisions, if unsuccessful, will directly adversely affect the income received by TermPlus and potential for return of capital. Pengana Credit will often not be aware of the particular companies in which a fund managed by a third-party Underlying Manager is invested and Investors themselves will have no direct dealings or contract relationship at the third-party Underlying Manager.

Underlying Manager misconduct – TermPlus will depend on the integrity and good faith of the Underlying Managers. Pengana Credit has no control over and a strictly limited ability to monitor, the Underlying Managers. Misconduct, conflicts of interest and/or bad judgment on the part of a single or only a very small number of Underlying Managers could materially adversely affect TermPlus.

Risks associated in investing with other third parties – Pengana Credit primarily exposes TermPlus' capital to Underlying Managers' funds, in which funds third parties also invest. TermPlus is therefore subject to the risk of

TermPlus' investments being materially adversely affected by the conduct, including possible default, of other investors with such Underlying Managers, certain of which investors may have different, if not actually opposing, interests with respect to their investments with such Underlying Managers than Pengana Credit in acting on behalf of TermPlus. If another investor in any Underlying Fund defaults on its funding obligations, the Master Fund may be required to fund its pro-rata portion of such investor's default amount.

Access to information from Underlying Managers – Pengana Credit and Mercer may not always receive full information from third-party Underlying Managers for a variety of reasons, including that certain of this information may be considered proprietary by the Underlying Manager. This lack of access to information may make it more difficult for Pengana Credit and Mercer to select and evaluate investments offered by the Underlying Managers.

Debt and leverage risk – The Underlying Managers may employ leverage from time to time in a variety of ways. The use of leverage may magnify the potential gains and losses achieved by Underlying Managers, thus impacting on the value of Units. The use of leverage will diminish the returns to investments made by the Underlying Manager and therefore TermPlus if the overall returns are less than the cost of borrowing. The utilisation of leverage will also result in fees, expenses, and interest costs to the Underlying Managers.

Derivatives and hedging risk – Derivative risk is the risk that TermPlus will be exposed to substantial losses or experience volatile returns through exposure to derivatives (for hedging purposes). Derivatives are instruments whose value is derived from the value of an underlying asset and can be highly volatile. A derivative's value can change in response to a range of factors such as changes in interest rates, foreign exchange rates, credit ratings or volatility of the underlying assets. Derivatives also involve a higher level of risk and volatility than buying an asset directly. This is because derivatives require very little or no initial investment to gain exposure to markets. As a result, derivatives magnify both potential investment gains and losses. Losses from derivative transactions can be substantial and can exceed the original amount invested. The Investment Manager will only use derivatives for the purposes listed in Section 3.3.11. If derivatives are used at inopportune times or if the Investment Manager judges market conditions incorrectly, such investments may lower TermPlus' return or result in a loss. TermPlus also could experience losses if any derivative contracts to which it has exposure to are poorly correlated with its other investments or are illiquid. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. The assets that form part of the portfolio may be pledged as collateral in swap and other derivatives transactions. Thus, in the event of a default on such an obligation, the counterparty may be entitled to some or all of the assets in the portfolio as a result of the default. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as OTC derivatives. No clearing agency guarantees OTC derivatives. Therefore, each party to an OTC derivative bears the risk that the counterparty will default. Accordingly, the Investment Manager will consider the creditworthiness of counterparties to OTC derivatives.

Counterparty Risk – There is a risk that TermPlus may incur a loss arising from the failure of another party to a contract (the Counterparty) to meet its obligations. Counterparty risk arises primarily from investments in cash, derivatives, and currency transactions. Substantial losses can be incurred if a Counterparty fails to deliver on its contractual obligations.

Distressed instruments – Investment by the Underlying Funds in the instruments of financially or operationally troubled issuers involves a high degree of credit and market risk. There can be no assurance that such financially or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Underlying Funds may incur substantial or total losses on their investments. During an economic downturn or recession, securities of financially or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially or operationally troubled issuers. Investment in the instruments of financially or operationally troubled issuers is typically a part of a long-term investment strategy and, accordingly, the Underlying Funds in which TermPlus invests should have the financial ability and willingness to remain invested for the long term. Instruments of financially or operationally troubled issuers are less liquid and more volatile than instruments of companies not experiencing such difficulties. The market prices of these instruments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected for more liquid or less volatile instruments. In addition, it is anticipated that many of the portfolio investments of the Underlying Funds may be illiquid. As a result, Underlying Funds may experience delays and incur losses and other costs in connection with the sale of their portfolio investments. In addition, the Underlying Funds may be subject to restrictions on the sale of certain instruments in the portfolio as a result of the Underlying Fund's percentage of holdings of instruments in such issuer or as a result of its access to confidential information.

Defaulted instruments – The Underlying Funds may invest in strategies involving the instruments of municipalities or companies involved in bankruptcy proceedings, reorganisations, and financial restructurings. In a bankruptcy or other proceeding, the Underlying Fund as a creditor may be unable to enforce its claims or rights in any collateral or may have its claims or security interest in any collateral challenged, disallowed, or subordinated to the claims or security interests of other creditors. There can be no assurance that such claims will not be asserted or that the relevant Underlying Fund will be able to successfully defend against them. Even if the Underlying Fund is ultimately successful, it may in the interim be required to post a bond pending an appeal that may limit its ability to deploy capital to other investment opportunities, which could adversely affect that Underlying Fund.

High yield, low or unrated financial instruments – The Underlying Funds may invest in strategies involving "high yield" bonds and preferred stock or debt instruments that are unrated or rated in the lower categories by the various credit rating agencies (or in comparable non-rated securities). Financial instruments in the lower categories are subject to greater risk of loss of principal and interest than higher-rated instruments and are generally considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than instruments with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated instruments, the yields and prices of such instruments may tend to fluctuate more than those of higher-rated instruments. The market for lower-rated instruments is thinner and less active than that for higher-rated instruments, which can adversely affect the prices at which these instruments can be sold. In addition, adverse publicity, and investor perceptions about lower rated instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated instruments.

Volatile markets – The market for publicly traded bank loans, corporate debt, municipal debt, and other credit-related investments has historically experienced levels of extreme volatility and this volatility may recur at any time. During such periods, markets may experience periods of very limited liquidity. Pengana Credit believe that these market conditions may present attractive opportunities, but they also present the risk of large losses. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, political events, interest rate movements, natural disasters, and general economic conditions. Diverse markets may move rapidly in the same direction due to any one or a combination of these factors.

Investments in different parts of the capital structure – The holders of classes of financial instruments that differ from the class of financial instruments owned by the Underlying Funds may control the exercise of remedies in connection with such financial instruments. Such exercise of remedies by a holder of a different class of financial instruments may be in conflict with the interests of the Underlying Funds.

Post reorganisation securities – Financial instruments received post-reorganisation typically entail a higher degree of risk than investments in companies that have not undergone and are not perceived as likely to undergo a reorganisation or restructuring. Moreover, post-reorganisation instruments can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganisation or restructuring. If an Underlying Fund's portfolio manager's assessment of the anticipated outcome of an investment situation should prove incorrect, the Underlying Fund could experience a loss. While the strategies that TermPlus invests in may focus on investing in senior instruments that typically receive cash or debt in a reorganisation, the Underlying Fund's investment strategy may from time to time result in the receipt of post-reorganisation equity, which may be subject to greater risk than debt.

Contingent liabilities – The Underlying Funds may, from time to time, incur contingent liabilities in connection with an investment. For example, an Underlying Fund may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Underlying Fund would be obligated to fund the amounts due.

Asset-backed securities – The Underlying Funds may invest in a variety of assets including mortgage-backed securities, home equity loans, commercial loans, instalment sale contracts, credit card receivables or other assets. The Underlying Funds may acquire exposure to such investments through asset-backed securities. Asset-backed securities are "pass-through" securities, meaning that principal and interest payments net of expenses made by the borrower on the underlying assets (such as credit card receivables) are passed through to the Underlying Fund. The value of asset-backed securities, like that of traditional fixed income securities, typically increases when interest rates fall and decreases when interest rates rise. However, asset-backed securities and other exposures to similar assets underlying asset-backed securities differ from traditional fixed income securities because of their potential for prepayment. The price paid by the Underlying Fund for its asset-backed securities, the yield the Underlying Fund expects to receive from such securities and the average life of the securities are each based on a number of factors, including the anticipated rate of prepayment of the underlying assets. In a period of declining interest rates, borrowers may prepay the underlying assets more quickly than anticipated, thereby reducing the yield to maturity and the average life of the asset-backed securities. Moreover, when the Underlying Fund reinvests the proceeds of a prepayment in these circumstances, it will likely receive a rate of interest that is lower than the rate on the security that was prepaid. To the extent that the Underlying Fund purchases asset-backed securities at a premium, prepayments may result in a loss to the extent of the premium paid. In a period of rising interest rates, prepayments of the underlying assets may occur at a slower than expected rate, creating maturity extension risk. This particular risk may effectively change a security that was considered short or intermediate-term at the time of purchase into a longer term security. Since the value of longer-term securities generally fluctuates more widely in response to changes in interest rates than shorter term securities, maturity extension risk could increase the volatility of such securities. When interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities and, as noted above, changes in market rates of interest may accelerate or retard prepayments and thus affect maturities.

Other investments – An Underlying Fund's strategies may from time to time invest in other kinds of investments, including, without limitation, emerging market debt securities or equity securities, convertible securities, warrants, futures, and options, each of which involve special risks.

Co-investments with third parties – An Underlying Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Underlying Fund may at any time have economic or business interests or goals which are inconsistent with those of the Underlying Fund, or may be in a position to take action contrary to the Underlying Fund's investment objectives. In addition, the Underlying Fund may be liable for actions of its co-venturers or partners.

Risks inherent in fund investing – The success of an Underlying Fund, in general is subject to a variety of risks, including, without limitation, those related to: (i) the quality of the management of the Underlying Funds and the ability of such management to successfully select investment opportunities; (ii) the quality of the management of the operating companies in which the Underlying Funds have invested; (iii) general economic conditions; and (iv) the ability of the Underlying Funds and TermPlus to liquidate their investments. TermPlus will not participate in the management and control of the Underlying Funds or the assets in which the Underlying Funds invest either directly or indirectly through Underlying Funds. There can be no assurance that the management team of an Underlying Fund or any successor will be able to operate the Underlying Fund in accordance with TermPlus' expectations or Pengana Credit/Mercer's suggestions (if any), or that TermPlus will be able to recover on its investments.

Long term Underlying Fund investments; no assurance of investment return – There can be no assurance that TermPlus or the Underlying Funds will be able to generate returns, that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein or that the Pengana Credit/Mercer's or the underlying portfolio managers' methodologies for evaluating risk-adjusted return profiles for investments will achieve their objectives. It is possible there may be little or no near-term cash flow available to the investors of TermPlus and there can be no assurance that TermPlus will make any distribution to its investors. Partial or complete sales, transfers, or other dispositions of investments which may result in a return of capital or the realisation of gains, if any, are generally not expected to occur for a number of years after an investment is made. TermPlus' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. Past performance of individuals or investment entities associated with such individuals, as well as Pengana Credit/Mercer/portfolio manager or any Underlying Fund is not necessarily indicative of future results and provides no assurance of future results.

Excuse and exclusion from partnership investments – Where the Master Fund invests in an Underlying Fund that is a partnership as a limited partner, the general partner of the Underlying Fund may have powers to excuse or exclude a limited partner from participating in one or more portfolio investments. Any such excuse or exclusion may increase the participation of other limited partners in the applicable portfolio investment(s) and/or decrease the participation of such other limited partners in other portfolio investments from which the excused or excluded investor has not been excused or excluded, which in any case would be expected to result in differing aggregate returns realised by excused or excluded limited partners, on the one hand and by limited partners that have not been excused or excluded from such portfolio investment(s) on the other. For example, a limited partner that is excused or excluded from a successful portfolio investment may realise lower aggregate returns than those realised by the limited partners participating in such portfolio investment, while a limited partner that is excused or excluded from an unsuccessful portfolio investment may realise higher aggregate returns than those realised by the limited partners participating in such portfolio investment. In the latter case, limited partners that have not been excused or excluded from such unsuccessful portfolio investment may have greater exposure to losses from such investment than they would have had there been no excuse or exclusion of any limited partner from such portfolio investment. In addition, limited partners that have not been excused or excluded from such unsuccessful portfolio investment may have lesser exposure to other portfolio investments, including successful portfolio investments, from which such excused or excluded limited partner has not been excused or excluded. To the extent a limited partner's participation in certain portfolio investments becomes more concentrated due to the exercise of excuse or exclusion rights (whether with respect to such limited partner or with respect to other limited partners), the value of such limited partner's interest in the Underlying Fund will be more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting those particular portfolio investments and could be materially adversely affected by the unfavourable performance of even one such portfolio investment.

Identification of investments – Identification of attractive investment opportunities by Pengana Credit/Mercer and portfolio managers of Underlying Funds involves a high degree of uncertainty. The success of TermPlus and each Underlying Fund depends on the availability of appropriate investment opportunities (including co-investments) and the ability of Pengana Credit/Mercer and the portfolio managers to identify, select, gain access to and consummate appropriate investments. Investors may not have an opportunity prior to investing to evaluate any of the investments to be made by TermPlus or the Underlying Funds or the relevant economic, financial and other information regarding such investments and, accordingly, will be entirely dependent upon the judgment and ability of TermPlus, Investment Manager/Investment Consultant and the portfolio managers in investing and managing the capital of TermPlus. The availability of investment opportunities for TermPlus generally will be subject to market conditions and the ability of Pengana Credit/Mercer to locate Underlying Funds in their fundraising stages that are available for purchase at attractive prices. There can be no assurance that suitable investments will be available or that TermPlus or an Underlying Fund will be able to choose, make and realise investments in any particular company or portfolio of companies, or that it will be able to fully invest its capital. To the extent that any portion of such capital is not invested, the potential for return for TermPlus and an Underlying Fund will be diminished. Moreover, the historical performance of any Underlying Fund or any portfolio manager thereof is not a guarantee or indication of its future performance. No assurance can be given that investments (and underlying investments thereof) can be acquired at favourable prices or that, once purchased, investments will perform to TermPlus' or the Underlying Fund's expectations.

Secondary market considerations; highly competitive market for investment opportunities – The activity of identifying, completing, and realising on attractive investments that fall within TermPlus' objective is highly competitive and involves a high degree of uncertainty and will be subject to market conditions. Other investment funds currently in existence or organised in the future, may adopt, partially or totally, TermPlus' strategy and compete with TermPlus. Such funds may have greater resources than TermPlus, which could adversely affect TermPlus' proposed business plan. Some of these funds may have greater ability to complete investments than TermPlus, or may have different return criteria than TermPlus, any of which would afford them a competitive advantage.

Follow-on investments – The Master Fund may be called upon to provide additional funding for its investments or have the opportunity to increase its investment in its Underlying Funds. There can be no assurance that the Master Fund will seek such follow-on investments or that it will have sufficient capital to do so. Any decision by the Master Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on an Underlying Fund or other investment in need of such an investment and may diminish the Master Fund's ability to influence the Underlying Fund's or other investment's future development. Furthermore, no assurance can be made that any follow-on investments made by the Master Fund will be profitable to the Master Fund.

Underlying fund insolvency risks – If a court in a lawsuit brought by a creditor or representative of creditors (such as a trustee in bankruptcy) of a Underlying Fund were to find that (a) the Underlying Fund did not receive fair consideration or reasonably equivalent value for incurring the indebtedness evidenced by the securities issued to the Master Fund and (b) after giving effect to such indebtedness and the use of the proceeds thereof, the Underlying Fund (i) was insolvent; (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the Underlying Fund to the Master Fund in satisfaction of such indebtedness. In addition, upon the insolvency of an Underlying Fund, payments that it made to the Master Fund may be subject to avoidance as a "preference" if made within a certain period of time before insolvency. There can be no assurance as to what standard a court would apply in order to determine whether the company was "insolvent" or that, regardless of the method of valuation, a court would not determine that the company was "insolvent" in each case, after giving effect to the indebtedness evidenced by the securities held by the Master Fund and the use of the proceeds thereof. In general, if payments are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Master Fund) or from subsequent transferees of such payments.

Illiquidity of Underlying Fund interests – Interests in Underlying Funds are typically restricted as to their transferability under securities laws or under the terms and conditions of their respective governing documents and are highly illiquid. There is no public market for the interests of the Underlying Funds and none is expected to develop.

The sale of any such investments by the Master Fund may be possible only at substantial discounts, if at all. In addition, generally the consent of the general partner of such Underlying Fund is required to facilitate any transfer or sale of an interest in the Underlying Fund, which consent may be withheld in the discretion of the general partner, whether reasonable or not. Further, such investments may be extremely difficult to value with any degree of certainty.

Lack of coordination among investment decisions of portfolio managers – Investment decisions of the Underlying Funds are made by such Underlying Funds' portfolio managers independently of each other. Consequently, at any particular time, one Underlying Fund may be purchasing interests in an issuer that at the same time are being sold by another Underlying Fund. Investing by the Underlying Funds in this manner could cause TermPlus to incur indirectly certain transaction costs without accomplishing any net investment result.

Time Frame – Underlying Funds typically have several years over which to call and invest their capital. Each Underlying Fund and/or portfolio company is also likely to take several years to mature to a point where it can be disposed of. Alternatively, to the extent an Underlying Fund invests all of its capital early in the life of the Underlying Fund, the Underlying Fund's exposure to market risks may be magnified and the Underlying Fund's management and other resources may become thinly spread.

Ability to verify information – Although Pengana Credit/Mercer may sometimes seek to receive detailed information from each Underlying Fund regarding its historical performance and business strategy, in most Pengana Credit/Mercer will have little or no means of independently verifying this information. An Underlying Fund may use proprietary investment strategies that are not fully disclosed to Pengana Credit/Mercer , which may involve risks under some market conditions that are not anticipated by Pengana Credit/Mercer .

Multiple layers of expense – The Underlying Funds each have multiple layers of expenses and management costs that will be borne, directly or indirectly, by the investors of TermPlus. Such compensation, fees and expenses are expected to reduce the actual returns to investors of TermPlus.

In-kind distributions – If the Master Fund receives distributions in kind from any investment, the Master Fund may incur additional costs and risks in connection with the disposition of those assets. Distributions made to TermPlus in-kind could consist of securities for which there is no readily available public market or could consist of securities of companies unable to meet required interest or redemption payments. The Master Fund may experience difficulties in selling, or may be forced to sell, such securities at a price below what Pengana Credit/Mercer believes the securities are worth in order to liquidate the in-kind distribution. The risk of loss and delay in liquidating these financial instruments will be borne by the Master Fund, with the result that investors in TermPlus may ultimately receive less cash than they would have received if it had been paid in cash.

Recall of distributions – Some of the Underlying Funds may reserve the right to recall some or all of the distributions to their investors, including the Master Fund, in order to make additional investments, pay expenses or for other purposes.

Use of third-party service providers – The Underlying Funds will delegate certain tasks to third party service providers, including the Underlying Fund's administrator and other service providers and Pengana Credit/Mercer may not be in a position to verify the risks or reliability of such third-parties. For example, certain aspects of fund administration, legal, accounting, audit and tax reporting services will be provided to the Underlying Fund by third party service providers at the Underlying Fund's expense. The Underlying Fund may suffer adverse consequences from actions, errors, or failure to act by such third parties and may have obligations, including indemnity obligations and limited recourse against them. While Pengana Credit/Mercer's monitoring of the Underlying Fund's investments may include developing a general understanding of what fees and types of fees may be charged to an Underlying Fund (and/or a company with respect to direct investments or co-investments) by the Underlying Fund's portfolio managers and/or affiliates of those having equity interests in the Underlying Fund or underlying, as applicable, neither Pengana Credit, Mercer or the Master Fund will be responsible for determining whether Underlying Funds and/or underlying companies (or the managers thereof or the service providers thereto) are properly charging fees and expenses or correctly calculating and/or allocating such fees and expenses (withholding or other taxes or fee offsets, if applicable); rather, it will be the responsibility of such Underlying Funds, underlying companies, the managers thereof and the service providers thereto (including their administrators and auditors) to verify these calculations. In addition to the foregoing, please note that the carrying value of an investment may not reflect the price at which the investment could be sold in the market and the difference between carrying value and any ultimate sales price could be material.

Institutional risk; prime brokers and custodians – Institutions, such as brokerage firms or banks (including the custodians), may hold certain assets of an Underlying Fund in their own name and in non-segregated accounts. Bankruptcy or fraud at one of these institutions or other entities could impair the operational capabilities or the capital position of the Underlying Fund or result in its inability to perform its obligations. Certain brokers and custodians will have general custody of the assets of Underlying Funds and the failure of a broker or custodian may result in adverse consequences to the assets held and may in turn have an adverse effect on the value of the Interests.

5.2. RISKS ASSOCIATED WITH TERMPLUS

Support Account Risk – the Support Account facilitates the Priority Income Entitlement mechanism and serves as the collateral for Savings Support payments. Refer to Section 2.2.2 for details of the minimum Support Account commitments. There is a risk that the Support Account may decline due to negative investment performance or not generate sufficient profit to cover Savings Support payments. This means that Term Account Income payments may be less that the Target Rate and that the Final Value of a Term Account at Maturity may be less than the Invested Amount, despite the protection and support mechanisms.

Liquidity Risk of Term Accounts - The ability of the Master Fund to dispose of an investment in Underlying Funds may depend on the specific terms of the Underlying Funds, the assets of the Underlying Funds, and whether there is a secondary market for units in the Underlying Funds.

Where the Master Fund is unable to redeem or withdraw its holdings in the Underlying Funds, due to the illiquidity of the Underlying Funds, the ability of Account Holders to withdraw from TermPlus may be impeded. Where it is necessary for the Underlying Funds to sell assets in order to meet redemptions or other liquidity requirements, they may not be able to sell investments at an attractive valuation, and this may impact the capital value of Term Accounts.

In certain instances, the Responsible Entity may be required to dispose of TermPlus assets to meet liquidity requirements.

No operating or performance history of TermPlus – although Mercer has extensive experience analysing, investing in, and managing investments, TermPlus is a newly formed entity with no financial, operating or performance history upon which to evaluate its likely performance. There is a risk that the Investment Objective will not be achieved. Investors should draw no conclusions from the prior experience of Mercer or the performance of other funds or investment vehicles managed by them or their affiliates. Past performance of these vehicles is not a reliable indicator of future performance of TermPlus.

Fund risk – Fund risk refers to other specific risks associated with TermPlus, such as termination and changes to fees and expenses. The performance of TermPlus or the security of an Investor's capital is not guaranteed. There is no guarantee that the Investment Strategy of TermPlus will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of TermPlus. An investment in TermPlus is governed by the terms of the Constitution and this PDS. The Responsible Entity may elect, in accordance with the Constitution and the Corporations Act, to terminate TermPlus for any reason.

Master feeder fund structure – TermPlus invests in PPNs issued by the Feeder Fund and the Feeder Fund invests in the Master Fund. As such, TermPlus may be exposed to risks that are specific to the Feeder Fund and Master Fund. This may include operational risks, distribution risks, valuation risks, liquidity risks and tax risks that are specific to the Feeder Fund and Master Fund.

There may be more than one fund (other than TermPlus) exposed to the Feeder Fund and subsequently, the Master Fund. Redemption requests received by one fund will ordinarily necessitate a corresponding redemption request from that fund to the Feeder Fund and subsequently, the Master Fund. As such, the ability of a fund to satisfy redemption requests received by it is partially dependent on the amount of redemption requests received by other fund(s) for the same redemption date. Prospective TermPlus investors should bear this in mind as it could either reduce or increase the amount of redemption proceeds an investor may otherwise receive were there no other funds into the Feeder Fund and subsequently, the Master Fund.

Legal structuring risk – TermPlus does not directly hold the underlying investments to which it principally has investment exposure. Controls have been established in the PPN Agreement to provide for the PPN to deliver to TermPlus investment exposure that complies with TermPlus' investment objective, investment strategy and investment guidelines as documented in an investment management agreement between Pengana Credit, the Feeder Fund, and the Master Fund. The Responsible Entity as a noteholder also has the ability to request for the PPN to be redeemed on a weekly basis, subject to the issuer having the right to declare a suspension of redemptions.

Reliance on the Investment Manager – The Feeder Fund and Master Fund arereliant on the Investment Manager to carry on its business. A failure by the Investment Manager may materially disrupt the business of the Feeder Fund and Master Fund. The Feeder Fund and Master Fund has no employees and its directors have all been appointed on a non-executive basis. The Investment Manager will also act as investment manager of the Feeder Fund and Master Fund. Therefore, the Feeder Fund and Master Fund is reliant upon the performance of the Investment Manager for the performance of certain functions. The Responsible Entity is not a party to the investment management agreement for the

Feeder Fund and Master Fund and therefore, does not have any rights under that agreement including, for example, the ability to terminate the investment manager of the Feeder Fund and Master Fund where it fails to perform its obligations under that agreement. Instead, the Responsible Entity may seek to redeem the PPN, however this may have consequences, such that the portfolio is required to be liquidated at a value less than market value.

Unsecured and limited recourse obligations – the recourse of the Responsible Entity under the PPN Agreement shall at all times be limited to the proceeds of realisation of the unsecured assets of the Feeder Fund referrable to the relevant PPNs.

The Feeder Fund is permitted to incur secured debt and leverage as disclosed in this PDS. Any such secured debt will rank ahead of the PPNs in respect of any distributions or payments by the Feeder Fund. In an enforcement scenario under any secured debt, the provider(s) of any such secured debt will have the ability to enforce their security over the assets of the Feeder Fund and to dispose of or liquidate (on their own behalf or through a security trustee or receiver) the assets of the Feeder Fund in a manner which is beyond the control of the Responsible Entity, Investment Manager or Feeder Fund. In such an enforcement scenario, there is no guarantee that there will be sufficient proceeds from the disposal or liquidation of the Feeder Fund's assets to repay any amounts due and payable on the PPNs. See Sections 3.3.1 and 3.3.10 for details around the leverage employed within TermPlus and the leverage policy of TermPlus.

Cross contamination risk – the Feeder Fund and Master Fund are each a separate legal entity/company. See Section 3.2 for details on the structure of TermPlus.

TermPlus has economic exposure to the Feeder Fund. Holders of one or more classes of PPNs in the Feeder Fund (including TermPlus as a holder of the Feeder Class) or shareholders of one or more classes of the Master Fund may be compelled to bear the liabilities incurred in respect of other classes in each of the Feeder Fund and Master Fund which such participating holders do not themselves own if there are insufficient assets in that other class in each of the Feeder Fund and Master Fund to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class in each of the Feeder Fund and Master Fund may not be limited to that particular class and may be required to be paid out of one or more other classes.

Responsible Entity risk – The Responsible Entity is required to supervise and monitor Pengana Credit and other service providers to TermPlus. The Responsible Entity has put in place policies and procedures to achieve this. These measures may not, however, be successful or adequate, resulting in such service providers not being adequately supervised and monitored. This could result in the Responsible Entity not being in a position to protect the interests of Investors.

Conflicts of interest – Pengana Capital Limited is the Responsible Entity of TermPlus. Pengana Credit Pty Ltd, a related entity of Pengana Capital Limited, is the investment manager of each of TermPlus, the Feeder Fund and the Master Fund. Situations may arise where the Responsible Entity and Pengana Credit and their related entities have interests that conflict with those of the Investors.

The Responsible Entity and Pengana Credit may act in a similar capacity, or be involved in other funds, which may have similar investment objectives, leading to conflicting demands in allocating time, services, and other functions. If a conflict does arise, the Responsible Entity and Pengana Credit will endeavour to ensure that such conflict is resolved fairly.

Other parties and investors (including investors with the Underlying Managers) may have interests that diverge from that of TermPlus and Investors, which may have an adverse effect on Investors.

Service provider risk – TermPlus performance relies on the successful performance of the Responsible Entity's contracts with service providers, such as the Investment Management Agreement with Pengana Credit and the agreement with the Administrator. Refer to Section 4.8 and 4.9 for details on key agreements. TermPlus could be exposed to the risk of loss if a counterparty does not meet its obligations, including due to insolvency, financial distress, or a dispute over the terms of the contract or the termination of any of the material agreements and there can be no assurance that the Responsible Entity would be successful in enforcing its contractual rights. In the case of a counterparty default, TermPlus may also be exposed to adverse market movements while the Responsible Entity sources replacement service providers.

Regulatory approvals – All regulatory approvals for the continued operation of TermPlus, including licenses or exemptions from licensing for Pengana Credit have been obtained and the Responsible Entity and Pengana Credit are not aware of any circumstances which might give rise to the cancellation or suspension of any of those approvals. If any of the approvals are cancelled or suspended, TermPlus may be adversely affected.

Distribution risk – There may be circumstances where despite the Priority Income Entitlement there is insufficient TermPlus Return to pay Income. There may also be circumstances where taxable Income of TermPlus that is attributed to an Account Holder may be different to the total cash distributions received by the Account Holder.

Performance Fee structure risk – The incentive fees paid by the Underlying Funds are calculated on the basis of the performance of each Underlying Fund separately. Consequently, TermPlus could pay substantial performance fees on its investment in certain Underlying Funds despite incurring material losses on its overall investment in the Underlying Funds.

5.3. GENERAL RISKS

Legal and regulatory risk – Legal and regulatory risk is the risk that a change in government policies, laws, and regulations (including taxation and accounting) may adversely affect the value of an investment in TermPlus, of TermPlus or its underlying assets.

Litigation risks – From time to time, the Responsible Entity, Pengana Credit or Underlying Managers may be involved in litigation. This litigation may include, but is not limited to, contractual claims. If a claim is pursued against the Responsible Entity, Pengana Credit or Underlying Managers, the litigation may adversely impact on the profits and financial performance of TermPlus. Any claim, whether successful or not, may adversely impact TermPlus, the capital value of your investment and/or the return on your investment.

Cyber security breaches and identity theft – Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in both frequency and severity. The Responsible Entity's, Pengana Credit's, the Underlying Manager's and their respective service providers' information and technology systems may be vulnerable. If unauthorised parties gain access to such information and technology systems, they may be able to steal, publish, delete, or modify private and sensitive information. Breaches such as those involving covertly introduced malware, impersonation of authorised users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Responsible Entity's, Pengana Credit's, and the Underlying Manager's – and accordingly, TermPlus operations.

5.4. INHERENT LIMITATIONS OF RISK DISCLOSURES

The discussion and summary of certain risk factors in this PDS do not in any way purport to be a complete discussion nor should it be construed to imply that it is a complete list of all of the numerous risk factors that an Investor should consider prior to deciding whether to invest in TermPlus.

6. PUTTING YOUR MONEY TO WORK

6.1. OPENING A TERM ACCOUNT

6.1.1. Opening a Term Account

Applications for a Term Account must be made online via **termplus.com.au/apply** ('Application Process').

Where the Application Process has been completed by 4.30pm on a Business Day (refer to Section 6.2.4.1 for further details about what is considered a completed application), your application will generally be accepted, and your Term Account issued on that Business Day ('Issue Date'). Where application money is not successfully received by our payments provider within one Business Day after the Issue Date, the Issue Date shall be the date on which cleared funds have been received by us. Your investment will commence accruing an entitlement to Income from the Issue Date.

Applications received after 4.30pm on a Business Day, or on a day that is not a Business Day, will typically be treated as having been received prior to 4.30pm on the following Business Day.

The minimum investment for each Term Account is $2,000. The Responsible Entity can vary the minimum initial investment for a new Term Account at any time.

To open a TermPlus Account, you must have received the PDS (electronically or otherwise) within Australia. You must also be an Australian tax resident.

6.1.2. Identification and Verification Requirements

As part of the Application Process, you may be required to provide identification to comply with AML/CTF laws (see Section 6.2.4.1 for details). The documentation required will depend on what type of investor you are (for example, individual, joint account, superannuation fund, trust, or Australian company).

6.1.3. Application Money

We only accept payment via direct debit.

Application money will only be debited from your nominated bank account once we have accepted your completed application. We reserve the right to void the issue of your Term Account if we have not received cleared funds within seven days of the Issue Date.

6.1.4. TermPlus Dashboard

During the Application Process, you will gain access to your online dashboard, which can be accessed at **termplus.com.au/login**. By completing the Application Process, you have authorised us and our service providers to act on any instructions we reasonably believe are given by you. Instructions in respect of applying for additional Term Accounts, withdrawals, and rollovers at Maturity must be given to us through the dashboard. Instructions are subject to the Constitution and this PDS. If you wish to exercise your Cooling Off rights please refer to Section 6.2.3.

6.1.5. Applying for Additional Term Accounts

Applications for additional Term Accounts are made via the TermPlus dashboard.

Transaction requests will only be processed on receipt of all required information. The Responsible Entity is not responsible for any loss arising from unauthorised or fraudulent requests.

6.1.6. Transfers

We are unable to transfer Term Accounts to any other investor.

6.2. MATURITY

Term Accounts have defined, and pre-selected Terms as detailed in Section 2.3.1. At Maturity, your Term Account Closing Balance (including Savings Support payment) will automatically rollover to a new Term of the same length unless you provide us with an instruction by no later than the Maturity election date ('Election Due Date') to either change the length of the new Term or withdraw all, or part of, your Term Account Closing Balance. Election Due Date instructions must be provided via your online dashboard and can be updated at any time up to and before the Election Due Date.

6.2.1. Rollover

You do not need to do anything at Maturity if you wish to rollover to a new Term of the same length as your existing Term.

You also have the option to rollover to a different length Term by notifying us via your Term Account dashboard up until and including the Election Due Date. The terms on which the rollover occurs will be detailed in the latest PDS and our continuous disclosure notices at **termplus.com.au**. If you rollover your investment to a new Term, the Target Rate for the new Term will be the Target Rate being offered for that Term at the time of rollover. A rollover is a withdrawal of your existing Term Account and the issue of a new Term Account.

6.2.2. Withdrawals

If you want to fully or partially withdraw funds from your Account at Maturity you need to inform us via your dashboard by no later than the Election Due Date.

Making your election is easy

We will notify you by email when your Election Due Date is coming up. The Election Due Date is also visible on your account window in the dashboard. You can make your election through your dashboard.

Withdrawal proceeds are payable at Maturity. We aim to pay withdrawal proceeds within five days of Maturity but can take up to 21 days after Maturity to complete the payment.

You have the option to withdraw only a portion of your account balance and rolling over the remaining balance for the same Term or for a different Term.

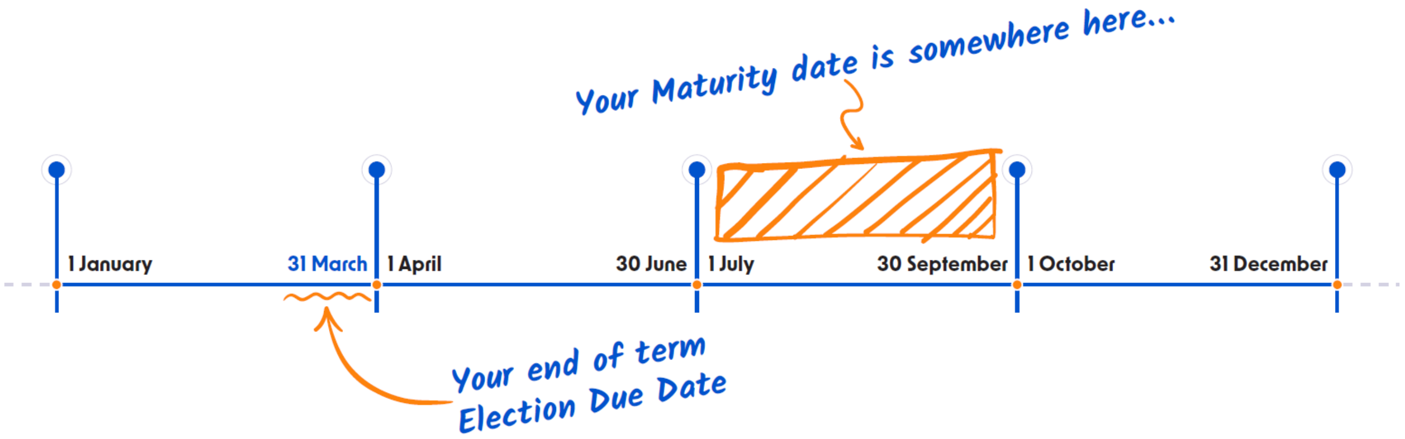
Withdrawal payments will be made only to the bank account on file for your Term Account. No payments will be made to third party bank accounts.

The table and diagram that follow illustrate the required Election Due Dates.

Maturity Election Due Dates

MATURITY BETWEEN	ELECTION DUE DATE
1 January – 31 March	On or prior to 30 September
1 April – 30 June	On or prior to 31 December
1 July – 30 September	On or prior to 31 March
1 October – 31 December	On or prior to 30 June

For example, if the Maturity date of your Term Account is between 1 July and 30 September:



Withdrawing prior to Maturity is generally not permitted. TermPlus must be treated as a fixed term investment. However, we may in exceptional circumstances consider a written request for each withdrawal at our discretion. Application of Savings Support for a withdrawal prior to Maturity is at the discretion of the Responsible Entity.

6.2.3. COOLING OFF

If you are a retail investor (as defined in the Corporations Act), who invests directly in TermPlus when TermPlus is ‘liquid’ as defined under the Corporations Act, you are entitled to a 14-day cooling-off period during which you may change your mind about your investment. During that time, you may exercise your cooling-off rights by requesting your money be returned. This cooling-off period commences on the earlier of either the date you receive confirmation of your Term Account Issue Date or the end of 5 Business Days after your Term Account Issue Date. The Term Account will be refunded less any taxes and reasonable transactional and administrative costs, and less any Income payments that may be made to you during that time. This may result in you receiving back a lower amount than you originally invested. Savings Support is not applicable when you exercise your cooling-off rights. You may also have capital gain/loss tax implications if you happen to receive a higher or lower amount back than you originally invested.

If you wish to cancel your investment during the cooling-off period, you need to inform us of your intention to exercise this right before the end of the cooling-off period (and before exercising any rights or powers you have in respect of your investment in TermPlus) by emailing support@termplus.com.au or through the dashboard.

6.2.4. DISCRETION IN RESPECT OF APPLICATIONS AND WITHDRAWALS

We have the discretion to accept or refuse any application without explanation.

6.2.4.1. Incomplete or Rejected Applications

Under the Constitution we can accept or reject investments into TermPlus at any time and are not required to give any reason or grounds for such a refusal. To address money laundering and terrorism financing risks, verification of each Account Holder’s identity, and where relevant, beneficial owner’s identity, is a prerequisite for all new Account Holders. If we do not receive all valid documents during the Application Process or are unable to verify your identity at any time, we may not be able to commence your Term Account or may not process any future withdrawal requests until we receive the required documents.

You must complete the Application Process before we can accept your application. The Application Process is only considered by us to be completed where:

- the required approvals from the relevant individual(s) (if a joint, company or trust applicant) for the opening of the Term Account have been received;
- the required verifications have been conducted by us to our satisfaction;
- all information requested in the Application Process has been provided; and
- you have requested and authorised us to deduct funds from your nominated bank account by clicking ‘Complete Application’ to finalise the Application Process.

We may attempt to contact you if the Application Process is not completed to our satisfaction or accepted by us, and we are not able to proceed with your request. You will also be able to view the status of any account application in your dashboard.

6.2.4.2. Withdrawal Restrictions

The Responsible Entity is generally only permitted to action withdrawals at Maturity of a Term Account. Withdrawal is only permitted while TermPlus is ‘liquid’ as defined under the Corporations Act. Under normal market conditions, the Responsible Entity expects that TermPlus will be liquid, although the Responsible Entity’s ability to meet withdrawals may, due to a variety of unlikely or unforeseen factors, be adversely affected. Situations may arise where you may not be able to withdraw your investment in TermPlus as set forth below.

Withdrawal Offers

TermPlus is liquid if liquid assets account for at least 80% of the value of TermPlus. While TermPlus is not liquid, withdrawal is permitted only by acceptance of a withdrawal offer regulated under the Corporations Act. The Responsible Entity is not obliged to make a withdrawal offer. If a withdrawal offer is made and insufficient money is available to satisfy all Account Holder acceptances, the amount each Account Holder is able to redeem may be less than the amount they have applied to redeem.

Suspended Withdrawals

The Responsible Entity may, in accordance with the Constitution and the Corporations Act, at any time suspend withdrawals for a period of up to 90 days in certain circumstances, including but not limited to where:

- there have been, or the Responsible Entity anticipates that there will be, withdrawals that involve realising a significant amount of TermPlus assets and the Responsible Entity considers that if those withdrawals are all met immediately, Investors who continue to hold investments in a Term Account may bear a disproportionate burden of tax or other expenses, or the meeting of those withdrawals would otherwise be to the disadvantage of existing Investors, including by way of a material diminution in the value of TermPlus assets or departure from the TermPlus investment strategy;
- the Responsible Entity believes that TermPlus assets cannot be realised at prices that would be obtained if TermPlus assets were realised in an orderly fashion over a reasonable period in a stable market;
- TermPlus' underlying investments suspend, delay or restrict the redemption, issue or payment of withdrawal proceeds (as applicable); or
- it is otherwise legally permitted.

In the event that withdrawals are suspended, Term Accounts will continue to accrue Income at the applicable Target Rate, and Priority Income Entitlement and Savings Support remain applicable until the withdrawal is paid.

6.3. INCOME PAYMENTS

6.3.1. Income Payment

Income on your Term Account is accrued daily at the Target Rate (applicable for each day) multiplied by your Invested Amount. Term Accounts have Priority Income Entitlement to the TermPlus Return. However, in some circumstance, Income may be paid at a rate lower than the Target Rate. See Section 2.3.2.1 for further explanation.

Income payments are generally made within 15 days of the end of the month.

6.3.2. Income Period

Income on your Term Account is calculated daily, pro-rata from the Issue Date to the end of the first calendar month and then accrued daily and generally paid each month, within 15 days of the end of each calendar month.

If your Term ends intramonth, your final withdrawal payment will include any daily accrued Income since the last monthly distribution payment.

6.3.3. Reinvestment of Income

You have options on how to receive your Income. On your dashboard:

- to reinvest your Income in your TermPlus account, select the option "Reinvest my income"; or
- to have Income paid into your nominated bank account, select the option "Pay to my bank account".

If you do not make any election, we will reinvest your Income.

If Income is reinvested, it will become part of your Invested Amount in the form of additional Units being allocated to your Term Account. The reinvested amount will receive the same Target Rate, Maturity date and Savings Support as your Opening Balance. You may change your reinvestment instruction at any time. Please allow five business days for your preference to be updated.

6.4. INVESTOR COMMUNICATIONS

6.4.1. Online Access

To manage your Term Account, login to your dashboard at **termplus.com.au/login** where you can:

- track your Term Account Application Process;
- track your Term Account progress;
- view Term Account transaction confirmations;
- elect your Income payments preference;
- provide Maturity instructions;
- access periodic and AMIT member annual statements;
- update your details; and
- apply for additional Term Accounts.

By completing the Application Process, you agree to receiving confirmations of your Term Account transactions through your dashboard.

On an annual basis, the Responsible Entity will make the following information available free of charge on the TermPlus website:

- TermPlus' annual audited accounts;
- The actual allocation to each type of Underlying Fund to which TermPlus has investment exposure;
- The liquidity profile of TermPlus ;
- The maturity profile of TermPlus' liabilities ;
- The leverage ratio of TermPlus;
- Derivative counterparties engaged;
- Investment return statistics; and
- Changes to key service providers, including their related party status.

On a monthly basis, the following information will be made available free of charge on the TermPlus website:

- The current total NAV of TermPlus;
- Changes to key service providers and their related party status;
- The net return on TermPlus' assets after fees, costs, and taxes;
- Any material change in TermPlus' risk profile;
- Any material change in TermPlus' strategy; and
- Any change in the individuals playing a key role in investment decisions for TermPlus.

By completing the Application Process, you agree that, to the extent permitted by law, any periodic information which is required to be given to you under the Corporations Act or ASIC policy can be given to you by making that information available on the TermPlus website.

6.4.2. Investor Meetings

The Responsible Entity may at any time convene a meeting of Account Holders. Account Holders may appoint proxies to attend and vote at a meeting of Account Holders on their behalf.

7. FEES AND OTHER COSTS

The Consumer Advisory Warning below is required by law to be displayed at the beginning of the 'Fees and Other Costs' Section of this PDS. The example given in the warning does not relate to any investment described within this PDS.

DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

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

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

TO FIND OUT MORE:

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

7.1. FEES AND COSTS SUMMARY

This section 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 assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

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

Fees and costs summary

TermPlus		
TYPE OF FEE OR COST	**AMOUNT**	**HOW AND WHEN PAID**
ONGOING ANNUAL FEES AND COSTS**		
Management Fees and Costs The fees and costs of managing your investment*	Estimated management fees and costs of 1.94% p.a. of the NAV of the Fund, which comprise of: 1. A management fee of 0.00% p.a. of the NAV of the Fund. 2. Estimated indirect costs of 1.94% p.a. of the NAV of the Fund. 3. Estimated expense recoveries of 0.00% p.a. of the NAV of the Fund.	1. The Responsible Entity and the Investment Manager do not receive a management fee in respect of the Fund, Feeder Fund or Master Fund. Any management fee charged by Underlying Managers for Underlying Funds are listed in estimated indirect costs. 2. Indirect costs are deducted from the assets of the Fund (including the Feeder Fund, Master Fund and Underlying Funds) as and when incurred. As the Fund is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the indirect costs at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower. 3. Expenses recoveries are variable and deducted from the Fund and the Fund's investments as and when incurred. As the Fund is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the expense recoveries at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to

TermPlus		
TYPE OF FEE OR COST	**AMOUNT**	**HOW AND WHEN PAID**
		reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower. The Responsible Entity does not intend to recover any recoverable normal expenses from the Fund as at the date of this PDS.
Performance Fees Amounts deducted from your investment in relation to the performance of the product	Estimated performance fees of 1.01% p.a. of the NAV of the Fund.	The Responsible Entity and the Investment Manager do not receive a performance fee in respect of the Fund, the Feeder Fund or Master Fund. The listed estimated performance fees include an estimate of any performance-based incentive fees charged by Underlying Managers for Underlying Funds. Performance fees are variable and deducted from the Fund's investments as and when incurred. As the Fund is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the performance fees as at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower.
Transaction Costs The costs incurred by the scheme when buying or selling assets	Estimated transaction costs of 0.07% p.a. of the NAV of the Fund.	The listed estimated transaction costs include an estimate of any transaction costs incurred by the Fund, or an interposed vehicle (including the Feeder Fund, Master Fund and Underlying Funds) in which the Fund invests as well as certain costs in relation to derivative financial products. Transaction costs are variable and deducted from the Fund's investments as and when incurred. As the Fund is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the transaction costs as at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower.
MEMBER ACTIVITY RELATED FEES AND COSTS (FEES FOR SERVICES OR WHEN YOUR MONEY MOVES INTO OR OUT OF THE SCHEME)**		
Establishment fee The fee to open your investment	Nil	Not Applicable
Contribution fee* The fee on each amount contributed to your investment	Nil	Not Applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil	Not Applicable

TermPlus		
TYPE OF FEE OR COST	**AMOUNT**	**HOW AND WHEN PAID**
Withdrawal fee* The fee on each amount you take out of your investment	Nil	Not Applicable
Exit fee* The fee to close your investment	Nil	Not Applicable
Switching fee The fee for changing investment options	Nil	Not Applicable

Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

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

* This fee includes an amount payable to an adviser. Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

** All estimates of fees and costs in this section are based on information available as at the date of this PDS and reflects the Responsible Entity's reasonable estimates of the ongoing amounts for the current financial year. Please refer to the "Additional explanation of fees and costs" section below for more information on fees and costs that may be payable.

7.2. EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

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

EXAMPLE – TermPlus[2,3]		BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING THE YEAR
Contribution Fees	Nil	For every additional $5,000 you put in, you will be charged $0.
PLUS Management fees and costs comprising:	1.94% p.a. of the NAV of the Fund.	**And**, for every $50,000 you have in TermPlus you will be charged or have deducted from your investments $970 each year.[2]
Management fee[2]	0.00% p.a. of the NAV of the Fund	
Indirect costs[2]	1.94% p.a. of the NAV of the Fund	
Expense recoveries[2]	0.00% p.a. of the NAV of the Fund	
PLUS Performance fees[2]	1.01% p.a. of the NAV of the Fund	**And**, you will be charged or have deducted from your investments $507 in performance fees each year.[2]
PLUS Transaction costs[2]	0.07% p.a. of the NAV of the Fund	**And**, you will be charged or have deducted from your investments $35 in transaction costs.[2]
EQUALS Cost of TermPlus[2]		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 and costs in the range of: **$1,512*[1, 2, 4]*** **What it costs you will depend on the fees you negotiate.**

EXAMPLE – TermPlus[2,3]	BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING THE YEAR

1. Additional fees may apply.

Establishment fee – Nil

And, if you leave the managed investment scheme early, you may also be charged exit fees of nil of your total account balance ($0 for every $50,000 you withdraw).

2. The Target Rates are quoted net of all fees and costs.

3. All estimates of fees and costs in this section are based on information available as at the date of this PDS and reflects the Responsible Entity's reasonable estimates of the ongoing amounts for the current financial year. Please refer to the "Additional explanation of fees and costs" section below for more information on fees and costs that may be payable.

4. This amount excludes fees for any additional contributions that may be made during the year. We have assumed that the $5,000 contribution is made at the end of the year and that the value of the investment is a constant. This example is therefore calculated using the $50,000 balance only. Please note that this is just an example.

7.3. ADDITIONAL EXPLANATION OF FEES AND COSTS

7.3.1. MANAGEMENT FEES AND COSTS

Management fees and costs include the amounts payable for administering TermPlus, amounts paid for investing in the assets of the Fund and other expenses and reimbursements in relation to TermPlus and investments. The management fees and costs of TermPlus are comprised of indirect costs and any recoverable expenses. Management fees and costs do not include performance fees or transaction costs, which are disclosed separately.

7.3.2. MANAGEMENT FEE

The Responsible Entity and the Investment Manager do not receive a management fee in respect of TermPlus, Feeder Fund or Master Fund. Any management fee charged by Underlying Managers for Underlying Funds are listed in estimated indirect costs.

7.3.3. INDIRECT COSTS

Indirect costs include any amount that we know or reasonably ought to know, or where this is not the case, may reasonably estimate has reduced or will reduce (as applicable), whether directly or indirectly, the return of the Fund, or the amount or value of the income of, or property attributable to TermPlus, or an interposed vehicle (including the Feeder Fund, Master Fund and Underlying Funds) in which TermPlus invests. Indirect Costs include management fees and operational costs paid at the Underlying Fund level and Feeder Fund and Master Fund expenses. These operational costs may include, but are not limited to, accounting, legal, custody, audit, and investment sub-adviser fees. Indirect costs are deducted from the assets of TermPlus (including the Feeder Fund, Master Fund and Underlying Funds) as and when incurred.

The estimated management fees and costs figure disclosed in the Fees and Costs Summary of this PDS includes the estimated indirect costs of TermPlus of 1.94% p.a. of the NAV of TermPlus. As TermPlus is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the indirect costs at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower.

7.3.4. EXPENSES RECOVERIES

Expenses recoveries are variable and deducted from TermPlus and the TermPlus' investments as and when incurred.

The estimated management fees and costs figure disclosed in the Fees and Costs summary in this PDS includes the estimated normal and abnormal expense recoveries of TermPlus of 0.00% p.a. of the NAV of TermPlus. As TermPlus is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the expense recoveries as at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower.

Normal expense recoveries

The Responsible Entity is entitled to separately recover normal or ordinary expenses (such as fund accounting, unit registry, custody, audit costs, postage and preparation of tax returns, etc) from the assets of TermPlus.

Provided that the expenses are properly incurred, there is no limit on the amount of these expenses that may be recovered by the Responsible Entity from the assets of TermPlus. Normal costs may vary from year to year including to the extent that they rely on estimates. This amount is not an indication or guarantee of the amount that may be charged in the future.

The Responsible Entity does not intend to recover any such recoverable normal expenses from TermPlus as at the date of this PDS. While as at the date of this PDS the Responsible Entity does not intend to recover any such normal expenses from TermPlus, the Responsible Entity may do so in the future. However, the Responsible Entity would not commence recovering such expenses from Account Holders during their existing Term, only in respect of a new Term, in which case the Responsible Entity will give investors 30 days' notice.

Abnormal expense recoveries

The Responsible Entity may also recover abnormal or extraordinary expenses (such as costs of unitholder meetings, changes to constitutions, and defending or pursuing legal proceedings) from TermPlus.

Abnormal expenses are not generally incurred during the day-to-day operation of TermPlus and are not necessarily incurred in any given year. In circumstances where such events do occur, we may decide not to recover these from TermPlus. Abnormal costs may vary from year to year including to the extent that they rely on estimates. This amount is not an indication or guarantee of the amount that may be charged in the future.

7.3.5. Performance fees

The Responsible Entity and the Investment Manager do not receive a performance fee in respect of TermPlus, the Feeder Fund or Master Fund.

The estimated performance fees are 1.01% p.a. of the NAV of TermPlus. The listed estimated performance fees include an estimate of any performance-based incentive fees charged by Underlying Managers for Underlying Funds. The existence or quantum of such incentive fees paid to Underlying Managers in practice and in respect of the Underlying Funds invested in by TermPlus will be affected by factors including, but not limited to, the Underlying Funds that TermPlus has investment exposure to, the size of their allocations or commitments, their actual fee structures, their actual performances, their investment strategies and their stage in the investment lifecycle. Such incentive fees will be paid on the basis of the performance of the individual Underlying Funds regardless of the overall performance of TermPlus. Performance fees are variable and deducted from the TermPlus' investments as and when incurred.

7.3.6. Transaction costs

The listed estimated transaction costs include an estimate of any transaction costs incurred by TermPlus, or an interposed vehicle (including the Feeder Fund, Master Fund and Underlying Funds) in which TermPlus invests as well as certain costs in relation to derivative financial products.

The estimated transaction costs are 0.07% p.a. of the NAV of TermPlus. TermPlus will incur transaction costs care of the hedging done via FX forwards. Transaction costs are variable and deducted from TermPlus' investments as and when incurred.

As TermPlus is newly established, the estimated amount reflects the Responsible Entity's reasonable estimate of the transaction costs as at the date of the PDS for the current financial year ending 30 June 2024 (adjusted to reflect a 12-month period). The quoted amount is an estimate only and is not a forecast. The amount may be higher or lower.

7.3.7. Financial advisers

Additional fees may be paid by you to a financial adviser if you have consulted a financial adviser. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

7.3.8. Alteration of fees

The Constitution does not currently allow the Responsible Entity to charge a fee. If the Responsible Entity wishes to charge a fee, the Responsible Entity will need to amend the Constitution in accordance with the Corporations Act and the relevant provisions in the Constitution.

7.3.9. Taxation

For further information, refer to Section 8.

All fees and costs specified in this PDS are quoted on a GST inclusive basis net of reduced input tax credits unless otherwise stated.

Services supplied to TermPlus are generally taxable supplies for GST purposes and will therefore usually include a GST component (being 1/11 of the total amount of the fees and expenses). Generally, TermPlus cannot claim full input tax credits for these services but is usually entitled to claim reduced input tax credits at the prescribed rates of the GST payable on those services.

7.3.10. Commission Sharing

None of the Responsible Entity or Pengana Credit currently participate in "commission sharing" arrangements in relation to TermPlus. However, Pengana Credit may in the future select service providers, that furnish the Responsible Entity and/or Pengana Credit with proprietary or third-party brokerage and research services that provide, in Pengana Credit 's view, appropriate assistance in the investment advisory process. As a result, Pengana Credit may pay for such brokerage and research services with "soft" or commission dollars.

The Underlying Managers may and certain of them will, make extensive use of "soft dollar" services.

8. TAXES

8.1. INTRODUCTION

This section provides an overview of the likely Australian income tax, GST, and stamp duty consequences for Account Holders, based on the laws of the Commonwealth of Australia in force as at the date of this PDS. These laws are subject to change periodically as is their interpretation by the courts and the Australian Taxation Office ('ATO'). This overview outlines the Australian taxation position of Account Holders who hold their units on capital account. It is not intended to apply to Account Holders who hold their units as trading stock or acquire units for the principal purpose of making a profit from a future disposal of those units.

Information provided in this overview is of a general nature and is not intended to be legal advice. Potential Account Holders should obtain their own independent advice on the tax implications of investing in TermPlus, based on their own specific circumstances.

8.1.1. Taxation of TermPlus

TermPlus should generally be treated as a 'flow-through' entity for Australian income tax purposes and should not be subject to income tax. Rather, Account Holders should be taxed on their share of the taxable income of TermPlus each year.

The taxable income of TermPlus is expected to primarily comprise income and gains of a revenue nature, which may include payments under the PPNs that are paid to TermPlus by the Feeder Fund.

If TermPlus makes a loss for Australian income tax purposes in a financial year, the tax loss may not be distributed to Account Holders but may be carried forward by TermPlus to be offset against taxable income of TermPlus in future financial years, subject to the satisfaction of certain tax loss recoupment rules.

For income tax purposes, TermPlus may be taxed like a company if it is a 'public trading trust'. However, provided that TermPlus and any entities that TermPlus controls (or has the ability to control, either directly or indirectly) do not carry on a 'trading business', TermPlus should not be treated as a public trading trust. Based on the investment structure and strategy of TermPlus it is not expected that TermPlus will be a public trading trust.

8.1.1.1. Attribution Managed Investment Trust Status

TermPlus is expected to qualify as a managed investment trust ('MIT') for Australian income tax purposes. In addition, the Responsible Entity intends to make an irrevocable election to apply the attribution managed investment trust ('AMIT') provisions to TermPlus. The Responsible Entity does not intend to make the AMIT multi-class election for Australian income tax purposes.

The Responsible Entity intends to attribute the taxable income of TermPlus to Account Holders in accordance with the AMIT rules and the Constitution each financial year. If there is taxable income of TermPlus that is not attributed to an Account Holder, TermPlus will be subject to tax at the highest marginal rate (plus Medicare levy) on that non-attributed income.

8.1.1.2. Tax Treatment of PPNs

The PPNs are expected to be classified as non-share equity interests for Australian income tax purposes. On this basis, payments made under the PPNs to TermPlus should generally be treated as non-share dividends for Australian income tax purposes and included in the taxable income of TermPlus when paid (or credited) to TermPlus.

8.1.1.3. MIT Capital Account Election

The Responsible Entity intends to mitigate any tax character mismatches that can arise where realised losses on the redemption or partial redemption of the PPN are of a capital nature and cannot be used to offset dividend income. In this regard, the Responsible Entity will not elect for deemed capital account treatment for its 'covered assets' under the managed investment trust ('MIT') rules. Consequently, the PPNs (being non-share equity interests) will be deemed to be held on revenue account by TermPlus. On this basis, any realised gains, and losses on a disposal (e.g., redemption) of a PPN will be treated as ordinary income and allowable deductions, respectively, for TermPlus.

8.1.1.4. Controlled Foreign Company Provisions

The Controlled Foreign Company ('CFC') rules in Australian tax legislation can impose an accruals tax liability on Australian entities that invest in overseas entities, where certain control tests are satisfied. For example, a foreign company or limited partnership may be a CFC where TermPlus (or another Australian resident entity) directly or indirectly owns 40% or more of the ownership interests in the foreign entity.

Non-share equity interests generally do not constitute ownership interests for CFC purposes since they do not provide the holder with rights as a 'shareholder' in the company, as defined in the Income Tax Assessment Act 1936. On this basis, the CFC rules should not apply to the interests held by TermPlus in the Feeder Fund via the PPNs. Thus, the CFC rules are not expected to have practical application to TermPlus.

8.1.2. Taxation Of Australian Resident Investors

8.1.2.1. Taxation of Distributions

Account Holders will include in their assessable income their share of the taxable income of TermPlus that is attributed to them each financial year in accordance with the AMIT regime and Constitution of TermPlus. The various components of the taxable income of TermPlus should retain their character in the hands of the Account Holders for Australian tax purposes. As noted above, the taxable income of TermPlus is expected to primarily comprise income and gains of a revenue nature.

Subject to any distributions or returns of capital, it is intended that the taxable income of TermPlus that is attributed to an Account Holder (and which must be included in an Account Holder's income tax return) be equal to the total cash distributions received by the Account Holder from TermPlus for the relevant financial year, in accordance with their respective income entitlements. However, to the extent the cash distributions to an Account Holder exceeds the Account Holder's attributed share of TermPlus' taxable income, the excess (known as a 'tax deferred' distribution) will generally not be assessable to the Account Holder. Similarly, a return of capital by TermPlus should not be assessable to the Account Holder.

Such tax deferred distributions or returns of capital will generally reduce the Account Holder's capital gains tax ('CGT') cost base of their units in TermPlus. Once the cost base of an Account Holder's units has been reduced to nil any additional tax deferred or capital distributions will be assessable to an Account Holder as a capital gain.

Conversely, under the AMIT regime, to the extent that the cash distributed to an Account Holder is less than the Account Holder's share of TermPlus' taxable income, the Account Holder will be entitled to a cost base increase for their units in TermPlus. These cost base adjustments will impact upon the capital gains tax position upon the ultimate withdrawal of the Account Holder's units in TermPlus.

Account Holders will receive a tax statement after the end of each financial year (referred to as an AMIT Member Annual ('AMA') Statement) that will provide them with details of the amounts that have been attributed to them by TermPlus to assist them in the preparation of their tax return.

8.1.2.2. Withdrawal of Term Accounts

When opening a Term Account, Account Holders will be issued with a Term Account (represented by a single unit and denoted by an individual account number), which represents a single asset for CGT purposes. The original cost base of a Term Account will generally equal the Investment Amount plus certain incidental costs relating to the acquisition of the unit. The cost base of the Term Account will also need to include relevant cost base adjustments that arise post-acquisition (such as tax deferred distributions or cost base increases as outlined above).

A withdrawal of a Term Account will trigger a taxable event for CGT purposes (including in the event of a full or partial Rollover). Account Holders would derive a taxable capital gain where the total amount of withdrawal proceeds received (or rolled over) exceed the cost base of the relevant unit at the time of disposal. Account Holders would incur a capital loss where the cost base of the units disposed of is greater than the withdrawal proceeds.

8.1.3. Goods And Services Tax and Stamp Duty

The issue or withdrawal of units, and the receipt of Income, should not be subject to GST or stamp duty for Account Holders.

GST will be payable by TermPlus as a component of the fees and expenses incurred by TermPlus. TermPlus may be entitled to full input tax credits for GST incurred on certain of its costs. TermPlus may also be able to claim reduced input tax credits at the prescribed rates in respect of the remainder of its costs (to the extent a full input tax credit is not available).

8.1.4. Tax File Number And Australian Business Number (Australian Resident Account Holders Only)

It is not compulsory for Account Holders to provide their Tax File Number ('TFN') or Australian Business Number ('ABN') details to TermPlus. However, unless an Account Holder is exempted, if an Account Holder does not provide their TFN or ABN, the Responsible Entity may be required to deduct tax from distributions to such Account Holder at the highest personal marginal rate plus the Medicare levy.

8.1.5. Foreign Account Tax Compliance Act and Common Reporting Standard

In compliance with the US income tax laws commonly referred to as the Foreign Account Tax Compliance Act ('FATCA') and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, TermPlus will be required to provide certain information to the ATO in relation to:

- Investors that are US citizens or residents;
- entities controlled by US persons; and
- financial institutions that do not comply with FATCA.

TermPlus is intending to conduct appropriate due diligence in relation to FATCA (as required). Where an Account Holder does not provide appropriate information to TermPlus, TermPlus may also be required to report such accounts to the ATO.

The Common Reporting Standard ('CRS') is the global standard for the collection, reporting and exchange of financial account information of non-residents. The CRS is similar to FATCA, whereby the Responsible Entity will be required to collect and report similar financial account information of all non-resident Account Holders to the ATO.

The ATO may exchange this information with the participating foreign tax authorities of those non-resident Account Holders

8.1.6. Annual Investment Income Report

TermPlus is required to lodge annually an Annual Investment Report ('AIIR') to the ATO containing certain Account Holder identity details and details of unit disposals and investment income paid or attributed to Account Holders for the relevant income year.

9. ADDITIONAL INFORMATION

9.1. COMPLAINTS HANDLING

The Responsible Entity takes complaints seriously and aims to resolve all complaints as quickly as possible. In the first instance, if you have a complaint, then you should notify the Responsible Entity immediately using the following contact details:

Phone 1300 883 881

Email support@termplus.com.au

Once the Responsible Entity receives a complaint, the Responsible Entity will acknowledge it as soon as practicable and investigate the complaint with a view to resolving it and responding as soon as practicable.

If you are not satisfied with the Responsible Entity's response, then you can refer your complaint to the Australian Financial Complaints Authority, of which the Responsible Entity is a member. The Australian Financial Complaints Authority can be contacted as follows:

Post Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

Phone 1800 931 678

Fax +61 3 9613 6399

Email info@afca.org.au

9.2. CONTINUOUS DISCLOSURE

Where TermPlus is, or becomes, a "disclosing entity" (generally this will occur when TermPlus has 100 Account Holders or more) TermPlus will be subject to regular reporting and disclosure obligations. We will comply with our continuous disclosure obligations under the law by publishing new material information about TermPlus on our webpage, free of charge, **termplus.com.au**, in accordance with ASIC's good practice guidance on website disclosure. In addition, you would have the right to receive the following documents at no charge:

- the annual financial report most recently lodged with ASIC;
- any half-year financial report lodged with ASIC by TermPlus after the lodgement of the annual report most recently lodged with ASIC and before the date of this PDS; and
- any continuous disclosure notices given by TermPlus after the lodgement of the annual report most recently lodged with ASIC and before the date of this PDS.

Copies of documents lodged with ASIC in relation to TermPlus can be obtained from, or inspected at, an ASIC office.

9.3. DESIGN AND DISTRIBUTION OBLIGATIONS

The Design and Distribution Obligations ('DDO') regime commenced on 5 October 2021. The Responsible Entity has integrated into its corporate governance framework the necessary policies, procedures, and documentation to ensure it complies with the DDO imposed on certain financial product issuers and distributors, as required by Pt 7.8A of the Corporations Act 2001 (Cth). Two of the principal elements of the DDO regime are (1) the publication of Target Market Determinations for all products subject to 'retail product distribution' and (2) the establishment and embedding of a product governance framework to ensure that financial products are critically evaluated through their lifecycle, meeting the DDO requirements relating to design, review, and data collection.

Target Market Determinations for TermPlus are available to be viewed publicly on the TermPlus website. Further, a fit for purpose product governance framework has been established and embedded which provides an overarching framework for the Responsible Entity's compliance with the DDO obligations including ensuring the distribution of products is in line with the Target Market Determinations, directly through TermPlus and through any third-party distributors.

10. GLOSSARY OF INDUSTRY TERMS, DEFINED TERMS AND ABBREVIATIONS

The following terms used in this PDS have the following meanings unless the context otherwise requires.

$ or Australian Dollars	Australian dollars. All amounts in this PDS are in Australian dollars unless otherwise stated.
ABN	Australian Business Number.
Account Holder	A registered holder of a Term Account.
ACN	Australian Company Number.
Added Rate	Has the meaning given to that term in Section 2.2.1.
Administrator	Cache Investment Management Ltd.
AFSL	Australian Financial Services Licence.
AMMA Statement	Attribution Managed Investment Member Annual Statement (Tax Statement).
AMIT	Attribution Managed Investment Trust.
AML	Anti-Money Laundering.
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and other applicable anti-money laundering and counter terrorism laws, regulations, rules, and policies which apply to the Responsible Entity.
AML/CTF Laws	Means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), rules and other subordinate instruments.
Annualised Standard Deviation	A measure of how much the price of an asset or the return of a portfolio of assets has fluctuated (both up and down) over a certain period.
Application Process	The process for applying for a Term Account as described in Section 6.1, which is available at **termplus.com.au/apply**.
APRA	Australian Prudential Regulation Authority.
ARSN	Australian registered scheme number.
ASIC	Australian Securities and Investments Commission.
ATO	Australian Taxation Office.
Auditor	Ernst & Young.
Australian Legal and Tax Advisor	DLA Piper Australia.
AUM	Assets under management.
AUSTRAC	The Australian Transaction Reports and Analysis Centre.
Business Day	A day on which banks are open for general banking business in Sydney, Australia.
CAR	Corporate Authorised Representative.
CFC	Controlled Foreign Company.

CGT	Capital Gains Tax.
Class	The class of units offered under this PDS.
Closed-Ended Fund	Has the meaning given to that term in Section 3.1.7.3.
Closing Balance	The total value of all Units allocated to a Term Account or the Support Account, as the context requires, valued at their Unit Prices.
CLO	Collateralised loan obligation. Has the meaning given to that term in Section 3.1.6.2.
CMS	Cash Management Strategy.
Constitution	The constitution of TermPlus as amended or replaced from time to time.
Corporations Act	Corporations Act 2001 (Cth).
Credit	Has the meaning given to that term in Section 3.1.2. 'Credit' and 'Debt' are used interchangeably in this PDS.
Credit Opportunities	A private credit investment strategy that potentially benefits from dislocations in the credit or equity markets. Refer to Section 3.1.6 for further information.
CTF	Counter Terrorism Financing.
Custodian	BNP Paribas.
Daily Target Rate	The daily targeted return on a Term Account using the Target Rate applicable to the Term Account on a given day as applied to the Invested Amount on a daily basis for that day.
DDO	Design and Distribution Obligations.
Direct Lending	A private credit investment strategy involving lending directly to companies. Refer to Section 3.1.6 for further information.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation.
Election Due Date	The day by which you must provide us with an instruction to redeem all, or part of, your principal; or to rollover to a different length Term, as described in Section 6.2.2 of this PDS.
ESG	Environmental, social and governance.
EUR	The Euro is the official currency of 20 European Union countries which comprise the Eurozone. Also known as €.
Evergreen Fund	Has the meaning given to that term in Section 3.1.7.3.
Feeder Class	Class of notes (PPNs) in the Feeder Fund's TermPlus (Hedged) Class, which are issued to TermPlus by the Pengana Private Credit Feeder Fund.
Feeder Fund	Pengana Private Credit Feeder Fund.
Final Value	Has the meaning given to the term in Section 2.2.1.
Financial Year End	Each 30 June.
Fund	TermPlus (ARSN 668 902 323).
FUM	Funds Under Management.

FX	Foreign Exchange.
GFC	Global Financial Crisis.
Gross Asset Value	The value of a Class' investments, excluding any liabilities or accruals for unpaid distributions, fees or costs. Also known as 'GAV'.
GST	Goods and Services Tax.
High Yield	A term used to describe a borrower or credit instrument that has a relatively higher risk of default and is typically representative of a borrower that has medium to low credit quality. External credit rating agencies view High Yield as equivalent to a rating below BBB- (Standard & Poors) or below Baa3 (Moody's).
Income	A payment to Term Account Holders as described in Section 2.2.1 of this PDS.
Income Period	Has the meaning given to that term in Section 6.3.2.
Income Stabilisation	Means the Income and entitlements provided for in Section 2.3.2.2 of this PDS.
Indirect Costs	Has the meaning given to that term in Section 7.3.3.
Invested Amount	In respect of a Term Account, its Opening Balance plus reinvested Income. In respect of the Support Account, the value of the Support Account.
Investment Consultant	Mercer Consulting (Australia) Pty Ltd.
Investment Consulting Agreement	The agreement between the Investment Manager and the Investment Consultant, which consists of an engagement letter, statement of works and terms and conditions as referred to in Section 4.2.
Investment Management Agreement	The investment management agreement between Pengana Credit and the Responsible Entity as Responsible Entity for TermPlus, as amended from time to time, pursuant to which Pengana Credit agrees to provide certain investment management services in respect of TermPlus as referred to in Section 4.8.2.
Investment Grade	A term used to describe a borrower or credit instrument that has a relatively low risk of default and is typically representative of a borrower that has high to medium credit quality. External credit rating agencies view Investment Grade as equivalent to a rating between AAA and BBB- (Standard & Poor's) or Aaa and Baa3 (Moody's).
Investment Manager	Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160), in its capacity as investment manager of TermPlus, Feeder Fund and/or Master Fund, as the context requires.
Investment Objective	The investment objective as described in Section 3.3.1 of this PDS.
Investment Strategy	The investment strategy implemented to achieve the investment objective as described in Section 3.3.2 of this PDS.
Investor	A registered holder of a unit.
IRR	Also known as the "Internal Rate of Return", the IRR is used as a measure of the performance of private markets

	investments. The IRR takes account of the time value of cash flows which include drawdowns and distributions. Unless expressly stated otherwise, all references to IRR in this PDS are expressed as an annualised rate.
Issue Date	Has the meaning given to that term in Section 6.1.1.
KYC	Know Your Customer.
Leveraged Loan	Has the meaning given to that term in Section 3.1.2.
Liquid Credit	Credit securities that may be traded on a public capital market.
Managed Investment Scheme	A managed investment scheme is a way of investing money alongside other investors. Terminology varies with country but collective investment vehicles are often referred to as 'collective investment schemes', 'mutual funds', 'investment funds', 'managed funds', or simply 'funds'.
Master Class	A class of participating shares in the Master Fund providing investment exposure to investments in private credit, each of which is exposed to funds managed by Underlying Managers that share common characteristics and objectives.
Master Fund	Pengana Private Credit Master Fund.
Master Fund Administrator	Citco Fund Administration (Cayman Islands) Limited.
Master Fund Custodian	Citco Custody Limited.
Master Fund Registry	Citco Fund Administration (Cayman Islands) Limited.
Maturity	The date the Term Account ends, as described in Section 6.2 of this PDS.
Mercer	Mercer Consulting (Australia) Pty Ltd.
MIT	A managed investment trust for Australian income tax purposes.
Monthly Target Rates	The aggregate of the Daily Target Rates over an Income Period for all Term Accounts.
Net Asset Value	The value of TermPlus' or Class's assets less TermPlus' or Class's liabilities. Also known as 'NAV'.
Opening Balance	Term Account value at the start of a Term.
OID	Original Issue Discount. Has the meaning given to that term in Section 3.1.4.
Open-Ended Fund	Has the meaning given to that term in Section 3.1.7.3.
OTC	Over the counter.
PCG	Pengana Capital Group Limited.
PDIC	Mercer Private Debt Investment Committee.
PDS	This Product Disclosure Statement.
Pengana Capital Group	Means Pengana Capital Group Limited and its subsidiaries.
Pengana Capital Group Limited	Pengana Capital Group Limited (ABN 43 059 300 426, ASX: PCG), also known as 'Pengana' or 'PCG'.

Pengana Credit	Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160), in its capacity as Investment Manager of TermPlus, Feeder Fund, and/or Master Fund as the context requires.
PIK	Payment-In-Kind. Has the meaning given to that term in Section 3.1.4.
Portfolio	The Underlying Assets to which TermPlus is indirectly exposed to through its investments in the Feeder Class.
PPN	Has the meaning given to that term in Section 3.2.
PPN Agreement	The agreement between the Feeder Fund and the Trustee, which consists of a note deed poll and note subscription agreement as referred to in Section 4.8.3.
Priority Income Entitlement	Means the Income and entitlements provided for in Section 2.3.2.1 of this PDS.
Quarter	The period of three calendar months ending on March 31, June 30, September 30, or December 31.
RBA	Reserve Bank of Australia.
Real Asset Lending	A private credit investment strategy broadly including real assets such as real estate and infrastructure. Refer to Section 3.1.6 for further information.
Reinvestment	Has the meaning given to that term in Section 6.3.3.
Reserve Bank of Australia Official Cash Rate	The Reserve Bank Board's operational target for monetary policy. It is the interest rate on unsecured overnight loans between banks. Also known as 'RBA Official Cash Rate' or 'RBA Rate'.
Residual Income	Any remaining TermPlus Return allocated to the Support Account after the monthly Term Account Income payments have been distributed and Income Stabilisation allocated, as provided for in Section 2.3.2 of this PDS.
Responsible Entity	Pengana Capital Limited (ABN 30 103 800 568, AFSL 226 566) in its capacity as Responsible Entity for TermPlus. Also known as 'We' or 'Us'.
RITC	Reduced input tax credits.
Rollover	A rollover to a new Term as described in Section 6.2.1.
Savings Support	Means the income and entitlements provided for in Section 2.3.2.3 of this PDS.
Secured Overnight Financing Rate	The weighted average of the overnight rates used in U.S. Treasury bond repurchase agreements as published by the New York Federal Reserve Bank. Also known as 'SOFR'.
Specialty Finance	A private credit investment strategy including niche lending that requires specialised knowledge. Refer to Section 3.1.6 for further information.
Structured Credit	A private credit investment strategy consisting of loans dependent on performance of asset pools. Refer to Section 3.1.6 for further information.
Support Account	A class of unit in TermPlus referred in Section 2.2.2.
Target Rate	RBA Rate plus the Added Rate, as described in Sections 2.2.1 and 2.3.1.

Term	Investment timeframes as described in Section 2.3.1.
Term Account	Classes of units in TermPlus issued to Account Holders as described in Section 2.2.
TermPlus	TermPlus (ARSN 668 902 323).
TermPlus Classes	Term Accounts and the Support Account.
TermPlus Return	Net income of TermPlus as provided for in the accounting policies of TermPlus which, for the avoidance of doubt, can be negative.
TFN	Tax File Number.
Total Return	Has the meaning given to that term in Section 3.1.6.
Transaction Costs	Has the meaning given to that term in Section 7.3.6.
Underlying Assets	The loans invested in by the Underlying Funds held by the Master Fund.
Underlying Funds	Funds managed by the Underlying Managers.
Underlying Managers	The managers of the Underlying Funds in which the Master Fund invests.
Unit	A notional unit as described in Section 4.8.1.1.
Unit Price	NAV of a Unit.
Updated Information	Any updated information to this PDS that is not considered materially adverse to Account Holders.
USD	United States of America dollars.

TermPlus

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