

**Product Disclosure Statement**  
**Fidelity Australian**  
**Equities Fund**

Issue Date: 30 June 2006



### Contact Details

An indirect investor's first point of contact is the investor's master trust or wrap account operator.

### Fidelity Australia

Fidelity Investments Australia Limited  
Level 8, 167 Macquarie Street, Sydney NSW 2000  
Telephone: (02) 9225 0500 / Client Services: 1800 119 270  
Facsimile: (02) 9221 2303  
Website: www.fidelity.com.au

### Responsible Entity

Relationship Manager, Fund Compliance Services  
Perpetual Trust Services Limited  
GPO Box 4172, Sydney NSW 2001  
Telephone: (02) 9229 9000  
Facsimile: (02) 8256 1419

### Investment Manager

Fidelity International Limited  
Pembroke Hall, 42 Crow Lane, Pembroke, HM19, Bermuda  
Telephone: (1) 441 297 7597  
Facsimile: (1) 441 295 9373

### Investment Administrator

JPMorgan Chase Bank  
Level 35, AAP Centre, 259 George Street, Sydney NSW 2000  
Facsimile: (02) 9251 7019

### About this Product Disclosure Statement (PDS)

The offer made in this Product Disclosure Statement ("PDS") is available only to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted. The information contained in this PDS is general information only and has been prepared without taking into account your individual objectives, financial situation or needs. You should consider the appropriateness of the information in this PDS having regard to those matters and talk to your financial adviser before making an investment decision.

This PDS should be read in its entirety before making a decision to invest.

This PDS dated 30 June 2006 relates to units in the Fidelity Australian Equities Fund ARSN 103 420 088, APIR code FID0008AU ("Fund").

Responsible entity: Perpetual Trust Services Limited ABN 48 000 142 049, Australian Financial Services Licence ("AFSL") 236648 (the "responsible entity").

Investment Manager: Fidelity International Limited ("Fidelity International").

## About Fidelity International

Fidelity International was established nearly 40 years ago and operates in markets outside the Americas. Its US affiliate, Fidelity Management and Research Corp. was founded in Boston in 1946 and is one of the USA's largest mutual fund organisations.

Fidelity International and its subsidiaries now manage more than \$300 billion for millions of investors around the world – major institutions as well as private individuals.

Fidelity International has investment management activities based out of London, Paris, Frankfurt, Tokyo, Hong Kong, Mumbai, Seoul, Singapore and Sydney. A presence across key 'investment centres' ensures that Fidelity International is well placed to penetrate the business, economic, political and social landscapes in each region it operates. This local fluency, born primarily out of local staffing, is fused with a global investment philosophy and communications systems.

## About Fidelity Australia

Fidelity Investments Australia Limited ABN 34 006 773 575, AFSL 237865 ("Fidelity Australia") is a subsidiary of Fidelity International. Its main functions in relation to the Fund include marketing and the provision of client services.

## About the responsible entity

Perpetual Trust Services Limited, the responsible entity, offers third party responsible entity services to the managed funds industry. It has agreed to act as the responsible entity for the Fund at the request of Fidelity International.

The responsible entity is part of the Perpetual Limited group of companies, which has been in operation for over 120 years.

The responsible entity is responsible for the operation of the Fund and has the power to delegate certain of its duties. The responsible entity has appointed Fidelity International as the investment manager and administrator of the Fund.

JPMorgan Chase Bank, N.A. ABN 43 074 112 011 (AFSL 238367) ("JPMorgan") has been appointed by Fidelity International as investment administrator for the Fund and by the responsible entity as custodian to hold the assets of the Fund.

## About the Fund

### Objective

To achieve returns in excess of the Standard and Poors/Australian Stock Exchange (S&P/ASX) 200 Accumulation Index over the suggested minimum investment time period of five years.

### Investment Process

At the centre of Fidelity International's success is its approach to managing money, which has remained unchanged since it was founded. This approach places first-hand, detailed research at the core of decision making, ensuring that every security is investigated as meticulously as possible before being included in a fund. Fidelity International subsequently builds funds from the bottom up, stock by stock, taking account of market trends but not being driven by them.

Fidelity International's analysts undertake extensive research at all levels of an organisation to understand exactly how they are positioned to deliver for investors. Fidelity International believes it is only through this first-hand contact – rather than relying purely on bought-in research – that it can fully evaluate an investment's true potential and consistently add value for investors in its funds.

Fidelity International's analysis of Australian securities is carried out by the portfolio manager a team of research professionals<sup>1</sup> based in Sydney, Hong Kong and London. They exchange their findings with their colleagues in Europe, Japan and Asia Pacific and together this gives Fidelity International valuable insights into the overseas operations of Australian companies. Fidelity International believes that this approach is vital given that a significant proportion of the income of Australia's largest listed companies is derived offshore.

In addition, Fidelity International has access to the analysis carried out by Fidelity Management and Research Corp. in the US. The product of these extensive research capabilities is Fidelity International's ability to leverage the findings from a total of over 600 investment professionals<sup>2</sup> around the world, who cover 95% of the world's stockmarkets by capitalisation.

The Fund invests in the securities of companies listed in Australia and may also invest in companies located elsewhere that derive a significant proportion of their earnings from Australia ("Australian Securities"). As a result of Fidelity International's research intensive, stock by stock process, the Fund is not constrained to tracking the industry sector weights that comprise the S&P/ASX 200 Accumulation Index. The portfolio manager is free to select companies based on their merits, regardless of size or industry.

The Fund may invest in a variety of securities including shares, options, equity linked notes, convertible notes and debt securities.

#### **Investment Guidelines**

Australian securities:	90–100%
Cash:	0–10%

#### **Past Performance**

Please contact Fidelity Australia toll free (contact details are at the beginning of this PDS) or visit [www.fidelity.com.au](http://www.fidelity.com.au) for the latest performance information, available free of charge and updated monthly.

Past performance is not necessarily an indicator of future performance.

#### **Derivatives**

Derivatives are contracts that call for money to change hands at some future date, with the amount to be determined by agreed criteria. For example, a contract might specify that one person can buy an item from the other at today's price in six months time, regardless of the market price.

The Fund may make use of derivatives, such as futures contracts and swaps, but will only do so for the purposes of reducing risk or cost or generating additional capital or income. Any derivative exposure must be fully covered by cash or assets sufficient to meet any obligation that could arise.

#### **Borrowing**

Although the Fund constitution permits the responsible entity to borrow or raise money, it is not Fidelity International's intention for the Fund to enter into any long-term borrowings. Short-term borrowings may occur in the ongoing management of the Fund, including to meet day-to-day liquidity requirements.

#### **Income Distribution**

Each calendar quarter

#### **Date of Inception**

1 July 2003

1 'Research professionals' includes research analysts and research associates. 2 These figures include the combined resources of Fidelity International and Fidelity Management and Research Corp. 'Investment professionals' includes portfolio managers, research analysts, research associates and traders.

## Unit pricing and income distributions

### Application and Withdrawal Prices

Application and withdrawal prices are generally calculated each business day.

The application price is calculated by dividing the net asset value of the Fund by the number of units on issue and then adding a "buy spread".

The withdrawal price is calculated the same way, except that the "sell spread" is deducted from the net asset value per unit.

The net asset value of the Fund is calculated by deducting the value of the liabilities of the Fund (excluding liabilities to unit holders as members in respect of units on issue) from the value of the Fund's gross assets.

#### Example of application and withdrawal prices

A worked example, using a hypothetical net asset value per unit and illustrating the calculation of application and withdrawal prices is set out below:

Net asset value per unit as at 30 June is \$10.00. The buy spread and the sell spread are each 0.25% of this amount, being \$0.025.

The application price is calculated as \$10.00 plus \$0.025, which equals \$10.025.

The withdrawal price is calculated as \$10.00 minus \$0.025, which equals \$9.975.

Buy/sell spreads are explained in the section on "Additional explanation of fees and costs" on page 10.

Applications for units or withdrawal requests received before 12:00pm (Sydney time) on a business day will receive the relevant price for that business day. As application and withdrawal prices are calculated using close of market values, the relevant price is not usually available until the next business day.

The responsible entity may accept or reject an application for units in the Fund in its absolute discretion.

### Suspensions

The issue or withdrawal of units or the calculation of unit prices may in certain circumstances be suspended at any time and without notice. For example, events may occur which make it not reasonably practicable to acquire or dispose of assets of the Fund or to determine unit prices fairly.

### Valuation of Fund Assets

Fund assets are generally valued according to their market value. For example, listed shares are valued according to their closing market price. A different method of valuation may be applied in some circumstances, particularly where that method is required to reflect more fairly the value of the relevant investment.

Under Australian Securities and Investments Commission ("ASIC") Class Order 05/26 and ASIC letter dated 29 March 2006, from 1 May 2007 the responsible entity is required to prepare certain documents, including documents describing how any discretions are exercised when calculating unit prices. These documents will be available on request from Fidelity Australia from 1 May 2007 at no charge.

### Distributions

Distributions of the net income of the Fund, if any, are made each calendar quarter as at 31 March, 30 June, 30 September and 31 December in each year. Distributions are

usually paid within 14 days following these dates. The responsible entity may also make distributions at other times. An investor who invests during a distribution period may get back some of their capital as income.

An investor's distribution entitlement is calculated by dividing the distributable income amount by the total number of units on issue as at the end of the distribution period giving a distributable income amount per unit. The distribution entitlement of an investor is then determined by multiplying the number of units held by the investor by the distributable income amount per unit.

#### **Example of income distribution entitlement**

A worked example illustrating the calculation of an investor's income distribution entitlement is set out below:

Distributable income amount of the Fund as at 30 June is \$50,000.

Total number of units on issue in the Fund as at 30 June is 100,000.

Distributable income amount per unit is \$50,000 divided by 100,000 units which equals \$0.50 per unit.

Number of units held by the investor as at 30 June is 5,000.

The investor's entitlement to distributable income is calculated as 5,000 multiplied by \$0.50, which equals \$2,500.

Please note that the above figures are not actuals. They are intended to be illustrative only.

## **Benefits**

Some of the benefits that may arise from an investment in the Fund include:

- the ability to withdraw an investment at any time (unless the right is suspended as described above);
- the Fund's investments are managed by Fidelity International's investment professionals and the amount of money in the Fund allows access to otherwise unavailable investment opportunities, markets and diversity;
- the potential for income distributions; and
- the potential for gains (or losses) upon disposal of units by redemption or transfer.

## **Risks**

All investments are subject to risks and generally go down as well as up in value. Changes in value can be significant and can happen quickly. Different types of investments perform differently at different times and have different risk characteristics and volatility.

The significant risks for the Fund, and the way Fidelity International aims to manage them, are discussed below. Risk factors and the way they are managed can impact an investor's income distributions and the value of an investor's investment.

A copy of Fidelity International's Risk Management Statement is available from Fidelity Australia on request.

The significant risks for the Fund are:

<p><b>Individual investment risk:</b></p>	<p>Individual investments, like shares on a stock exchange, can and do fall in value for many reasons such as changes in a company's internal operations or management, or in its business environment. Fidelity International aims to reduce this risk with its intensive research approach which focuses on continual company contact and both internal and external research of companies and the industries they operate in.</p>
<p><b>Market risk:</b></p>	<p>Economic, technological, political or legal conditions, and even market sentiment, can and do change, with consequential impact on the value of investment markets and the Fund's investments. Fidelity International aims to reduce this risk by continually monitoring markets and buying and selling investments with the aim of maximising returns over the medium to longer term.</p>
<p><b>Interest rate risk:</b></p>	<p>Changes in interest rates can have a positive or negative impact on investment value or returns – for example, the cost of a company's borrowing can impact its performance and share price.</p> <p>Whilst Fidelity International monitors the impact of interest rate changes on the investments in the Fund, Fidelity International does not undertake any specific interest rate risk management activities.</p>
<p><b>Fund risk:</b></p>	<p>Risks particular to the Fund include that it could terminate, the fees and expenses could change, the responsible entity or Fidelity International could be replaced and Fidelity International's investment professionals could change. There is also a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.</p> <p>Each of Fidelity International and the responsible entity aims to keep Fund risk to a minimum by monitoring the Fund and acting in investors' best interests.</p>
<p><b>Derivative risk:</b></p>	<p>Risks associated with using derivatives might include the value of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative, the Fund may not be able to meet payment obligations as they arise, and where the counterparty to the derivative contract cannot meet its obligations under the contract. Fidelity International aims to reduce this risk by monitoring the use of derivatives, monitoring counterparties and ensuring all positions are backed by cash and/or physical equities.</p>

## Fees and other costs

### **DID YOU KNOW?**

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

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

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### **TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the ASIC website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This document 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 Fund assets as a whole.

Information about taxes is set out in the "Taxation" section on page 14.

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

Type of Fee or Cost	Amount	How and when paid
Fees when money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment.	Not applicable	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment.	Not applicable	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment.	Not applicable	Not applicable
<i>Termination fee</i> The fee to close your investment.	Not applicable	Not applicable
Management Costs		
The fees and costs for managing your investment <sup>^</sup> .	0.85% per annum of the net asset value of the Fund <sup>^</sup> .	The fee is deducted from the net assets of the Fund and is reflected in the Fund's unit price. The fee is calculated and accrued daily and paid quarterly in arrears, or at such other times as determined by the responsible entity. Some of this fee may be rebated to wholesale clients.
Service Fees		
<i>Investment switching fee</i> The fee for changing investment options.	Not applicable	Not applicable

<sup>^</sup> Please refer to the explanation of management costs in the "Additional explanation of fees and costs" section. These fees and costs may include an amount payable to an operator of a master trust or wrap account or an adviser (see "Product access payments and fund manager payments" under the heading "Additional explanation of fees and costs").

## Additional explanation of fees and costs

### The “buy/sell spread”

The buy/sell spread is charged because an application or withdrawal may involve the purchase or sale of Fund assets, thereby incurring transaction costs such as brokerage, government charges/stamp duties and share settlement and clearing fees. The buy/sell spread set out below is an estimate of these costs. Imposing a buy/sell spread aims to ensure that existing investors do not pay any costs associated with other investors entering or exiting the Fund. Buy/sell spreads are reflected in the application and withdrawal price of units and are charged to investors when they enter or exit the Fund.

As at the date of this PDS, the buy spread and the sell spread for applications and withdrawals are each 0.25% of the value of the application amount or withdrawal amount. This amount may change from time to time as buy/sell spreads vary depending on the nature of the costs and the volume and types of assets being bought and sold.

The buy/sell spread is an additional cost to you (when investing or withdrawing your investment), which is retained in the Fund to meet the expense of investors entering or exiting the Fund. In passing on these costs, none of the responsible entity, Fidelity Australia, Fidelity International (or any investment manager appointed by it) receives any financial benefit.

### Management Costs – 0.85%

The Fund will bear management costs payable to the responsible entity of 0.85% per annum of the net asset value of the Fund (“Management Costs”). These are the costs incurred by the responsible entity in relation to the proper performance of its duties in respect of the Fund, either directly or by way of reimbursement out of the Fund, that are not charged directly to the account of any investor. Any unrecoverable GST borne by the Fund will also be part of the Management Costs.

The Management Costs include, but are not limited to, costs associated with investment management, custody and investment administration as well as legal and tax services. The responsible entity, in accordance with its powers under the constitution, has outsourced some of these services/functions. The costs of these service providers will be borne by the responsible entity as part of the Management Costs and are not an additional charge to investors.

Additionally, the responsible entity is entitled to be indemnified out of the assets of the Fund for any liability incurred by it in properly performing any of its powers and duties in relation to the Fund. This may include the cost of holding a unit holder meeting, costs associated with legal proceedings or borrowing costs.

### Transactional and Operational Costs

In addition to the Management Costs, expenses incurred by the responsible entity or Fidelity International that are generally associated with the purchase and disposal of the assets of the Fund will be paid out of the Fund. These transactional and operational costs include, but are not limited to, brokerage, share settlement and clearing fees, government charges/stamp duties and foreign exchange transaction fees. The transactional and operational costs are generally reflected in the unit price.

### Fees for Indirect Investors

Investors accessing the Fund through a master trust or wrap account (“indirect investors”) will, in addition to the fees described above, bear the fees and expenses described in the relevant offer document issued by the operator of any such master trust or wrap account.

### Taxation

Please refer to the "Taxation" section of this PDS (on page 14) for information about taxation.

Unless otherwise noted, all fees and Management Costs specified in this PDS (including in the worked example on page 12) are inclusive of Goods and Services Tax ("GST"), net of any input tax credits (including reduced input tax credits) available to the Fund. However, if expenses are recovered from the Fund, and the responsible entity is required to pay GST in respect of that expense, the responsible entity may recover an amount equal to the GST from the assets of the Fund.

### Differential Fees

Both Fidelity International and the responsible entity may agree with investors who are wholesale clients (as defined in the Corporations Act 2001 (Cth) ("Corporations Act")) to rebate some of the Management Costs on a case by case basis. Please contact Fidelity Australia for more information.

### Product Access Payments and Fund Manager Payments

Fidelity International may pay an amount of up to \$20,000 annually, and/or payments of up to 100% of the Management Costs described on page 9 to any of the following:

- each operator of a master trust or wrap account through which the Fund is made available; or
- the provider of a distribution or administration service that facilitates investments by investors in a master trust or wrap account.

#### Example of product access/fund manager payments

By way of example, Fidelity International may pay an amount of 0.85% per annum of the net asset value of the Fund to the persons described above. To illustrate this by reference to an individual direct investor in the Fund with a balance of \$550,000 held for one year, the amount of this payment would be \$4,675 (i.e. 0.85% of \$550,000). However, it should be noted that these amounts will be paid by Fidelity International out of the Management Costs and are not an additional charge to investors.

Fidelity International may also provide other types of remuneration to financial advisers (e.g. marketing support payments) and/or non-monetary benefits (e.g. sponsorship of professional development days). These payments or benefits are borne by Fidelity International and are not an additional charge to investors. Further details of such payments and benefits are contained in Fidelity Australia's Financial Services Guide, which is available via the Fidelity Australia website at [www.fidelity.com.au](http://www.fidelity.com.au)

### Register of Alternative Forms of Remuneration

Fidelity Australia maintains a register of the material alternative forms of remuneration that it pays to some distributors of its financial products. The register is publicly available and you can obtain a copy by contacting Fidelity Australia's Compliance Officer.

### Increases or Alterations to Fees

Should there be a decision to increase fees and expenses, investors will be given 30 days prior notice. The maximum fee entitlement of the responsible entity under the constitution is 1.55% per annum of the net asset value of the Fund.

The constitution for the Fund permits contribution and withdrawal fees of 5% to be charged, however, the responsible entity has no current intention to apply these fees.

### Example of annual fees and costs

This table gives an example of how the fees and costs for this product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$550,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	Nil	For every additional \$5,000 you put in you will not be charged a fee.
<b>PLUS</b> Management Costs	0.85% p.a.*	<b>And</b> , for every \$550,000 you have in the Fund you will be charged \$4,675 each year.
<b>EQUALS</b> Cost of Fund		If you put in \$5,000 during the year and your balance was \$550,000, then for that year you will be charged fees of:  \$4,675^  <b>What it costs you will depend on the fees you negotiate with your financial adviser or your service provider.</b>

^ Additional fees may apply. Please refer to the above explanation of "The buy/sell spread" and "Transactional and Operational Costs". For illustrative purposes, the above example assumes that Management Costs were calculated on a balance of \$550,000. It does not take account of Management Costs that would be charged on the additional \$5,000 contributed during the year.

\* This figure is based on the actual Management Costs of the Fund for the financial year ended 30 June 2006 (as contemplated under the Corporations Regulations 2001).

## Investing in the Fund

### Investing Through a Master Trust or Wrap Account

Investors accessing the Fund through a master trust or wrap account (i.e. indirect investors) may use this PDS to give a direction to the operator of that service to invest in the Fund. If an investor invests through a master trust or wrap account, the operator of the service, and not the investor, becomes an investor in the Fund. The operator of that service acquires the rights of an investor and can exercise, or decline to exercise, them on behalf of the indirect investor.

No cooling-off rights apply in respect of any investment acquired through a master trust or wrap account. However, indirect investors should contact their operator and read the operator's offer document for more information on any cooling-off rights that may apply in relation to an investor's investment through the master trust or wrap account.

In addition to reading this PDS, the indirect investor should carefully read the operator's offer document, which explains the service and the fees payable by the indirect investor to the operator.

### Direct Investors

Initial applications must be for at least \$500,000 and can be made by completing the relevant client establishment and application forms. Please call the Fidelity Australia Client Services team for the relevant forms. The responsible entity has the discretion to accept investments less than this minimum, but will usually only do so if the applicant is a wholesale client under the Corporations Act or for certain employees of Fidelity Australia and Fidelity Asia Services Pty Ltd ("Fidelity Staff Investors").

To invest, simply forward your completed application form, together with your payment to JPMorgan (contact details refer page 2). Payment methods and details are listed on the application form.

If the application cannot be processed because it is invalid, the relevant application money will be placed into a holding account. Any interest earned in the holding account is not payable to the investor, but will be paid into the Fund. The application form, together with your payment, should be received by 12.00pm (Sydney time) on a business day in order to receive that business day's application price.

As the minimum initial investment for direct investors who are not Fidelity Staff Investors is \$500,000, meaning that new investors will be wholesale clients, no cooling-off rights will apply.

Fidelity Staff Investors are subject to a reduced minimum initial investment amount, but only on certain terms and conditions.

Cooling-off rights are available to Fidelity Staff Investors who do not meet the criteria for a wholesale client under the Corporations Act. Fidelity Staff Investors who decide that their investment in the Fund does not meet their needs can request in writing to have it cancelled within the 14 day cooling-off period. The cooling-off period begins when the transaction confirmation is received by a Fidelity Staff Investor or five days after their units are issued, whichever is earlier. Fidelity Staff Investors may only exercise this cooling-off right by notifying the responsible entity of the return of the relevant units in the Fund. When calculating the amount to be returned, the Fidelity Staff Investor will bear any fluctuation in the market and costs and taxes may be deducted that relate to their investment and the exercise of their cooling-off right to the extent permitted by the Corporations Act.

This cooling-off right will not be available:

- for additional investment in the Fund, including reinvestments of distributions;
- if the Fidelity Staff Investor has exercised any of his or her rights as an investor in the Fund;
- to indirect investors investing in the Fund via a wrap account or master trust; or
- to wholesale clients (as defined in the Corporations Act).

## Making a withdrawal

### Indirect Investors

Indirect investors should follow the instructions of their wrap account or master trust operator to make a withdrawal from the Fund.

### Direct Investors

An investor may request to withdraw all or part of their investment in the Fund at any time by providing JPMorgan with a written notice of withdrawal. Generally, withdrawals are subject to maintaining a minimum account balance of \$500,000.

Written requests must be signed by the investor or the authorised signatories and should specify:

- the investor name and number;
- the amount to be withdrawn, in either dollars or units; and
- the account name, BSB number and account number of the Australian bank, building society or credit union account to which payment is to be made.

Withdrawal requests should be received by 12.00pm (Sydney time) on a business day in order to receive that business day's withdrawal price.

## Keeping you informed

### Indirect Investors

The master trust or wrap account operator will provide indirect investors with reports on the progress of the Fund.

### Direct Investors

Direct investors will receive:

- a quarterly statement detailing the balance of your investment, transactions and distributions received;
- an annual tax statement containing a summary of your distributions for the financial year to assist you in completing your tax return; and
- the annual accounts for the Fund (you may elect not to receive these if you wish).

### Continuous Disclosure

It is expected that the Fund will become a 'disclosing entity' under the Corporations Act. When that occurs, the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

If you wish to obtain any of the following documents, please contact your master trust or wrap account operator (for indirect investors), or alternatively contact the Fidelity Australia Client Services team (for direct investors):

- an annual financial report most recently lodged with ASIC;
- any half yearly report for the Fund lodged with ASIC after the lodgment of the annual report and before the date of this PDS; or
- any continuous disclosure notices given by the Fund after lodgment of the annual report and before the date of this PDS.

## Taxation

The information provided below is a general statement of the Australian income tax implications for a prospective investor who will hold units in the Fund on capital account. It does not consider investors who hold units on revenue account. The information is necessarily general in nature and does not take into account the specific circumstances of each investor. Discussion of Australian tax law is current as at the date of preparation of this PDS. As Australian tax law is complex and may change, all potential applicants should satisfy themselves of possible consequences by consulting their own professional tax advisers.

### Taxation of the Fund

#### *Calculation of the Fund's net income*

The Fund's assessable income may include distributions from equities (including franked dividends), capital gains and interest income.

This assessable income will be reduced by the application of any available deductions, which may include interest paid on borrowings and any other expenses having the necessary connection with the Fund's investments.

Under existing tax law, provided the responsible entity distributes all net taxable income of the Fund (including net taxable capital gains) to investors, the responsible entity should generally not be liable to pay tax in respect of the Fund. In addition, on the basis that the Fund will only invest in Australian equities and derivatives and will not control, directly or

indirectly, the affairs or operations of another entity in relation to the conduct of a trading business, the Fund should not be taxed as a corporate entity for tax purposes.

The Fund should be entitled to the 50% discount on any net capital gain realised in respect of assets it has held for at least 12 months.

In determining the amount of the net capital gain against which the 50% discount is applied, capital losses are first offset against the full amount of capital gains made by the Fund in the relevant income year. The 50% discount is applied against any resulting net capital gain. If a net capital loss instead arises in any income year for the Fund, such a net capital loss is not able to be offset against ordinary income, and must be carried forward to future income years.

Franking credits received by the Fund should flow through to investors, to be dealt with in accordance with the investor's particular tax attributes, subject to the responsible entity satisfying the franking rules, including the so-called 'related payments' rule and what is commonly referred to as the holding period rule and provided investors may be regarded as having vested and indefeasible interest in the corpus of the Fund. In relation to franking credits, the Australian Tax Office ("ATO") considers that holders of units in a trust will have a vested and indefeasible interest only where units are issued or redeemed at a price based on the quoted price of units (for listed trusts) or net asset value, according to Australian accounting principles (for unlisted trusts). This issue is common to all trusts, including many large publicly owned imputation funds. The ATO has not to our knowledge challenged the entitlement of such trusts to recognise and pass on franking credits.

#### **Taxation of Investors**

##### *Distributions to resident investors*

Each Australian resident investor will be required to include in their assessable income the proportionate share of the net income (including net taxable capital gains) of the Fund to which they become presently entitled.

If the responsible entity has applied the 50% discount in determining an investor's share of a realised capital gain, an investor will need to double that gain, apply any capital losses against this amount and then apply any discount to which the investor may be eligible.

This amount should be declared in an investor's income tax return for the year in which the investor became presently entitled, whether it is distributed by payment during the income period, by payment after the income period or by reinvestment in additional units in the Fund.

Distributions may affect entitlements to social security benefits.

##### *Tax advantaged income*

Where the cash distribution from the Fund exceeds the taxable component of that distribution, the excess will not be immediately taxable but may reduce the capital gains tax ("CGT") cost base of the units held by an investor. This excess is often referred to as the 'tax advantaged' component of the distribution. A cost base reduction will be required for all non-assessable components that will be distributed by the Fund, with the exception of the discounted portion of any distributed capital gains.

For non-resident investors, the non-assessable component does not include dividend and interest components that are subject to withholding tax. To the extent that the total amount of tax advantaged income exceeds the cost base of units held in the Fund, a capital gain will arise. Such capital gain may be eligible for the CGT discount concession.

##### *Character of income and franking credits/tax offset*

The character of particular categories of income in the hands of the Fund will be retained on distribution to investors. For example, dividend income received by the Fund will retain its character when received by investors.

Income distributions from the Fund may include fully franked or partially franked dividends received by the Fund. An investor who is assessed in respect of a share of a fully franked or partly franked dividend should, depending on their circumstances, be required to include their share of any franking credits as part of their assessable income and may be entitled to a tax offset equal to their pro-rata share of the imputation credits. Surplus credits may be refundable to individuals and complying superannuation funds.

#### *Distributions to non-resident investors*

In the event a non-resident investor becomes entitled to a share of the net income of the Fund, the responsible entity may retain a portion of the distribution to provide for the tax that will become payable on income or gains having an Australian source.

Non-resident investors may lodge an Australian tax return to declare their share of the net income of the Fund as assessable income and claim any applicable deductions. In these circumstances, the correct level of tax will be imposed and any excess tax initially withheld by the responsible entity will be refunded. In addition, the responsible entity may also be required to remit withholding tax to the ATO. Specifically, this requirement will apply to the extent that the net income of the Fund includes unfranked dividend or interest income.

Non-resident investors will not be entitled to imputation credits which attach to any franked dividend portion of a distribution from the Fund. However, any withholding tax liability may, in some circumstances, be reduced in respect of these imputation credits.

#### *Disposal of units*

A taxable capital gain or loss may be realised in the event that units in the Fund are withdrawn or otherwise disposed of. In ascertaining the cost base of units as at the time of a disposal, it will be necessary to have regard to any cost base adjustments arising from the receipt of tax advantaged income (as discussed above).

An investor that is a natural person, a trust or a complying superannuation fund may be entitled to the CGT discount concession on the capital gain realised on the disposal of units held for at least 12 months. Any capital loss may be offset against other capital gains made by the investor in that year or subsequent years.

A non-resident investor will generally only be assessed on capital gains arising from the disposal of units in the Fund, if the investor and its associates held, or had the option or right to hold, 10% or more of the issued units in the Fund at any time during the five years immediately preceding the disposal.

Even where that is the case, a capital gain made by a non-resident on disposal of units may, nevertheless, be disregarded provided that at the time of disposal the Fund satisfies the requirements to be a fixed trust for taxation purposes and at least 90% of the underlying investments of the Fund (by market value) do not have the necessary connection with Australia. Given the nature of the investments of the Fund, it is expected that this will be the case. The Australian Government announced in the 2005 Budget that CGT would generally not apply to the disposal of assets held by non-residents except for land and interests in entities predominately holding land. This change will be effective from the date of enactment (no legislation has yet been forthcoming).

Taxation relief may be available to non-resident investors under a double taxation agreement, depending on the individual circumstances of the investor and the terms of the particular treaty. Non-resident investors should obtain professional advice in this regard.

#### **Goods and Services Tax**

The acquisition, withdrawal or other disposal of units in the Fund by investors is not subject to GST. The Fund generally incurs GST in respect of its various fees and expenses, but may not be entitled to input tax credits or may only be entitled to a partial input tax credit in respect of GST incurred.

## Further information and important notices

### Fund Documentation

#### *Constitution*

The constitution for the Fund is a unit trust deed. It binds the responsible entity and all investors. A copy of the constitution is available free of charge from Fidelity Australia on request. Its principal provisions include those dealing with:

- the duration of the Fund including termination;
- duties and obligations of the responsible entity (and their delegation);
- the responsible entity's powers (which are essentially unlimited and include the power to borrow);
- fees and recoverable expenses and the limitation of the responsible entity's liability and indemnification;
- investor meetings;
- the method by which complaints are dealt with;
- the calculation, entitlement to and distribution of income; and
- calculation of unit issue and withdrawal prices and related mechanisms.

The constitution may be amended by the responsible entity at any time if the amendments are not adverse to the rights of investors. Otherwise, approval of investors by special resolution must be obtained.

The Fund terminates 80 years from establishment, but the responsible entity can terminate it earlier by notice to investors. On termination, the responsible entity will realise the assets and pay to investors their share of the net proceeds of realisation.

The constitution limits an investor's liability to the value of his/her investment in the Fund so an investor should not, solely by reason of being an investor, be personally liable to indemnify the responsible entity or any creditor of the Fund should the Fund be unable to meet its debts. However, an absolute assurance about an investor's liability cannot be given because the issue has not been finally determined by a superior court.

Subject to the Corporations Act, except in the case of fraud or dishonesty or where the responsible entity has failed to exercise the degree of care and diligence as required by the constitution, the responsible entity is not bound to make any payments to investors except out of the Fund or to be liable to investors in excess of the assets of the Fund.

#### *Compliance Plan*

The responsible entity has prepared and lodged a compliance plan for the Fund with ASIC. The plan describes the procedures used by the responsible entity to comply with the Corporations Act and the constitution. Each year the plan is audited and the audit report is lodged with ASIC.

#### *The Investment Management Agreement*

The responsible entity has entered into the Investment Management Agreement with Fidelity International. Under the Investment Management Agreement, Fidelity International agrees to provide investment management and administration (such as accounting, unit pricing, income calculation and unit registry) services to the responsible entity.

The Investment Management Agreement may be terminated at any time by either party in the event of certain insolvency or breach events. Additionally, Fidelity International may terminate the Investment Management Agreement on six months notice to the responsible entity.

Fidelity International has outsourced the provision of the abovementioned administration services to JPMorgan.

### **Labour Standards, Environmental, Social and Ethical Considerations**

Decisions about the selection, retention or realisation of investments for the Fund are primarily based on company and industry fundamentals and Fidelity International does not take into account labour standards, environmental, social or ethical issues when making these decisions except to the extent that these issues have a material impact on either investment risk or return.

### **Money Laundering Prevention**

As part of the responsible entity's responsibility for the prevention of money laundering, the responsible entity, Fidelity International and Fidelity Australia may require a detailed verification of an investor's identity, any beneficial owner underlying the account and the source of the payment.

Each of the responsible entity, Fidelity International and Fidelity Australia reserves the right to request such information as is necessary to verify the identity of an investor and the underlying beneficial owner of a potential investor's or an investor's units in the Fund. In the event of delay or failure by the potential investor or investor to produce any information required for verification purposes, the responsible entity may refuse to accept an application. The Fund, by written notice to any investor, may suspend the payment of redemption proceeds payable to such investor if the responsible entity, Fidelity International or Fidelity Australia reasonably deem it necessary to do so to comply with anti-money laundering laws and regulations applicable to them.

### **Personal Information**

If you are investing via a master trust or wrap account, please be aware that none of the responsible entity, Fidelity International, Fidelity Australia or JPMorgan (together the "entities") collect or hold personal information in connection with an investment in the Fund.

If you are investing directly in the Fund, by signing an application form, you agree to any of the entities collecting, holding and using your personal information to process your application and manage the products and services provided. This includes monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries. Without this information, it may be impossible to process your application or provide an appropriate level of service.

Under the Privacy Act 1988, you may request access to personal information held by any of the entities. You can contact Fidelity Australia to make such a request or to arrange for a copy of the relevant entity's privacy policy.

### **Complaints Handling**

The responsible entity has established procedures for dealing with complaints. If an investor has a complaint, they can contact the responsible entity or Fidelity Australia during business hours. Contact details can be found at the beginning of this PDS.

The responsible entity will use reasonable endeavours to deal with and resolve the complaint within a reasonable time.

If an investor is not satisfied with the outcome, the complaint can be referred to the Financial Industry Complaints Scheme ("FICS"), an external complaints resolution scheme of which the responsible entity is a member. FICS is located at 31 Queen Street, Melbourne, Victoria 3000 and the toll free number is 1300 780 808. FICS' role and terms of reference are specified in FICS' Rules available from their website [www.fics.asn.au](http://www.fics.asn.au)

### **Updated Information**

This PDS may be updated or replaced from time to time. A copy of the current PDS is available from Fidelity Australia on request at any time, free of charge. Investors can either call Fidelity Australia or access its website at [www.fidelity.com.au](http://www.fidelity.com.au) for a copy.

Information contained in this PDS may change from time to time. Unless the changed information is materially adverse to investors, the responsible entity may not always update or replace this PDS to reflect the changed information. To find out about any up-to-date information not contained in this PDS, either call Fidelity Australia toll free (contact details are at the beginning of this PDS) or access its website at [www.fidelity.com.au](http://www.fidelity.com.au) for a copy. A paper copy of any updated information will be provided on request free of charge.

### **Consents of Fidelity International and Fidelity Australia**

Fidelity International and Fidelity Australia have given their written consent to the issue of this PDS in paper and electronic form in respect of the statements about the companies appearing in this PDS.

### **Related Parties and Service Providers**

Fidelity International, Fidelity Australia and the responsible entity may from time to time use the services of related parties and pay commercial rates for those services. Such services may include broking, investment management and administration.

### **Preparation of PDS and Related Information**

None of the responsible entity, Fidelity International or Fidelity Australia, nor any of their related bodies corporate or directors or officers makes any representations or guarantees as to future performance of the Fund, or any particular rate of capital or income return. The value of an investment in the Fund may rise or fall. This may result in the possible loss of income, principal invested and delays in repayment.

The Fund is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading in the Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The responsible entity may refuse to accept applications for units from persons who are considered to have a history of short-term or excessive trading in the Fund or in other funds managed by Fidelity International, or whose trading has been or may be disruptive.

If a copy of this PDS has been obtained electronically, the investor needs to print all of it. If an investor would like a paper copy of this PDS, contact Fidelity Australia and a copy will be sent free of charge.

**Fidelity Investments Australia Limited**

ABN 34 006 773 575 AFSL 237 865

**Level 8**

167 Macquarie Street  
Sydney NSW 2000  
Phone: +61 2 9225 0500  
Fax: +61 2 9221 2303

**Level 50**

120 Collins Street  
Melbourne VIC 3000  
Phone: +61 3 9225 5455  
Fax: +61 3 9225 5050

**Postal Address:**

PO Box N850  
Sydney NSW 1225

Client Services: 1800 119 270

[www.fidelity.com.au](http://www.fidelity.com.au)

