BlueSky
Alternative Thinking

BLUE SKY
ALLIANCE FUND

ARSN 140 253 685

PRODUCT DISCLOSURE STATEMENT

ABSOLUTE RETURN UNITS (APIR CODE COL0018AU)

REAL RETURN UNITS (APIR CODE COL0019AU)

DYNAMIC MACRO UNITS (APIR CODE COL0020AU)

29 SEPTEMBER 2017

INVESTMENT MANAGER

Blue Sky Investment Science Asset Management Pty Ltd
ABN 79 122 617 083 | AFSL 342169

RESPONSIBLE ENTITY

One Managed Investment Funds Limited
ABN 47 117 400 987 | AFSL 297042

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IMPORTANT INFORMATION AND DISCLAIMER

ISSUER	One Managed Investment Funds Limited ABN 47 117 400 987 (AFSL 297042) of Level 11, 20 Hunter Street, Sydney NSW 2000 ('Responsible Entity', 'OMIFL' or 'we') is the issuer of this Product Disclosure Statement ('PDS') dated 29 September 2017.
INVESTMENT MANAGER	Blue Sky Investment Science Asset Management Pty Ltd ABN 79 122 617 083 ('Investment Manager' or 'BSISAM') is the investment manager appointed to manage the Fund, the sub-funds and the Portfolios comprising the assets of the sub-funds, in which the Fund invests. The Investment Manager is a wholly owned subsidiary of Blue Sky Alternative Investments Limited ABN 73 136 866 236 ('BSAIL'). The Blue Sky group of companies is headquartered in Brisbane, with offices in Sydney, Melbourne, Adelaide and New York.
OFFER	This PDS invites you to apply for units in the Blue Sky Alliance Fund ARSN 140 253 685 (the 'Fund'). This offer is open to both retail and wholesale clients who are Australian residents and who receive this PDS in Australia. If you receive this PDS in electronic form, you may obtain a paper copy (including the application form) free of charge from your financial adviser, the Responsible Entity or the Investment Manager. This PDS only constitutes an offer of or invitation to acquire financial products to persons within Australia or in places where it is lawful to make such an offer or invitation. Other than the Responsible Entity and the Investment Manager, no person has caused or authorised the issue of this PDS nor does any of them take any responsibility for the preparation of this PDS or the establishment or performance of the Fund.
ELECTRONIC COPY OF PDS	If an electronic copy of this PDS is printed, all pages must be printed. If this PDS is made available to another person, they must be provided with the entire electronic file or printout, including the application form. A paper copy of this PDS (and any supplementary documents) may be obtained free of charge on request from your financial adviser, the Responsible Entity or the Investment Manager.
UPDATED INFORMATION	Information in this PDS may be updated from time to time. Updated information will be provided on the Responsible Entity's website at *www.oneinvestment.com.au/bluesky*. Investors are encouraged to visit the site regularly for this purpose. A paper copy of the updated information will also be available, free of charge, upon request from the Responsible Entity. Where updated information about the Fund is materially adverse to investors, the Responsible Entity may take a number of actions which include issuing a new or supplementary product disclosure statement. If the change relates to an increase in fees and costs charged, at least 30 days' notice will be given to you.
NO PERSONAL ADVICE OR GUARANTEE AS TO PERFORMANCE	None of the Responsible Entity, the Investment Manager or any of their related bodies corporate, affiliates, associates or officers of any of the above entities makes any recommendation as to the suitability of an investment in the Fund for any investor or makes any representation or gives any assurance as to the performance of the Fund or any particular rate of return. Nor do they guarantee the repayment of capital from the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested, and no party involved in the Fund in any way stands behind the capital value and/or performance of the Fund. No representation is made with respect to the taxation consequences of an investment in the Fund. You should seek your own financial, taxation and investment advice before investing in the Fund. Before making an investment decision on the basis of this PDS, you should consider, in conjunction with your financial adviser, whether an investment in the Fund is appropriate in view of your particular investment needs, objectives, financial and taxation circumstances. It is important that you read the entire PDS including the Section 4: *Risks* before making any decision to invest.
PAST PERFORMANCE	Any reference to past performance information provided in this PDS is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.
DEFINED TERMS	Capitalised terms used in this PDS have the meanings given to them in the text unless the context requires otherwise.
GLOSSARY	A glossary of terms is provided in Section 9: *Glossary* of this PDS.

FURTHER INFORMATION	For further information regarding this offer please contact your adviser. You may also contact the Investment Manager or the Responsible Entity. Their contact details are in the Corporate Directory.
CURRENCY	In this PDS, all amounts are expressed in Australian dollars unless otherwise indicated.

This PDS is an important document which should be read carefully and in its entirety before making a decision whether or not to invest in the Fund.

Visit *www.oneinvestment.com.au/bluesky* for information updates.

SECTION 1: FUND SUMMARY

THE FUND	Blue Sky Alliance Fund ARSN 140 253 685. The Fund is a registered managed investment scheme.	SECTION 3.1
RESPONSIBLE ENTITY	One Managed Investment Funds Limited	SECTION 8.2
INVESTMENT MANAGER	Blue Sky Investment Science Asset Management Pty Ltd	SECTION 8.2
CLASSES OF UNITS	The Fund offers classes of units which invest in separate sub-funds. The Fund currently offers three classes of units – the Absolute Return Units (APIR Code COL0018AU), the Real Return Units (APIR Code COL0019AU) and the Dynamic Macro Units (APIR Code COL0020AU). The assets attributable to each class of units are invested in three sub-funds – the Absolute Return Fund, the Real Return Fund and the Dynamic Macro Fund (each a 'sub-fund'). The assets of each sub-fund respectively comprise the Absolute Return Portfolio, the Real Return Portfolio and the Dynamic Macro Portfolio (each a 'Portfolio'). Collectively and throughout this PDS the investment in each respective unit, sub-fund and Portfolio is termed Absolute Return, Real Return and Dynamic Macro.	SECTION 2 SECTION 3.1
INVESTMENT OBJECTIVE	The investment objective of each of the Absolute Return, Real Return and Dynamic Macro Portfolios is to seek to maximise the return on the Portfolio within a pre-determined volatility target for that Portfolio.	SECTION 2 SECTION 3.2
VOLATILITY TARGET	The long-term volatility target for each Portfolio is as follows: **VOLATILITY TARGET** Absolute Return Portfolio: 4% per annum Real Return Portfolio: 9% per annum Dynamic Macro Portfolio: 16% per annum The higher the volatility target the higher the risk that is taken.	SECTION 2 SECTION 3.2 SECTION 3.3
MINIMUM INITIAL INVESTMENT [1]	Aggregate investment: $10,000 and if investing in more than one class of units the minimum in a class: Absolute Return Units: $2,000 Real Return Units: $2,000 Dynamic Macro Units: $2,000	SECTION 5.1

NOTE:

[1] These minimum amounts do not apply to applications or withdrawal requests received from master trusts, wrap accounts or other administration platforms and the Responsible Entity may waive any minimum amount on a case by case basis at its discretion.

MINIMUM ADDITIONAL INVESTMENT [1]	Aggregate additional investment $2,000 and if adding to a class of units held, a minimum in a class: Absolute Return Units $2,000 Real Return Units $2,000 Dynamic Macro Units $2,000	SECTION 5.1
WITHDRAWALS [1]	The minimum amount is $2,000 with a minimum aggregate balance of $10,000 being maintained in the Fund.	SECTION 5.4
ENTRY AND EXIT FEES	None.	SECTION 6.1
APPLICATIONS AND WITHDRAWALS	All applications must be received before 4pm Sydney local time on the second last business day of the week to be issued at the unit price calculated as at close of business on the last business day of the week (a 'Dealing Day'). All withdrawal requests must be received before 4pm Sydney local time on the last business day of the week to be processed at the unit price calculated as at the close of business on the last business day of the next week (a Dealing Day).	SECTION 5.1 SECTION 5.4
UNIT PRICING	The unit price for each of the classes of units is calculated weekly, as at close of business on the last business day of the week (a Dealing Day).	SECTION 5.1 SECTION 5.4 SECTION 5.6
MAXIMUM BUY / SELL SPREAD	SPREAD / ABSOLUTE RETURN / REAL RETURN / DYNAMIC MACRO Buy: 0.22% / 0.22% / 0.13% Sell: 0.22% / 0.22% / 0.13%	SECTION 6.3
COOLING OFF	Cooling off rights may apply to some applicants.	SECTION 5.3
SUGGESTED MINIMUM HOLDING PERIOD	5 years.	–
RISKS	Before investing in the Fund investors should consider carefully the risks associated with an investment in the Fund referred to in Section 2: *ASIC Hedge fund benchmark and disclosure principles* and the general, specific and other risks outlined in Section 4: *Risks*.	SECTION 2 SECTION 4

NOTE:

[1] These minimum amounts do not apply to applications or withdrawal requests received from master trusts, wrap accounts or other administration platforms and the Responsible Entity may waive any minimum amount on a case by case basis at its discretion.

TOTAL MANAGEMENT COSTS[2] (% PER ANNUM OF THE NET ASSET VALUE OF THE RELEVANT CLASS)	See table below.	SECTION 6.1

		UNIT CLASS			
		ABSOLUTE RETURN	REAL RETURN	DYNAMIC MACRO	
Management Fee	Base Management Fee	0.92%	0.92%	1.13%	SECTION 6.1
Administration Costs	Expense Cap [1]	0.37%	0.37%	0.52%	SECTION 6.3
Indirect Costs (Underlying manager fees)		1.64%	1.38%	–	
Management Fee plus Indirect Costs plus Administration Costs up to the Expense Cap	Total Management Costs[1][2]	2.93%	2.67%	1.65%	

[1] Assumes:

(a) Expense Cap is reached (if the Expense Cap is not reached the total expenses will be less than this); and

(b) Investment Manager pays Administration Costs in excess of Expense Cap. Costs beyond the Expense Cap not paid by the Investment Manager are paid by the Fund and could cause an amount greater than the percentage shown above paid by the Fund.

[2] All amounts in this table (other than indirect costs which are not subject to GST) are shown inclusive of GST (at 10%) less available RITC and are rounded to two decimal places.

See section 6.3 for more details.

PERFORMANCE FEE (DYNAMIC MACRO UNITS ONLY)	20.5% (including GST less RITC) of the outperformance, after management fee, of the Dynamic Macro Units over the Benchmark Return, payable at the end of each calendar quarter or when units are withdrawn, if this occurs between calendar quarters. The performance fee calculation is also subject to a high water mark, i.e. it is only paid on increases in the outperformance to new higher levels on which no prior performance fee has been paid.	SECTION 6.1
BENCHMARK RETURN	The return of the official RBA cash rate, calculated by compounding the arithmetic average rate from Dealing Day to Dealing Day.	SECTION 6.1
DISTRIBUTIONS	Usually half yearly, as at 30 June and 31 December.	SECTION 5.7
REINVESTMENT OF DISTRIBUTIONS	Yes.	SECTION 5.7
TAXATION CONSIDERATIONS	A tax summary for Australian investors is provided in this PDS.	SECTION 7
COMPLAINTS	The Responsible Entity has a procedure to deal with complaints from investors in the Fund.	SECTION 8.3

SECTION 2: ASIC HEDGE FUND DISCLOSURE BENCHMARKS AND DISCLOSURE PRINCIPLES

The Fund is categorised as a hedge fund for the purpose of ASIC Regulatory Guide 240 – *Hedge Funds: Improving disclosure* ('RG 240'). The following section tells investors what information is required by RG 240 and gives that information or lets investors know where additional information, if any, is to be found in this PDS.

Some of this information will change from time to time. It will be updated by the Responsible Entity when there is any material change to a matter, or a significant event that affects a matter, as well as when there are changes in the periodic reporting as to the Fund.

Visit *www.oneinvestment.com.au/bluesky* for information updates.

BENCHMARKS

BENCHMARK 1: VALUATION OF ASSETS	MEETING THE BENCHMARK For further information, see Disclosure Principle 4
The Responsible Entity has and implements a policy that requires valuations of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.	The Responsible Entity meets this benchmark. As at the date of this PDS all assets of the Fund and the Portfolios that are not exchange traded are independently valued.

BENCHMARK 2: PERIODIC REPORTING OF KEY INFORMATION	MEETING THE BENCHMARK For further information, see Section 8.1
The Responsible Entity has and implements a policy to provide periodic reporting on certain key information (including current funds under management and investment returns) on an annual and monthly basis.	The Responsible Entity meets this benchmark. The reports are available on the Investment Manager's website *http://blueskyfunds.com.au/what-we-do/hedge-funds/*.

DISCLOSURE PRINCIPLES

DISCLOSURE PRINCIPLE 1: INVESTMENT STRATEGY	DISCLOSURE For further information, see Sections 3.2, 3.3 and 4.2
The Responsible Entity discloses the following information: ■ the Fund's investment strategy	The Investment Manager has developed a suite of products with a range of return profiles that are designed to help investors meet their particular investment goals with a particular focus on protecting portfolios in times of crisis. This provides investors with the flexibility to select the product that is best suited to their individual circumstances. **ABSOLUTE RETURN PORTFOLIO** Absolute Return has been developed as an alternative strategy to typical 'conservative' funds, which generally rely on a large allocation to bonds, and limited diversification through equities, to achieve their return objectives. As the name suggests the Absolute Return Portfolio seeks to make a return regardless of whether markets are rising or falling. It does this by investing in a diverse range of assets with specialist managers while hedging out currency and equity risk to a long term target of nil. Absolute Return seeks to generate returns of RBA cash rate plus 2-3% per annum over a business cycle. Its diversified portfolio is designed to outperform fixed income dominated conservative funds with a similar level of volatility of approximately 4% per annum. **REAL RETURN PORTFOLIO** Real Return has been developed as an alternative strategy to typical 'growth' funds, which generally rely on a large allocation to equities, and limited diversification through bonds, to achieve their return objectives. Real Return generates returns by investing in a diverse range of assets with specialist managers while hedging out currency and equity risk to a long term target of 50%. Real Return seeks to generate returns of the Australian Consumer Price Index (CPI) plus 3-5% per annum over a business cycle, hence the name of the strategy. Its diversified portfolio is designed to outperform equity dominated growth funds which have a similar volatility target of approximately 9% per annum. **DYNAMIC MACRO PORTFOLIO** Dynamic Macro is a managed futures portfolio that seeks to generate profits from investments across bonds, interest rate, currency, commodity and equity markets, while targeting long term volatility of 16% per annum. The Portfolio relies on a broad range of quantitative trading strategies to generate returns across global markets. In addition Dynamic Macro uses a systematic macroeconomic overlay called the Quadrant ('the Quadrant') to allocate risk across the portfolio of underlying strategies. Blue Sky's Dynamic Macro Portfolio is a "crisis alpha portfolio" which means it is designed to provide protection during times of market weakness, while avoiding the return erosion associated with a permanent tail hedge when protection isn't required. The Portfolio is expected to produce volatility similar to equity markets (16% per annum) but with no specific target equity allocation. Dynamic Macro seeks to generate returns of RBA cash rate plus 6-10% per annum over a business cycle. The Portfolio has the ability to take both long and short positions across a range of markets. **All assets of the Fund are held in Australian dollars or Australian denominated investments. All Portfolio assets are denominated in the currency of the investment, which include AUD, USD and other currencies. Portfolio investments are hedged back to AUD except where the assets themselves are exposures to foreign currency investments.**
■ how the strategy produces investment returns	The investment strategy will produce investment returns based on the asset allocation and investment skills of the investment team in achieving the target volatility for the relevant Portfolio.
■ key dependencies or assumptions	The investment strategy depends on a number of factors, including market conditions, and will be influenced by specific risk factors set out in Section 4.2. Returns will be further based on the investment team being able to identify and invest in strategies and investment managers which outperform their stated benchmarks.

■ investment diversification guidelines or limits	The Absolute Return and Real Return Portfolios are invested through specialist managers in underlying funds or managed accounts. Any investment in a fund managed by a related party will be disclosed as part of the ongoing disclosure requirements. The underlying assets are diversified across many different equities markets (e.g. Asia, emerging markets, large and small capitalisation) and non-equity investments (e.g. commodities, currencies, interest rates and alternative investments). The Absolute Return and Real Return Portfolios may also invest in the Dynamic Macro class of units, up to a maximum aggregate limit of 13% of the Net Asset Value of the Portfolio for Absolute Return and 20% of the Net Asset Value of the Portfolio for Real Return. The level of any such investment will be disclosed as part of the ongoing disclosure requirements. Each Portfolio must maintain certain levels of liquidity (see Disclosure principle 5: *Liquidity* below).
■ specific risks	The Portfolios are constructed using non-traditional investments and non-traditional techniques. These characteristics can and will mean that the Investment Manager of the Portfolios, and the managers of the underlying funds and managed accounts, may incorporate leverage, derivatives and short selling in their investment process. Whilst not all managers necessarily employ all these techniques, investment in the Fund means that investors can be exposed to more complex risks than investors in funds pursuing more 'vanilla' strategies. These risks include those described as Liquidity risk, Derivatives risk, Margining risk, Counterparty risk and Short selling risk in Section 4: *Risks*.
■ key aspects of the risk management strategy	For the Absolute Return and Real Return Portfolios broad-based risk exposures are monitored using data from the specialist managers. The Investment Manager seeks to manage risks including those coming from equity markets and currency markets by hedging with derivatives in accordance with the investment strategy. For the Dynamic Macro Portfolio, risk exposures are monitored on a daily basis. Exposures are reduced below explicit pre-defined limits if necessary. Risk analysis tools for the Dynamic Macro Portfolio include: ■ sensitivity analysis on individual asset and asset class exposures; ■ sensitivity analysis at the Portfolio level; and ■ margin to equity valuations.
■ changes to investment strategy and notice of change	The Responsible Entity may, at its discretion, alter the investment strategy for the Fund and the Portfolios. While there is no current intention to do so, investors will be provided with written notice of any material changes. Any decision not to use the underlying SRA™ investment strategy will be considered to be a material change and will be notified to investors before the change and a new or a supplementary product disclosure statement will be issued.

DISCLOSURE PRINCIPLE 2: INVESTMENT MANAGER	**DISCLOSURE** For further information, see Sections 3.2, 3.3 and 8.2
The Responsible Entity discloses the following information: ■ the identity of any investment manager	Blue Sky Investment Science Asset Management Pty Ltd is the investment manager of the Fund and each of the Portfolios.
■ the identity, relevant qualifications and experience of individuals having a key role in investment decisions and the proportion of time spent on investment decisions	Simon McKean is the Portfolio manager for the Absolute Return and Real Return Portfolios. Simon Kitson and Chris Howland are the Portfolio managers for the Dynamic Macro Portfolio. Each is adequately qualified and experienced in the management of their respective Portfolio or Portfolios. They are engaged in investment decision-making and management of the respective Portfolio and other investment vehicles employing their strategies on a full time basis. The full biographies and other details of the Portfolio managers and the rest of the investment team are available at *http://blueskyfunds.com.au/who-we-are/our-people/.*
■ any unusual or materially onerous (from the unit holders' perspective) terms in the investment management agreement	The Investment Management Agreement contains standard terms and conditions. It does not have any terms that are unusual or materially onerous from the perspective of the unit holders.
■ circumstances in which the Responsible Entity may terminate the appointment of the investment manager and on what terms (including any payments)	Each of the Responsible Entity (in respect of the Fund) and the Trustee (in respect of a Portfolio) may terminate the engagement of the Investment Manager under the Investment Management Agreement by giving not less than 30 business days' notice or for cause, such as breach of the agreement, insolvency or ceasing to have the necessary authorisations to act. No additional fee is payable to the Investment Manager on termination of the appointment.

DISCLOSURE PRINCIPLE 3: FUND STRUCTURE	DISCLOSURE For further information, see Sections 3.1 and 8.2
The Responsible Entity discloses the following information: ■ Fund's investment structure	The investment structure, which is presented in the diagram in Section 3.1, is a 3 tiered structure: the Fund at the top, the three sub-funds, into which the Fund's cash is invested and, where relevant, the underlying funds or managed accounts into which the Portfolios of the sub-funds predominantly invest. The Fund is an Australian registered managed investment scheme, each sub-fund is an Australian unregistered managed investment scheme and the underlying funds may be Australian or foreign and may be regulated or unregulated.
■ the identities of the key service providers	The key service providers to the Fund and the sub-funds are the Investment Manager, the Custodian, the Fund Administrator and the Fund Auditor, as described in the Corporate Directory. Each is based in Australia. Key service providers also include brokers. The brokers allow the Fund to execute its hedging and investment strategies. Brokers may change from time to time but presently include Credit Suisse International, Societe Generale Securities Australia Pty Ltd and Morgan Stanley & Co. International PLC. Updated information as to the key service providers, such as brokers, can be found in the reports at *http://blueskyfunds.com.au/what-we-do/hedge-funds/*.
■ how the Responsible Entity ensures those service providers comply with their service agreement obligations	The appointment by the Responsible Entity or the Trustee of the sub-funds or any service provider for the Fund or the Portfolios is undertaken in accordance with the Outsourcing Policy of OMIFL. This policy sets out the procedures to be followed and the persons responsible for monitoring the service provider's compliance with the terms of engagement, including compliance with service standards, legislative requirements, periodic performance reviews, statutory and other obligations.
■ any related party any relationships within the structure	The Responsible Entity and the Trustee of the sub-funds are related parties. None of the Investment Manager, the Custodian, the Fund Administrator or other service providers, including the counterparties and prime brokers and futures clearing brokers, is a related party of the Responsible Entity or the Trustee of the sub-funds. Other than where the Absolute Return or the Real Return Portfolios invest in the Dynamic Macro Portfolio, as each is able to, none of the underlying fund managers is a related party of the Responsible Entity, the Trustee, the Investment Manager, the Custodian or the Fund Administrator.
■ any arrangements that are not on arm's length terms	There are no material arrangements in connection with the Fund or the sub-funds that are not on arm's length terms or for which approval of the investors in the Fund is required as being a related party transaction.
■ the due diligence process performed on underlying funds and their key service providers	The Investment Manager performs a comprehensive due diligence of each manager selected for the Portfolios including a quantitative and a qualitative screen, which includes a determination of the manager's ability to outperform its stated benchmark. As part of its initial and ongoing due diligence, the Investment Manager assesses the liquidity of the underlying assets, the investment structure of the underlying fund, the jurisdictions in which the fund managers reside as well as the quality and independence of their support and valuation services (auditor, administrator, custodian, brokers). The list of underlying fund managers is provided as part of the periodic reporting to investors as noted in Benchmark 2: *Periodic reporting of key information* above.

■ reasonable estimate of aggregate fees and costs charged by the underlying funds	Where the Investment Manager chooses to make investments in underlying funds or managed accounts, the managers of these can and do charge their own fees. These fees range from a simple underlying percentage, e.g. 1.25%, to more complex underlying percentages plus performance fees. Performance fees are frequently in the magnitude of 10%-20% and often subject to benchmark outperformance and high water marks. All investment returns shown are net of all fees. As part of its due diligence, the Investment Manager assesses the levels of fees attached to all investments and importantly the net of fees potential that each manager presents. Investors should be aware that in aggregate (base and performance fee) underlying fund managers typically charge between 1.5% and 3% of the gross value of the assets invested with them depending on their individual performance. As disclosed in Disclosure principle 1: *Investment Strategy*, the Absolute Return and Real Return Portfolios may invest in the Dynamic Macro Portfolio. For each Portfolio that holds related party investments, the value of those related party investments will not be included in the net asset value on which any management fee is calculated for that Portfolio. This ensures that investors will not be charged twice on any related party investments.
■ jurisdictions of the entities	The Fund and each sub-fund is an Australian investment vehicle. Where the investments are in underlying funds then there are typically further legal entities used by that underlying manager. Some of these entities can and will be outside of Australia frequently for the purposes of distributing the offerings globally or for tax efficiency. These structures are frequently located in jurisdictions such as Luxembourg, the Cayman Islands and the British Virgin Islands amongst others.
■ risks of the Fund structure, including investing in underlying funds overseas	There are risks in underlying funds that are overseas as well as Australia. This is because different (and potentially less vigorous) regulatory regimes may apply. In addition, distance and time zones may make monitoring, reporting and ongoing due diligence less efficient and effective when compared to domestic funds.

DISCLOSURE PRINCIPLE 4: VALUATION, LOCATION AND CUSTODY OF ASSETS	DISCLOSURE For further information, see Section 3.3
The Responsible Entity discloses the following information: ■ the key aspects of the valuation policy	The valuation policy of the Responsible Entity requires that the value of the assets of each class of units in the Fund, and the value of each of the Absolute Return, Real Return and Dynamic Macro Portfolios are able to be valued in the manner and at the times required in the Constitution of the Fund and the Trust Deeds of each sub-fund. Assets will normally be valued at the market value but if that is not available or if it is considered that value materially overstates or understates the value, the value is determined in accordance with a verifiable methodology and industry standards, and verified or reviewed by an independent source or by the Fund Administrator in consultation with the Responsible Entity and the Investment Manager.
■ The types of assets that the Fund does or may invest in and the allocation range for each asset type	The assets of each class of units in the Fund must be invested in the relevant sub-fund (and cash). For each of the Absolute Return, Real Return and Dynamic Macro Portfolios, the assets in which the sub-funds can invest are broad and by design the Investment Manager is permitted to invest across a broad spectrum, subject to the guidelines noted in Disclosure principle 1: *Investment Strategy* above. Investable assets include cash, cash equivalent and liquid listed and unlisted securities (where the issuer is rated A2 or higher), exchange traded and over-the-counter derivative contracts (including equity indices, money market, interest rate, commodity, debt or foreign exchange), pooled investments (such as other underlying funds), physical gold and other such investments that may from time to time be agreed between the Investment Manager, the Responsible Entity and the Trustee. The Dynamic Macro Portfolio may also invest in Australian and international listed equities, listed and unlisted debt securities and exchange traded and over-the-counter derivative contracts based on Australian and international listed equities. There is no investment allocation range for any class of assets (other than a minimum of 1.0% of the Net Asset Value being held in cash investments in the Absolute Return and Real Return Portfolios, a minimum of 15.0% of the Net Asset Value being held in cash investments in the Dynamic Macro Portfolio, a -20% to +20% of the Net Asset Value being held in equity like investments in the Absolute Return Portfolio and a 0% to +100% of the Net Asset Value being held in equity like investments in the Real Return Fund). The Investment Manager is prohibited from investing directly in property and hybrid securities unless they are wholly contained in a managed discretionary account or are a pooled investment. In addition, exchange traded futures contracts that are not traded on a recognised exchange in an OECD country are also prohibited. Pooled investments, i.e. those investments in underlying funds, are unrestricted in terms of the strategy they employ. By design, the Portfolios seek managers in all asset classes that outperform their stated benchmarks. The investments can and will change over time as the potential for underlying managers to outperform is eroded or is considered to have changed. The Investment Manager provides summaries of all investment managers included in the Portfolio in its monthly reports (See Benchmark 2: *Periodic reporting of key information* above).
■ any policy about the geographic location of the asset	There are no restrictions on the geographic location of any assets.
■ the geographic location the of any material asset	No material assets are located outside OECD countries. Cash on deposit is held in Australia, and brokerage accounts are currently held in Australia, the USA or UK.

■ the custodial arrangements	All assets of the Fund are held by the Custodian. All assets of each Portfolio are held by the Custodian except bullion accounts with the Perth Mint (held by the Trustee) and cash balances held with brokers. Margin accounts held with brokers fluctuate from time to time and are likely to consist of up to 20% of the Net Asset Value of each of the Absolute Return and the Real Return Portfolios and up to 50% of the Net Asset Value of the Dynamic Macro Portfolio.

DISCLOSURE PRINCIPLE 5: LIQUIDITY	**DISCLOSURE** For further information, see Sections 3.3 and 4.2
As the Responsible Entity cannot reasonably expect to realise at least 80% of its assets, at the value ascribed to the assets in calculating the Fund's net asset value, within 10 days, the Responsible Entity should disclose: ■ a description of any asset class that has a value greater than 10% of the Fund's net asset value and cannot reasonably be expected to be realised at the value ascribed to the assets in calculating the Fund's net asset value within 10 days	At any time more than 20% of the assets of each of the Absolute Return and the Real Return Portfolios may not reasonably be expected to be able to be realised within 10 days. This is primarily as a consequence of investing in underlying funds with a monthly or longer withdrawal term. The Dynamic Macro Portfolio invests directly in the market and whilst permitted to invest in underlying funds is expected to be able to realise at least 80% of the assets within 10 days. All investments including their expected liquidity are reported as part of the reporting under Benchmark 2: *Periodic reporting of key information* above. The underlying investments of the Portfolios can and will change over time and as such investors should keep up to date with current asset liquidity as disclosed by the Responsible Entity.

■ the key aspects of its liquidity management policy	The key aspects of the liquidity management of the Absolute Return and Real Return Portfolios include the following requirements in the Investment Management Agreement: ■ Borrowing is not permitted except to facilitate short-term cash flows. ■ Investment in a single fund managed by a specialist manager must not exceed 20% of the Net Asset Value of the Portfolio. ■ The Portfolio must hold in liquid funds (bank account or money market instruments) a minimum of 1% of the Net Asset Value of the Portfolio. ■ The Investment Manager must hold at least 40% of the Net Asset Value of the Portfolio in assets that have daily pricing and liquidity, with funds being available in the normal course of business within 10 business days or earlier. For the Dynamic Macro Portfolio, the Investment Management Agreement provides that liquidity is managed as follows: ■ Borrowing is not permitted except to facilitate short-term cash flows. ■ The Portfolio must hold in liquid funds (bank account or money market instruments) a minimum of 15% of the Net Asset Value of the Portfolio. ■ Including liquid funds and all amounts in margin accounts, at least 40% of the Net Asset Value of the Portfolio must be held in assets that have daily pricing and liquidity, with funds being available in the normal course of business in 10 business days or earlier. Despite these liquidity management parameters, there remains a risk that investments may be difficult to purchase or sell due to varying or unusual market circumstances. The Investment Manager or underlying funds may be unable to establish, close-out or rebalance an investment position or exposure in a timely fashion and/or at a favourable or fair market price. The liquidity positions of the Fund, including applications and requests for withdrawals, and of the Portfolios, are monitored and managed by the Investment Manager on a weekly basis and are stress tested regularly by the Investment Manager.

DISCLOSURE PRINCIPLE 6: LEVERAGE	**DISCLOSURE** For further information, see Sections 3.3 and 4.2
The Responsible Entity discloses the following information: ■ the circumstances in which the Fund may use leverage and any restrictions on its use of leverage	Futures trading is key to the Portfolios' and many of the underlying managers' investment strategies. By their very nature futures are leveraged instruments. Users of futures, options, leverage or leveraged instruments are typically able to make a small outlay to obtain a larger exposure. An investment in any of the unit classes of the Fund will expose investors to leverage used by the relevant Portfolio. Leverage works to magnify returns but can also magnify losses. Like many of the other risks to which investors expose themselves, leverage may result in a loss of some or all of the amount invested. The Absolute Return and Real Return Portfolios do not employ leverage directly. However, the underlying funds and managed accounts in which they invest may employ leverage. The Dynamic Macro Portfolio is leveraged through the use of derivatives and short selling to implement the investment strategy, subject to the overall volatility target of 16% per annum. The volatility target implicitly constrains the level of leverage within this Portfolio. There is no explicit total leverage limit for the Portfolios in the Investment Management Agreement.
■ the sources of leverage	Leverage for the Dynamic Macro Portfolio is through derivatives and short selling.

■ whether any assets are used as collateral, and the extent to which they are otherwise encumbered or exposed to set-off rights or other legitimate claims by third parties in the event of the insolvency of the Responsible Entity, a service or credit provider or a counterparty	The brokers are the counterparties to the leveraged transactions (e.g. derivatives and/or short-selling) and may hold some assets of the Portfolio as collateral for those transactions. They, and other assets that are in the possession of the counterparty, may be exposed to rights of set-off or other claims in the event of the insolvency of the Responsible Entity or Trustee, a service or credit provider or a counterparty.
■ the maximum anticipated and allowed leverage as a multiple of the net asset value of an investor's capital in the Fund	There is no maximum gross exposure limit on any of the Portfolios however the level of leverage is inherently restricted by the applicable volatility target. Historical volatility of the Portfolios is disclosed as part of the monthly and annual reporting under Benchmark 2: *Periodic reporting*. Note: past performance should not be used as a guide to future performance.
■ a worked example showing the impact of leverage	Since January 2008 an investment in Australian fixed income had its worst monthly return in February 2009 losing -1.29%. Over the same period the worst return in Australian equity markets was -12.61% occurring in October 2008. A ten time's exposure in Australian fixed income would have resulted in a loss of 12.30% still below the unleveraged equity market fall. Indeed during the month where equities fell 12.61% the fixed income market was up over 2%. As this example highlights, markets exhibit different risk characteristics and can move in different directions. Further examples are given as part of the monthly and annual reporting under Benchmark 2: *Periodic reporting*. Like many futures funds that trade across a broad range of asset classes (equities, interest rates, foreign exchange, commodities, volatility) leverage is not a useful tool to measure risk. The Investment Manager manages risk by targeting a level of volatility consistent with the long term objectives of the Portfolios. The Dynamic Macro Portfolio diversifies its investments across a broad range of strategies implemented through long and short positions in the world's most liquid futures markets. The Absolute and Real Return Portfolios also include underlying managers. Exposures at individual investment levels, at a strategy level, at an asset class level, and at a total Portfolio level are monitored daily. Where exposures move too far outside long term targets they are adjusted and brought back into line.

DISCLOSURE PRINCIPLE 7: DERIVATIVES	DISCLOSURE For further information, see Sections 3.3 and 4.2
The Responsible Entity discloses the following information: ■ the purpose and rationale for the use of derivatives and how they form part of the Fund's investment strategy	The Absolute Return and Real Return Portfolios use derivatives to achieve the desired level of market exposures. The intention is to generally reduce market exposures in equities, foreign exchange, interest rates and commodities, thus decreasing the market risk of the Portfolio. If the intention is to increase equity market exposures then the nominal value of the derivatives must be backed by an equivalent level of cash held by the Portfolio, so as to avoid leveraging the Portfolio. The managers of underlying funds in which the Portfolios invest typically use derivatives to both hedge and generate returns. There are no implicit limits in place for the use of derivatives by underlying fund managers. The Dynamic Macro Portfolio will use derivatives to generate investment returns. The Portfolio has unrestricted total leverage, however total risk is constrained by limiting leverage in any one asset (except bonds and interest rates), and by restricting the volatility of the Portfolio and asset class.
■ the types of derivatives used	The Portfolios are permitted to use a broad range of derivatives, both long and short, exchange traded and over-the-counter. The derivatives used currently are exchange traded futures.
■ the criteria for engaging derivative counterparties	Futures clearing brokers are appointed and monitored by the Investment Manager. Counterparties to over-the-counter derivatives contracts must have: ■ a long term credit rating of A- or better in the case of contracts where the term to expiry is greater than one year; and ■ a short term credit rating of A-2 or better in the case of contracts where the term to expiry is 1 year or less. If the counterparty has no short term rating then the long term rating must be A- or better.
■ the key risks to the Fund associated with collateral requirements of the derivative counterparties	The key risks in dealing with any counterparty including derivative counterparties is that they default on their obligations and any funds or assets held by them are subsequently valued at nil. Counterparties, including their ratings, are carefully reviewed in order to minimise exposures. Funds maintained as collateral with derivative counterparties are minimised in order to further reduce this risk. Further information as to counterparty risks is in Section 4: *Risks*.
■ whether the derivatives are OTC or exchange traded	Exchange traded futures contracts must be traded on recognised OECD exchanges. As at the date of this PDS the Portfolios do not hold any over-the-counter derivatives. However, the Investment Manager may engage brokers in the future to do so.

DISCLOSURE PRINCIPLE 8: SHORT SELLING	**DISCLOSURE** For further information, see Sections 3.3 and 4.2
As the Fund engages in short selling the Responsible Entity discloses the following information: ■ the purpose and rationale for short selling, including how short selling forms part of the Fund's investment strategy	Short selling or 'shorting' is permitted for each Portfolio and the use of futures contracts and derivatives such as options facilitates 'short' exposures in the market. Short selling is undertaken for the Portfolios as part of the investment strategy to benefit from falling asset prices as well as to reduce long market and currency exposures that investment in underlying funds or other assets may introduce. Short selling is also a strategy frequently employed in a number of underlying funds in order to either generate returns or reduce risk. A security sold 'short' may be either looking to gain from a fall in price or to offset the risk introduced from a long position.
■ the risks associated with short selling	Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of an asset may appreciate. These risks give rise to the possibility that positions may have to be liquidated at a loss and not at the time of the Investment Manager's choosing. Further information is given in Section 4: *Risks*.
■ how the risks will be managed	Short selling risk in the Portfolios is managed by the Investment Manager through position size and ongoing review. The Investment Manager uses a broker to facilitate short exposures in the Portfolios.

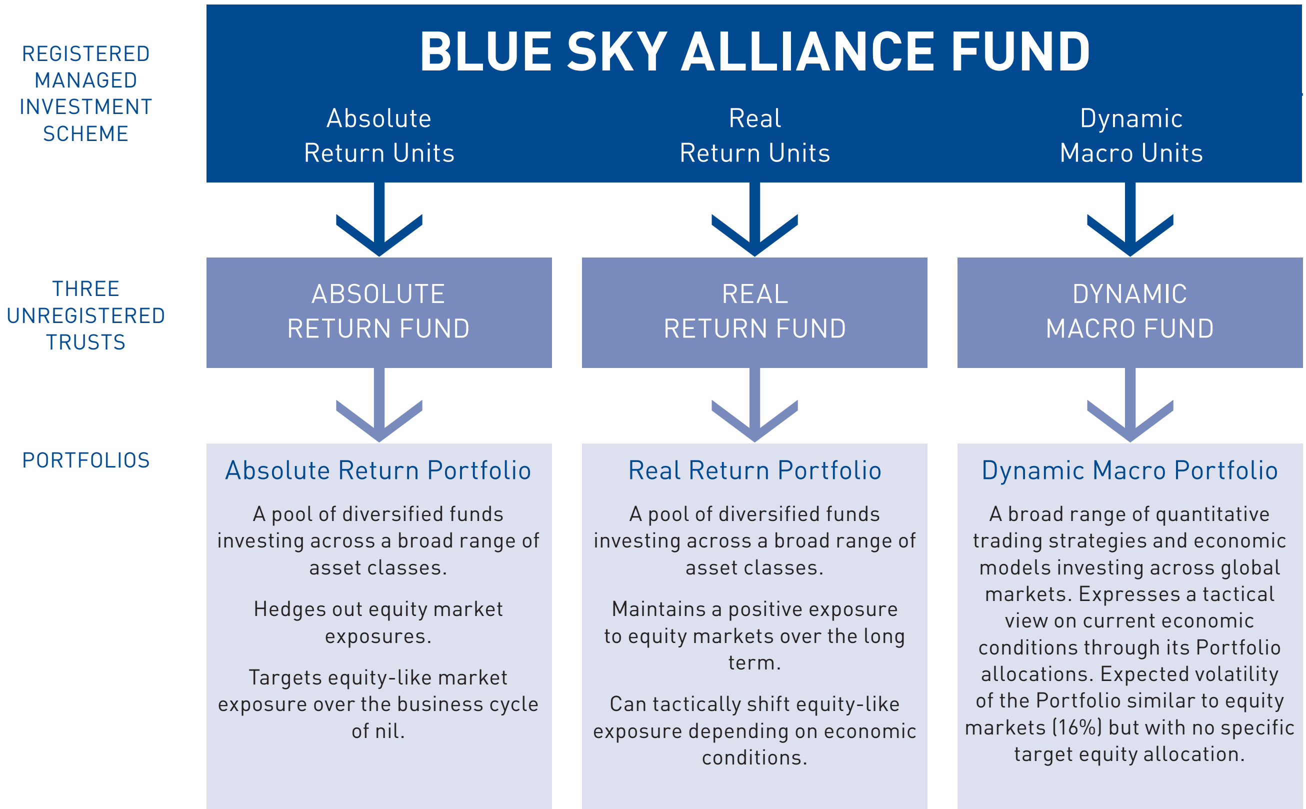
DISCLOSURE PRINCIPLE 9: WITHDRAWALS	**DISCLOSURE** For further information, see Sections 4.2, 5.3 and 5.4
The Responsible Entity discloses the following information: ■ any significant risk factors or limitations that affect the ability of investors to withdraw from the Fund	The ability for an investor to withdraw from the Fund by withdrawing their units is dependent upon its liquidity. Withdrawals are allowed from the Fund when it is a liquid scheme. The Fund's liquidity is influenced by investments into the relevant sub-fund and the liquidity of the underlying investments. See Disclosure principle 5: *Liquidity* above. Under the Constitution, the Responsible Entity has a maximum of 90 days to meet withdrawal requests if the Fund is a liquid scheme. The Responsible Entity must suspend withdrawals if the Fund ceases to be a liquid scheme. In that case, all withdrawals would be on the basis provided in the Corporations Act. The Fund would become an illiquid scheme in the circumstances described in Section 5.3 of the PDS. Further, the Responsible Entity may suspend withdrawals for such period as is reasonable in the circumstances which may be indefinite in a number of situations, as set out in Section 5.4. That section also describes the circumstances in which the Responsible Entity may stagger the meeting of withdrawal requests.
■ how investors can exercise their withdrawal rights	Investors may withdraw all or some of their units by written request. A withdrawal form request may be obtained from the Responsible Entity. If the request is received before 4pm on a Dealing Day (being the last business day in the week), it will, subject to any suspension which may be in force and the Fund being a liquid scheme, be processed at the relevant withdrawal price calculated as at the close of business on the last business day of the next week. A business day is defined as a day which is a business day in Sydney, New South Wales.
■ if withdrawal are to be funded from an external facility, the material terms of the facility	Not applicable.

■ how investors will be notified of material changes to their withdrawal rights (e.g., if withdrawal rights are suspended)	Investors will be notified by the Responsible Entity on the website *www.oneinvestment.com.au/bluesky* if the Fund becomes illiquid or withdrawals are suspended for any other reason. They will also be notified in the same manner as and when the suspension no longer applies. Any investor who has made a withdrawal request before the suspension but it was not processed before that event, will be individually notified that the request will not be processed until the suspension no longer applies.

SECTION 3: FUND STRUCTURE AND INVESTMENT OBJECTIVES AND STRATEGY

3.1 FUND STRUCTURE

The structure of the Fund, the unit classes, the sub-funds and the Portfolios is shown below.



As shown above, investors invest in a particular class of units in the Fund and the assets of each class of units in the Fund are invested to acquire units in the sub-funds. The Investment Management Agreement in respect of the Fund limits the investment of the assets referable to each class of units to an investment in and exposure to the sub-funds and to cash investments.

Among the key reasons for the use of the sub-funds is that:

- they ensure the identification and segregation of the assets referable to one class of units from the assets referable to any of the other classes of units; and
- each being a separate legal entity for taxation purposes assists in ensuring that the tax outcome of one sub-fund does not impact on that of any of the other sub-funds.

3.2 INVESTMENT OBJECTIVES OF THE FUND

The investment objective of each of the Absolute Return, Real Return and Dynamic Macro class of units in the Fund is as follows:

- Absolute Return seeks to generate returns of RBA cash rate plus 2-3% per annum over a business cycle with a superior risk adjusted performance relative to fixed income dominated conservative funds.
- Real Return seeks to generate returns of CPI plus 3-5% per annum over a business cycle with a superior risk adjusted performance relative to equity dominated growth funds.
- Dynamic Macro seeks to generate returns of RBA cash rate plus 6-10% per annum over a business cycle with expected portfolio volatility of approximately 16% per annum.

3.3 INVESTMENT STRATEGY AND GUIDELINE SUMMARY

The Investment Manager has developed a suite of products with a range of return profiles that are designed to help investors meet their particular investment goals with a particular focus on protecting the value of the Portfolios in times of crisis. This provides investors with the flexibility of being able to select the product that is best suited to their individual circumstances.

The three unit classes of the Fund invest in the respective sub-funds and are free to allocate to a wide range of asset classes and employ various investment strategies so as to maximise total returns. The volatility targets of the unit classes in the Fund and their corresponding sub-funds are:

- 4% per annum for Absolute Return;
- 9% per annum for Real Return; and
- 16% per annum for Dynamic Macro.

Using historical volatility data of previous investment returns, the Investment Manager is able to estimate the risk of each asset in each Portfolio. The Investment Manager is then able to construct a portfolio to fit the volatility target by blending different investment assets, financial instruments and strategies to achieve the investment objectives of the Absolute Return, Real Return and Dynamic Macro Portfolios.

The Investment Manager is able to select the investments and instruments that it considers will maximise the return of the Portfolio, but must do so within the constraints of each Portfolio. This allows the Investment Manager to design a more efficient portfolio in terms of risk and return than may be achieved if the Investment Manager used more vanilla investment strategies within tighter constraints. The benefit arises because the Investment Manager is able to select only those investments that are anticipated to be strong performers and is able to structure a more diversified mix of investments.

INVESTMENT STRATEGY FOR THE PORTFOLIOS

The assets of each sub-fund are invested in accordance with the investment strategies and guidelines applicable to that sub-fund.

ABSOLUTE RETURN PORTFOLIO

Absolute Return has been developed as an alternative strategy to typical 'conservative' funds, which generally rely on a large allocation to bonds, and limited diversification through equities, to achieve their return objectives.

Absolute Return generates returns by investing through specialist managers in a diverse range of assets in underlying funds or managed accounts while hedging out market exposures.

By targeting a specific level of portfolio risk rather than a specific asset allocation the strategy aims to gain exposure to a more diversified set of investment strategies than a fund which follows the Strategic Asset Allocation (SAA) approach which frequently see portfolio allocations to the main asset classes of equities, bonds and real estate. When market volatility rises the correlations between these asset classes rise reducing the diversification of the portfolios when it is needed most. The correlations between the performance of investment managers does not tend to rise in the same way offering a more robust portfolio construction.

The strategy engages in active tactical risk management using equity index and currency futures based on an assessment of the global macroeconomic environment with a particular view to provide a level of protection to the portfolio during spells of equity market weakness.

By selecting managers with a wide range of different asset classes and strategies, the Investment Manager seeks to avoid concentrating the risks of particular asset classes or strategies in the Portfolio. The Investment Manager performs a comprehensive due diligence of each manager selected for the Portfolio including quantitative and qualitative analysis, which includes a determination of the manager's ability to outperform its stated benchmark.

The list of managers is provided as part of the periodic reporting to investors as noted in Benchmark 2: Periodic reporting of key information in Section 2.

The Absolute Return Portfolio may include investments in the Dynamic Macro unit class subject to a maximum aggregate portfolio allocation of 13% of the Net Asset Value of the Portfolio. The allocation, if any, along with other portfolio exposures will be disclosed as part of the Portfolio reporting under Benchmark 2: Periodic reporting of key information in Section 2.

REAL RETURN PORTFOLIO

Real Return has been developed as an alternative strategy to typical 'growth' funds, which generally rely on a large allocation to equities, and limited diversification through bonds, to achieve their real return objectives.

Real Return generates returns by investing through specialist managers in a diverse range of assets in underlying funds or managed accounts and maintaining a positive exposure to equity markets over the long term. The Investment Manager has the ability to tactically shift the equity exposure up or down depending on the underlying economic conditions.

By targeting a specific level of portfolio risk rather than a specific asset allocation the strategy aims to gain exposure to a more diversified set of investment strategies than a fund which follows the Strategic Asset Allocation (SAA) approach which frequently see portfolio allocations to the main asset classes of equities, bonds and real estate. When market volatility rises the correlations between these asset classes rise reducing the diversification of the portfolios when it is needed most. The correlations between the performance of investment managers does not tend to rise in the same way offering a more robust portfolio construction.

The strategy engages in active tactical risk management using equity index and currency futures based on an assessment of the global macroeconomic environment with a particular view to provide a level of protection to the portfolio during spells of equity market weakness.

The Investment Manager performs a comprehensive due diligence of each manager selected for the Portfolio including quantitative and qualitative analyses, which include a determination of the manager's ability to outperform its stated benchmark. The list of managers is provided as part of the periodic reporting to investors as noted in Benchmark 2: Periodic reporting of key information in Section 2.

The Real Return Portfolio may include investments in the Dynamic Macro unit class subject to a maximum aggregate portfolio allocation of 20% of the Net Asset Value of the Portfolio. The allocation, if any, along with other portfolio exposures will be disclosed as part of the Portfolio reporting under Benchmark 2.

DYNAMIC MACRO PORTFOLIO

Dynamic Macro has developed a portfolio of over 50 proprietary managed futures strategies banded in uncorrelated categories of Trend Following, Mean Reverting and Risk Premium. These underlying strategies build portfolios by taking positions in the following asset classes: equities, bonds, commodities, currencies and volatility.

The Quadrant uses a single variable, being Historical Adjusted Money Supply data to forecast the inflation and growth paths of an economy and specifically if, based on that variable, they are running at, above or below average.

Using a statistical regression process, the underlying managed futures strategies are assessed for their probability of success against the signals from the Quadrant.

Risk is then allocated to the strategies deemed to have a high probability of success and away from those deemed unlikely to do well given the macroeconomic signals from the Quadrant. The key driver of returns for the strategy is in this portfolio construction process and how risk is allocated across the underlying trading strategies.

When the macroeconomic signals from the Quadrant indicate that significant market adjustments are imminent, the strategy looks to capitalise by assuming high conviction, contrarian trades, prioritising Trend Following and down-weighting Risk Premium strategies. When there are no strong macroeconomic signals from the Quadrant, a less concentrated and more diversified approach is taken with Risk Premium and Mean Reverting strategies prioritised over Trend Following approaches.

The strategy targets a specific level of volatility (16%) with a targeted return of RBA Cash Rate plus 6-10%. The target risk level is designed to match that of a diversified portfolio of Australian and international equities.

The strategy is a "crisis alpha portfolio" which means it is designed to provide protection during times of market weakness as well as during periods where markets change direction, while avoiding the return erosion associated with a permanent tail hedge when protection is not required.

INVESTMENT GUIDELINES

The Investment Manager must adhere to specific investment guidelines and policies governing management of the Fund's assets and each sub-fund's Portfolio. The guidelines are set out in the Investment Management Agreement under which the Investment Manager is appointed by the Responsible Entity as the investment manager of the Fund and by the trustee Columbus Administration Pty Limited ('Trustee') as the investment manager of each of the Portfolios. The guidelines may be amended from time to time by agreement between the Responsible Entity (or the Trustee, in the case of the Portfolios) and the Investment Manager.

The Investment Management Agreement sets out and refers to procedures for monitoring and supervising the Investment Manager's compliance with the guidelines for each of the sub-funds and as to the reports that it must provide in relation to the Portfolios.

LABOUR STANDARDS OR ENVIRONMENTAL, SOCIAL OR ETHICAL CONSIDERATIONS

Decisions about investments are based primarily on economic factors. Labour standards or environmental, social or ethical standards are not taken into account for the purposes of selecting, retaining or realising an investment.

UNIT PRICES AND PERFORMANCE

Information on the end-of-month performance and Net Asset Value of the unit classes is available from your financial adviser or is contained in the monthly Fund reports which are available at http://blueskyfunds.com.au/what-we-do/hedge-funds/. Weekly unit price information is available via the Blue Sky 'Your Fingerprint' service at https://investor.blueskyfunds.com.au/investorportal/ or downloaded from the iPhone App Store or Google Play store.

Prospective investors are reminded that past performance is not a guide to future performance.

OTHER PERIODIC INFORMATION

Other information as to the Fund and the Portfolios is available monthly and annually, as described in Benchmark 2: *Periodic reporting of key information* in Section 2. This information will be available from www.blueskyfunds.com.au/what-we-do/hedge-funds/.

See also Section 8.1 as to other material you will receive or which is available from the Responsible Entity.

SECTION 4: RISKS

When you make an investment, you are taking a risk. Most investments are comprised of several risks. Some risks are general in nature in that they apply to any investment and other risks that are specific to investing in the Fund.

The Blue Sky Alliance Fund specifically targets non-traditional investments and uses non-traditional techniques in constructing its portfolios. These characteristics can and will mean that the Fund or its underlying managers may incorporate leverage, derivatives and short selling in their investment process. Whilst not all managers necessarily employ all these techniques, investment in the Fund means that investors can be exposed to more complex risks than investors in funds pursuing more 'vanilla' strategies.

4.1 GENERAL RISK FACTORS COMMON TO ALL INVESTMENTS

These risks apply generally to any investment.

INFLATION RISK

This is the risk that the increase in the price of goods and services exceeds the rate at which your investment grows, thereby reducing the value of your investment in real terms.

INVESTMENT OBJECTIVE RISK

This is the risk that your investment objectives will not be met by your selection of investments. One measure of risk of an investment is the volatility of returns. As volatility increases, so too will the variability of investment returns. As such, it is important to consider the volatility of an investment as part of your investment decision.

MARKET RISK

This is the risk that the value of the assets relating to each class of units in the Fund may rise or fall in response to fluctuations in market prices to which the relevant sub-fund is exposed. The markets to which the Fund is exposed (through its investment in the sub-funds) include but are not limited to, interest rates, currencies, equities, commodities, corporate and securitised bonds and notes and property.

Market risks occur for many reasons, including political, economic, sectoral, behavioural or investment-specific factors or events, such as domestic or global financial and credit conditions and market sentiment.

4.2 SPECIFIC RISK FACTORS FOR THE FUND

The Fund does not invest directly into a portfolio of securities. The Fund is comprised of three separate classes of units, each of which invests into the sub-funds. Each sub-fund invests a substantial portion of its portfolio of assets into investment products, including trusts, funds and managed accounts, which are managed by external investment managers.

The performance of each of the classes of units is dependent upon, and directly related to, the performance of the sub-fund into which the assets relating to that class of units invests.

The performance of that sub-fund's Portfolio is itself dependent on and directly related to the investment products into which that sub-fund invests.

The following risks are ascribed to the sub-funds of the Fund. They may also be relevant to some or all of the managed investment schemes into which the Portfolios are invested.

Counterparty risk is the risk that a counterparty to a contract fails to meet its obligations to honour the contract. Counterparty risk arises in relation to transaction counterparties such as brokers, lenders, issuers, borrowers, counterparties to derivatives contracts and clearing exchanges. The investment management guidelines require the Investment Manager to transact with counterparties who meet a minimum standard of creditworthiness, which is reviewed periodically.

Credit risk is the risk that issuers of debt securities and other investments fail to make payments to the sub-fund on such obligations. In addition, an issuer of a security may suffer an adverse change in its financial condition or credit rating of the security that could result in a lowering of the quality and value of the security leading to greater volatility, or loss of value in the security and give rise to other risks including liquidity and leverage risks, which result in loss of value of the sub-fund's Portfolio and thus to the Fund.

Currency risk is the risk that fluctuations in exchange rates may cause the value of investments to decline. Investments in a sub-fund's Portfolio are denominated in the currency of the investment, which include AUD, USD and other currencies. Portfolio investments are hedged back to AUD except where the assets themselves are exposures to foreign currency investments.

Derivatives basis risk (also known as Hedging risk) is the risk that an investment exposure entered into to hedge another exposure fails to achieve the desired neutralising effect when markets move because of a mismatch in the size of the contract, the terms of the contract or the market that the derivative is exposed may not move in the same manner as the underlying investment.

The Absolute Return and Real Return Portfolios use derivatives to achieve equity market exposure objectives and to passively hedge against any perceived excess risk exposures. The Dynamic Macro Portfolio uses derivatives to generate investment returns.

The derivatives used are typically futures and options traded on recognised exchanges. Whilst permitted, the Portfolios do not currently hold any over-the-counter derivatives.

Short selling, including the short selling of derivatives is permitted for the Portfolio for each class of units and the use of futures contracts and derivatives such as options facilitates 'short' exposures in the market.

The Investment Manager seeks to manage the assets of the Portfolios to their long term volatility targets.

Pooled investments, i.e. those investments in underlying managers have a broad scope to use derivatives to both hedge and generate returns. There are no implicit limits in place for the use of derivatives by underlying fund managers, however strategies for generating returns are carefully reviewed by the Investment Manager as part of its initial and ongoing due diligence process.

Interdependence risk arises when an allocation to investment strategies is based on assumptions about observed historical relationships that may not persist into the future.

Leverage risk is the risk that gains or losses will be magnified to a greater degree than would occur if the investment exposure was unleveraged. Leverage is the ability to control a larger investment exposure using a smaller amount of investment capital. Leverage is a form of borrowing to increase the return on an investment.

The Absolute Return and Real Return Portfolios do not employ leverage directly however the underlying funds in which they invest frequently employ leverage, including derivative contracts and arrangements with brokers to amplify the exposures to an investment, as referred to in Disclosure principle 6: Leverage in Section 2.

The Dynamic Macro Portfolio is leveraged through the use of derivatives to implement a broad range of strategies, subject to the overall volatility target of 16%. As every investment strategy is different, the leverage applied can vary significantly in an effort to amplify the potential returns. Leverage applied to a traditionally low risk asset such as US treasuries can have less risk than an unleveraged asset such as international equities and as such the Investment Manager considers the inherent volatility of the asset and the potential correlation of the assets before applying leverage to the Portfolio.

The volatility limit implicitly constrains the level of leverage within the Portfolio. There is no explicit total leverage limit for the Portfolio in the Investment Management Agreement. The use of futures accounts with the derivative counterparties permit derivatives to be used and therefore facilitate leverage within the Portfolio.

The Absolute Return and Real Return Portfolios may use derivatives directly (long or short) to achieve equity market exposure objectives and to passively hedge against any perceived excess risk exposures. Depending on their strategy some underlying specialist managers can and will employ leverage in order to generate returns. Leverage employed by underlying managers can range from 0% to 1,000%. Underlying investment manager volatility is carefully considered before investing. The Dynamic Macro Portfolio also uses derivatives to generate investment returns.

The permitted investments in the Portfolios do not have a restriction on the amount of leverage that they or any underlying investments may have. Unrestricted leverage however would likely result in the Portfolios failing to maintain their volatility targets. Whilst unrestricted, in practice 'leverage' will manifest itself in volatility. The volatility of each investment or strategy is carefully reviewed in terms of its overall contribution to the risk allocated to it for the volatility target of each unit class.

Liquidity risk is the risk of not being able to withdraw an investment at an opportune time. Liquidity risk exists because:

- the Fund only permits withdrawals of units in the Fund on a weekly basis;
- the Fund may be unable to pay out or withdraw its units in the sub-funds;
- the sub-funds may be unable to withdraw their underlying investments;
- withdrawals of a particular class of units may be limited, suspended or staggered because the value of one or more of the assets in which the sub-fund's Portfolio invests becomes unable to be calculated, thus delaying the determination of the unit price of the relevant class of units or a sufficient amount of the assets in which the units invest cannot be easily converted into cash to satisfy all the withdrawal requests while maintaining an adequately diversified portfolio for remaining unit holders holding units of that class;
- the units are not generally tradeable on any secondary market or exchange and the Responsible Entity has no current intention of listing the units, or any class of units, on any stock exchange; and
- neither the Responsible Entity nor any other person has agreed to purchase or otherwise acquire any units or assume the responsibility for locating prospective purchasers for any units.

Margining risk is the risk that positions in futures contracts and/or holdings in underlying funds must be liquidated to meet initial and/or variation margin requirements set by clearing houses and exchanges. This risk occurs when insufficient funds are held with a clearing firm to maintain an investment exposure.

Pricing risk is the risk the Fund's units are unable to be priced within an acceptable time-frame. The Portfolios include investments in investment products managed by other managers. If one or more of these other managers is unable to provide a value for the investment products in which the sub-fund invests, the unit prices of the relevant class of units in the Fund may in turn be unable to be priced. In addition, direct investments made by a sub-fund may not be capable of being valued in some circumstances. The value of the assets of the Fund that are referable to the class of units can only be known once the value of investments in the relevant Portfolio is known.

Pricing risk also occurs when an underlying investment is incorrectly valued in which instance the value of the assets of the Fund that are referable to any particular class of units may need to be repriced at a later date which may result in a loss in value to those class assets in the Fund.

Distribution calculations can also result in a delay in pricing as the underlying manager distributions need to be obtained before the Fund's units can confirm their own price.

Short selling risk. The Portfolios and their underlying funds are expected to engage in short selling as described in the sections entitled leverage and derivatives above and in Disclosure principle 8: *Short selling* in Section 2: *ASIC Hedge fund benchmarks and disclosure principles.*

Whilst short selling is frequently an aspect of an overall strategy the risks associated with short selling include the risks that short positions will lose money in a rising market.

Strategy Implementation risk is the risk that actual returns are lower than the return of the Investment Manager's model portfolio because the Investment Manager has not implemented the trades and transactions exactly as planned. This may occur, for example, as a result of markets being closed; illiquidity; unavailability of investments; price changes occurring in the time it takes to roll from one derivative contract in a series to the next in the series; a trade or transaction being subsequently cancelled or disputed; or by reason of some other administrative error.

Systemic risk is the risk that a disruptive event causes a chain of events to disrupt or compromise the normal functions of a system. Systemic risk cannot be diversified and may be magnified by the reactions of the participants within the system to the event.

4.3 OTHER RISKS

ABSENCE OF REGULATION OF UNDERLYING INVESTMENTS

The Fund is an Australian registered managed investment scheme and is regulated under the Corporations Act 2001 (Cth) (the 'Corporations Act'). The sub-funds are Australian 'wholesale' trusts and are not regulated under the Corporations Act as registered managed investment schemes. The underlying funds into which the Fund invests may also not be so regulated.

CHANGES IN APPLICABLE LAWS

The Responsible Entity and other parties involved in the operation of the Fund must comply with various legal requirements. Should any of those laws change over the term of the Fund, the legal requirements to which the Fund and its stakeholders, including the unit holders of the Fund, may become subject may differ materially from current requirements.

INVESTMENT MANAGER

The Fund's success depends on the skill and acumen of the Investment Manager and its portfolio managers. The performance of the classes of units in the Fund could be adversely affected if the Investment Manager, or its key personnel, were to cease to be involved in the active management of the Fund. In a similar fashion the success of the Portfolios investing in specialist managers is reliant on the skill and acumen of the managers running those underlying funds.

DEPENDENCE ON MANAGEMENT (DEPENDENCE RISK)

In addition to its reliance on the Investment Manager, the Fund is also reliant upon the operational stability of the appointed parties to the Fund including the Responsible Entity, the Fund Administrator and the Custodian.

A breakdown in administrative procedures or operational controls may cause a disruption of day-to-day Fund operations. Such interruptions may arise internally through human error or technology and infrastructure failure or possible external events such as natural disasters or regulatory changes. Whilst each party has procedures in place for such occurrences and manages administration risk by monitoring these procedures, dependence risk cannot be mitigated entirely.

The Investment Manager has agreed to meet certain expenses of the Fund from its own resources, as explained in Section 6.2. Nevertheless, should the Investment Manager fail to do so for any reason, those expenses must be met from the assets of the Fund.

EFFECT OF SUBSTANTIAL WITHDRAWALS RISK

This is the risk that substantial withdrawals by holders of a class of units in the Fund within a short period of time could require underlying investments in the sub-fund to be liquidated more rapidly than would otherwise be desirable. This may, in turn, adversely affect the value of the assets relating to that class of units and the returns to investors in that class of units. Substantial withdrawals may also impact on the distribution per unit payable by the Fund.

STRUCTURAL RISK

Investing in a managed fund is not like investing directly in securities. A managed fund takes into consideration all applications and withdrawals made by all unit holders, which can result in different income or capital gains outcomes when compared with investing directly. Therefore, income from the Fund may be different to that received from investing directly in securities.

TAX RISK

The taxation implications for investors in the Fund are determined by Australian tax legislation and tax laws of other places, and regulations in force from time to time. These may be altered which may materially and negatively impact the returns on this investment. Investors should carefully read the Taxation Report in this PDS. It is recommended that an investor seek advice from a tax adviser before making an investment in the Fund.

4.4 MANAGING RISKS

Exposure to investment risk is a necessary part of investing with the objective to deliver a return higher than cash.

It is the Investment Manager's intention to only expose the Fund to investment risks that are expected to maximise the risk-adjusted return of the relevant Portfolio.

For the Absolute Return and the Real Return Portfolios, manager and asset class diversity rules are followed upon initial investment and broad based risk exposures are monitored using data from the underlying managers.

For the Dynamic Macro Portfolio, detailed risk exposures are monitored on a daily basis. Exposures are reduced below explicit pre-defined limits, if necessary. Risk analysis tools for the Dynamic Macro Portfolio include sensitivity analysis on each type of exposure and on the Portfolio as a whole.

WAYS YOU CAN MANAGE INVESTMENT RISK

- Ask questions about your investment frequently.
- Seek professional financial advice to understand your financial position and particular needs and define and set your investment objectives. This PDS does not replace the need for financial advice.
- Ensure your financial adviser explains to you key investment terms and key investment concepts to assist you to make an informed decision.

SECTION 5: HOW TO INVEST AND YOUR INVESTMENT IN THE FUND

5.1 HOW TO INVEST AND APPLICATIONS

MINIMUM INVESTMENT

The minimum initial investment is $10,000. If investors wish to invest in more than one class of units, they must invest at least $2,000 of their application monies into an individual class of units.

Thereafter, further investments may be made by completing the additional application form and are subject to a minimum of $2,000 per unit class.

OMIFL, as responsible entity may, in consultation with the Investment Manager, decrease any of these limits at any time and may waive the requirement generally or on a case by case basis. If OMIFL, wishes to increase these limits then it may do so by giving not less than 30 days' notice on the website at *www.oneinvestment.com.au/bluesky*.

The minimum initial and subsequent investment amounts do not apply if you choose to invest through a master trust, wrap account or other administration platform. As an indirect investor, you will be subject to the rules of the master trust, wrap account or other platform. Please refer to the further information in Section 5.2.

HOW TO INVEST

To make an investment into the Fund simply complete the application form and send it to the Fund Administrator. Please refer to the application form for lodgement details.

Payment may be made by cheque or by electronic funds transfer ('EFT'). Please refer to the application form for details.

The application form and payment by cheque or EFT must be received by 4pm Sydney local time on the second last business day of the week. If an application is accepted, units will be issued at the price per unit calculated as at the close of business on the last business day of the week (a Dealing Day). Under the Constitution, OMIFL, as responsible entity, has absolute discretion to accept or reject any application for units without giving a reason for the decision.

DEALING DAY

A Dealing Day is the last business day of each week when banks are open for business in New South Wales. All references in this PDS to time are references to Sydney local time.

5.2 INVESTING THROUGH AN IDPS

The Responsible Entity has authorised the use of the PDS as disclosure to investors and prospective investors of an IDPS or IDPS-like scheme (known commonly as a master trust or wrap account).

These investors are referred to as Indirect Investors. Indirect Investors in the Fund do not themselves become unit holders in the Fund, and accordingly have no rights as a unit holder. The offer document for your IDPS or IDPS-like scheme should have further details. If you are an Indirect Investor, generally the IDPS or IDPS-like scheme operator acquires the rights of a unit holder. Your rights and liabilities will be governed by the terms of the relevant IDPS or IDPS-like scheme disclosure document, which you should read carefully prior to directing the relevant operator to invest in the Fund.

Indirect Investors complete application forms for the IDPS or IDPS-like scheme, not the Fund, and receive reports from their IDPS or IDPS-like scheme operator. Enquiries should be directed to that IDPS or IDPS-like scheme operator or your financial adviser. Minimum investment and withdrawal requirements stated in this PDS may not always be relevant to Indirect Investors because the IDPS or IDPS-like scheme operator may invest on behalf of a number of Indirect Investors. Also, the tax information in this PDS does not specifically cater for Indirect Investors.

5.3 COOLING OFF

If you invest less than $500,000 in the Fund and are not otherwise a 'wholesale' investor (as defined in the Corporations Act) you have a 14 day cooling off period in which to decide if the investment in the Fund is right for you. The 14 day period commences on the earlier of the date you receive your initial investment transaction advice or the end of the fifth business day after the day on which your units are issued to you.

The amount of your refund will be based on the application price calculated on the Dealing Day following receipt of your request, less any non-refundable tax or duty paid or payable and any reasonable administration or transaction costs. Accordingly, depending upon the circumstances, the amount refunded may be greater or less than the amount initially invested.

Cooling off rights will not apply in certain circumstances, including distribution reinvestment, other additional investments and where the investment is made through an IDPS or IDPS-like scheme. Nor are they available if the Fund were to become a non-liquid scheme. A scheme is only liquid if liquid assets account for 80% or more of the value of the scheme property. Assets are liquid if the responsible entity reasonably expects them to be able to be realised for market value within the time provided in the Constitution for satisfying withdrawal requests while the scheme is liquid which, in the case of the Fund, is 90 days.

5.4 WITHDRAWALS

Subject to the provisions set out below, units can be withdrawn on any Dealing Day. The minimum amount that you can withdraw at any one time is $2,000 in the aggregate and $2,000 in any one class of units.

You must maintain a minimum aggregate balance of $10,000 in the Fund, and $2,000 in any class of units, to remain invested.

If the withdrawal would reduce your investment to a level below the minimum holding for the Fund or for a class of units, OMIFL may either reject the request or treat it as a request to withdraw the whole of your investment in the Fund or that class of units.

OMIFL, as responsible entity may vary these minimum levels, generally or on a case by case basis, at its discretion.

Withdrawals of units can be made by making a written request to withdraw all or part of your investment (please contact the Responsible Entity). If your written request is received before 4pm on a Dealing Day (being the last business day in the week), it will, subject to any suspension which may be in force, as referred to below, be processed at the relevant withdrawal price calculated as at the close of business on the second Dealing Day after receipt, that is as at the last business day of the next week. A business day is defined as a day which is a business day in Sydney, New South Wales.

WITHDRAWAL PAYMENTS

Withdrawals will be affected at the withdrawal price applicable to the class of units to be withdrawn as at the relevant Dealing Day. Further information on the calculation of the withdrawal prices of the different classes of units is set out in Section 5.6.

Withdrawals will be paid by EFT to your nominated Australian bank account.

Payments will be processed within 10 business days after the Fund Administrator calculates the unit prices for the relevant Dealing Day. Subject to any circumstances that prevent the calculation of unit prices, such as those that apply to the suspension of withdrawals, referred to below, the calculations will normally be made within 10 days after each Dealing Day. This can take longer where distributions are to be calculated.

In order to meet the withdrawal payment, the Responsible Entity redeems sufficient units in the relevant sub-fund, and the Trustee of the sub-fund realises sufficient assets in the Portfolio which are then paid to the Responsible Entity. Any restrictions imposed on withdrawing or redeeming units in any of the funds into which the Portfolios invest may cause a delay in receiving the proceeds from withdrawing units in the Fund.

The Constitution of the Fund and the Trust Deeds for the sub-funds permit withdrawal payments to be met from borrowings. However, there is no intention on the part of the Responsible Entity or the Trustee to do so and until investors are notified to the contrary, all withdrawal payments will be met from the proceeds of the realisation of assets.

SUSPENSION OR STAGGERING OF WITHDRAWALS

OMIFL, as responsible entity, has the right to suspend withdrawals, for such period as is reasonable in the circumstances, which may be indefinite, when:

- any stock market, foreign exchange market or other financial market on which the assets of the Fund, the Absolute Return Portfolio, the Real Return Portfolio and the Dynamic Macro Portfolio or any other fund into which they invest (the 'Underlying Trusts') are quoted is closed or trading is otherwise suspended on that market;
- trading on any such market is restricted;
- an emergency (including an emergency caused by a mechanical or electronic malfunction) exists as a result of which it is not reasonably practicable for the Responsible Entity to acquire or dispose of the assets of the Fund or the Underlying Trusts or to determine fairly the application price or withdrawal price for the units in the Fund;
- any state of affairs exists as a result of which it is not reasonably practicable for the Responsible Entity to acquire or dispose of the assets of the Fund or the Underlying Trusts or to determine fairly the application price or withdrawal price for units in the Fund; or
- any moratorium is declared by a government of any country in which a significant proportion of the assets of the Underlying Trusts are invested.

The Responsible Entity must also suspend withdrawals if the Fund becomes a non-liquid scheme (see Section 5.3).

If an investor requests the withdrawal of units that represent more than 5% of the total units in a class of units or in the Fund as a whole, the request may be treated as having been received as to part before the relevant Dealing Day and the balance in respect of two successive Dealing Days. This 'staggering' of withdrawals is exercisable in the discretion of the Responsible Entity and any investor to whom it applies will be notified of the implementation of the staggering process.

COMPULSORY REDEMPTION

Subject to the Corporations Act and the Constitution, the Responsible Entity may compulsorily redeem the units of a unit holder where the continued holding of the units by the unit holder would, in the opinion of the Responsible Entity, be contrary to law or to the disadvantage of the Fund, to unit holders as a whole or to the unit holders holding a particular class of units as a whole. The Responsible Entity will notify any unit holder affected by the exercise of this power.

CHANGES TO WITHDRAWAL RIGHTS

Investors will be notified by the Responsible Entity:

- if the Fund becomes illiquid or if withdrawals are suspended for any other reason;
- when a suspension of withdrawals no longer applies; or
- of any changes to the way in which investors may exercise their withdrawal rights,

on the website at *www.oneinvestment.com.au/bluesky*. In some circumstances, OMIFL may also issue a supplementary product disclosure statement. Any investor who has made a withdrawal request before the suspension but it has not been accepted by the Responsible Entity before that event will be individually notified that the request will not be accepted until the suspension no longer applies.

5.5 TRANSFERS

You may transfer all or part of your units to another person at any time subject to the following:

- the transferee (the person to whom you are transferring the units) meets all the application requirements of the Fund;
- the transfer complies with the format and procedures approved by the Responsible Entity;
- the amount you transfer is a minimum of $5,000 in the aggregate and $2,000 in respect of any particular class of units; and
- if you are transferring part of your investment both you and the transferee must have a minimum aggregate investment balance of $10,000 and $2,000 in any individual class of units, after the transfer.

OMIFL, as responsible entity, reserves the right to vary these minimums at any time and may, in its absolute discretion, refuse to register a transfer of units or may suspend registration of transfers.

Stamp duty at the rate applicable to transfers of non-listed securities may be payable on transfers of units in the Fund.

5.6 UNIT PRICES

Your investment in the Fund will be represented by the issue to you of units in the Fund. The beneficial interest in the assets of the Fund is divided into units that are designated as a particular class of units.

The Fund has three classes of units: Absolute Return Units, Real Return Units and Dynamic Macro Units.

No unit confers an interest in a particular part of the Fund or in any assets of the Fund or assets that are designated as being assets referable to a particular class of units.

An example of the unit price calculation process is as follows:

- The value of the investments of each of the classes of units in the Fund is calculated and the value of the liabilities that are referable to the relevant class of units (excluding amounts attributable to current unit holders) is taken away. This gives the Net Class Asset Value for each class of units in the Fund.
- The Net Class Asset Value of each class of units is then divided by the number of units on issue for that class to arrive at the Net Class Asset Value per unit of that class.
- The price at which units are offered is the Net Class Asset Value per unit plus the applicable buy spread.
- The price at which units are withdrawn is the Net Class Asset Value per unit reduced by the applicable sell spread.

For more information on the buy and sell spreads please refer to Section 6.3. Under an ASIC class order, the Responsible Entity is required to prepare certain documents describing how any discretion is exercised when calculating unit prices. These documents are available on request from the Responsible Entity at no charge.

5.7 DISTRIBUTIONS

WHEN ARE DISTRIBUTIONS PAID?

Distributions are expected to be made by the Fund on a six monthly basis, usually as at 31 December and 30 June each year. For the purpose of this PDS, each of those dates is also taken to be a Dealing Day. Distributions must be paid within two months after the relevant period end. The Responsible Entity may make additional distributions at its discretion.

The unit holders entitled to receive a distribution are those who held units of the class to which the distribution is made immediately before the cut off time on the Dealing Day as at which the distribution is to be calculated. This includes those unit holders who have requested that all or some of their units in the class be withdrawn on that Dealing Day (if the day is also the last business day of a week). The units of that class that are issued on that Dealing Day will not be entitled to participate in the distribution. However, the application price for those units will be calculated after the amount to be distributed has been determined.

The Fund derives the income that is attributable to a particular class of units from the return on its investment in the Absolute Return Fund, the Real Return Fund and the Dynamic Macro Fund, as relevant.

Investors should note that distribution payments and rates of return are not guaranteed, as they depend on the performance of the underlying investments of the relevant sub-fund's Portfolio. A distribution may be made in respect of one class of units and not in respect of another class of units. A distribution may not be made at all.

HOW ARE DISTRIBUTIONS PAID?

Unit holders may elect on the application form whether they would prefer distributions to be:

- reinvested back into the Fund as additional units of the same class as those in respect of which the distribution is made; or
- paid by electronic credit to a nominated Australian bank account; or
- a combination of both.

The price at which distributions are reinvested into units in the Fund is the Net Class Asset Value price per unit, without the addition of the buy spread.

PLEASE NOTE

If a unit holder does not indicate how the distribution is to be paid or if the nominated bank returns the distribution, it will be automatically reinvested into the Fund as additional units of the same class as those in respect of which the distribution is made.

SECTION 6: 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 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 contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

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 Fund assets as a whole.

If you are investing in the Fund via an IDPS or IDPS-like scheme, you will need to consider the fees and other costs of the IDPS or IDPS-like scheme when calculating the total cost of your investment.

Taxes are set out in another part of this document.

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

6.1 FEES AND COSTS TABLE

TYPE OF FEE OR COST	AMOUNT ABSOLUTE RETURN UNITS	AMOUNT REAL RETURN UNITS	AMOUNT DYNAMIC MACRO UNITS	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND				
ESTABLISHMENT FEE The fee to open your investment.	NIL	NIL	NIL	Not applicable
CONTRIBUTION FEE The fee on each amount contributed to your investment.	NIL	NIL	NIL	Not applicable
WITHDRAWAL FEE The fee on each amount you take out of your investment.	NIL	NIL	NIL	Not applicable
EXIT FEE This is the fee to close your investment.	NIL	NIL	NIL	Not applicable

TOTAL MANAGEMENT COSTS[2] (% per annum of the Net Asset Value of the relevant class)		**UNIT CLASS**			**HOW AND WHEN PAID**
		ABSOLUTE RETURN	**REAL RETURN**	**DYNAMIC MACRO**	
Management Fee	Base Management Fee	0.92%	0.92%	1.13%	Calculated based on the Net Class Asset Value of each class of units and deducted from the assets of the relevant class of units on a monthly basis
Administration Costs	Expense Cap [1]	0.37%	0.37%	0.52%	Deducted from the assets of the relevant class of units generally as incurred or on a monthly basis subject to the Expenses Cap
Indirect Costs (Underlying manager fees)		1.64%	1.38%	–	Indirect costs are generally embedded in assets in which a Fund invests and are not payable to the Responsible Entity or Investment Manager
Management Fee plus Indirect Costs plus Administration Costs up to the Expense Cap	Total Management Costs[1][2]	2.93%	2.67%	1.65%	
		See Section 6.2 for an example of these fees		Plus a performance fee of 20.5% of the out-performance over the RBA cash rate.	Calculated and payable on a quarterly basis (or when units are withdrawn, if that is not on a quarter-end date).[3]

SERVICE FEES	**AMOUNT ABSOLUTE RETURN UNITS**	**AMOUNT REAL RETURN UNITS**	**AMOUNT DYNAMIC MACRO UNITS**	**HOW AND WHEN PAID**
SWITCHING FEE This is the fee for changing investment options.	NIL	NIL	NIL	Not applicable

[1] Assumes:

(a) Expense Cap is reached (if the Expense Cap is not reached the total expenses will be less than this); and

(b) Investment Manager pays Administration Costs in excess of Expense Cap. Costs beyond the Expense Cap not paid by the Investment Manager are paid by the Fund and could cause an amount greater than the percentage shown above paid by the Fund.

[2] All amounts in this table (other than indirect costs which are not subject to GST) are shown inclusive of GST (at 10%) less available RITC and are rounded to two decimal places.

[3] See 'Performance Fee' below.

6.2 EXAMPLES OF ANNUAL FEES AND COSTS FOR THE FUND

The following tables give an example of how the fees and costs in the Fund can affect your investment over a one year period. You should use these tables to compare this product with other managed investment products.

EXAMPLE: ABSOLUTE RETURN UNITS		Balance of $50,000 with a contribution of $5,000 made during the year.
Contribution Fees	Not Applicable	$Nil
Plus Management Costs [1]	2.93%	And, for every $50,000 you have in the Fund by holding Absolute Return Units, you will be charged $1,465.00 each year.
Equals Cost of Fund		If you had an investment of $50,000 in Absolute Return Units at the beginning of the year and you put an additional $5,000 into Absolute Return Units during that year you would be charged fees of: $1,465.00 to $1,611.50 **What it costs you will depend on the investment option you have chosen and the fees you negotiate**

EXAMPLE: REAL RETURN UNITS		Balance of $50,000 with a contribution of $5,000 made during the year.
Contribution Fees	Not Applicable	$Nil
Plus Management Costs [1]	2.67%	And, for every $50,000 you have in the Fund by holding Real Return Units, you will be charged $1,335.00 each year.
Equals Cost of Fund		If you had an investment of $50,000 in Real Return Units at the beginning of the year and you put an additional $5,000 into Real Return Units during that year, you would be charged fees of: $1,335.00 to $1,468.50 **What it costs you will depend on the investment option you have chosen and the fees you negotiate**

EXAMPLE: DYNAMIC MACRO UNITS		Balance of $50,000 in Dynamic Macro Units with a contribution of $5,000 made during the year.
Contribution Fees	Not Applicable	$Nil
Plus Management Costs[1]	1.65%	And, for every $50,000 you have in the Fund by holding Dynamic Macro Units you will be charged $825.00 each year.
Equals Cost of Fund		If you had an investment of $50,000 in Dynamic Macro Units at the beginning of the year and you put in an additional $5,000 into Dynamic Macro Units during that year you would be charged fees of: $825.00 to $907.50 **What it costs you will depend on the investment option you have chosen and the fees you negotiate**

These example tables are all prepared on the same basis as the Fees and Costs Table above.

(1) In relation to the Dynamic Macro Class, it has been estimated that the performance fee for the financial year ended 30 June 2018 will be zero. Please see the section headed 'Performance Fee' below for more information.

Also, if you are investing through an IDPS or IDPS-like scheme there will probably be additional fees and costs charged by the operator of that service. Please refer to the offer document of the operator of that service for the fees applicable to your investment.

6.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

MANAGEMENT COSTS

Management costs represent the total investment and administration related costs of operating a Fund. It includes the management fees, an estimate of performance fees (if any), custody fees and may also include the normal expenses in relation to a Fund (such as fund accounting, unit registry, audit costs, postage and preparation of tax returns, etc.) which the Responsible Entity is entitled to recover. The management fee, performance fees, administration costs and abnormal operational costs which affect the amount of management costs of the Funds are explained under the headings "Management Fee", "Performance Fee" and "Administration Costs" below.

If any of the sub-funds invests in Units of any of the other classes, then the management costs charged in respect of the relevant class for which that investment has been made will be adjusted to ensure that there is no double counting of the management fee. For example, the Absolute Return Fund and the Real Return Fund may hold Dynamic Macro Units. If this is the case, the Absolute Return and the Real Return Portfolios would exclude the respective holding of the Dynamic Macro Units when the management fee for the Absolute Return and the Real Return Units is calculated. A management fee, and a performance fee if earned, would be calculated in the total of the Dynamic Macro Portfolio only.

Management costs also comprise an indirect cost component, which are additional fees or costs that you incur by investing in the Fund. Indirect costs are generally embedded in assets in which a Fund invests indirectly, such as through an interposed vehicle or in the cost of a derivative acquired by the Fund to gain a market exposure, rather than directly by the Fund. For example, there are management fees (including performance fees) charged by the managers of the investments in each Portfolio. Each Class's indirect costs based on the financial year ending 30 June 2017 are included in the management costs shown in this PDS. There are no indirect costs payable from the sub-funds.

Management costs do not include transactional and operational costs. Transactional and operational costs are amounts which an investor in a Fund would bear if they invested in the underlying Fund assets directly. This is explained below under the heading 'Transactional and Operational Costs'. So, management costs can be summarised like this:

> Management costs = management fee (includes normal expenses) + estimated performance fee (if applicable) + indirect costs (excludes transaction costs) + abnormal operating expenses (if incurred)

The management costs of each Class are set out in the Fees and Costs Table above. The management cost figures disclosed in the fees and costs table is based on information for the financial year ended 30 June 2017.

MANAGEMENT FEE

While the Constitution entitles the Responsible Entity to a maximum responsible entity fee of 5.0% per annum of the Class Unit Value of each class of units on issue, the management fee that is charged is set out in Section 6.1. The Responsible Entity has agreed to pay the whole of the management fee that is received by it to the Investment Manager, less any administration costs outstanding to the Responsible Entity. The fee payable to the Responsible Entity, for acting as the responsible entity, is the greater of:

(1) 0.10% per annum of the value of the Class Unit Value of each class of units on issue (plus GST); and

(2) $44,490 per annum (plus GST), subject to annual increases of the greater of 3% and CPI.

PERFORMANCE FEE

A performance fee is payable in respect of Dynamic Macro Units if the performance of the units is greater than the performance of the benchmark. The benchmark is the daily-weighted RBA cash rate over the relevant period ('Benchmark'). The performance fee is subject to a high water mark, ie, it is only paid on increases in the outperformance to new higher levels on which no prior performance fee has been paid. The fee is 20.5% (inclusive of GST less available RITC) of the excess of the return (after the liabilities including the management fee, the fees and costs charged in the underlying funds and all other expenses, but excluding the performance fee) on Dynamic Macro Units, over the return of the Benchmark.

The performance fee is independently calculated by the Administrator and verified by the Responsible Entity. It is calculated monthly and is payable quarterly in arrears. The performance fee is payable in respect of a particular month even if the performance in a subsequent or earlier month is negative. The performance fee may be adjusted for intra quarter applications and withdrawals.

Examples of the performance fee charged under a number of scenarios are shown below:

ASSUMED OUT PERFORMANCE BEFORE MANAGEMENT COSTS %*	MANAGEMENT COSTS %*	OUTPERFORMANCE AFTER MANAGEMENT COSTS (IF POSITIVE) %	PERFORMANCE FEE % (1)	TOTAL FUND COST % (2)	TOTAL ANNUAL COST ON ASSUMED BALANCE OF $55,000 (3)
-10%	1.65%	Nil	Nil	1.65%	$907.50
-4%	1.65%	Nil	Nil	1.65%	$907.50
+2%	1.65%	0.35%	0.07175%	1.72175%	$946.96
+8%	1.65%	6.35%	1.30175%	2.95175%	$1,623.46
+14%	1.65%	12.35%	2.53175%	4.18175%	$2,299.96
+20%	1.65%	18.35%	3.76175%	5.41175%	$2,976.46

*This is the Base Management Fee plus Administration Costs (including GST less RITC) and assumes:

(a) Expense Cap is reached (if the Expense Cap is not reached the total expenses will be less than this); and

(b) Investment Manager pays Administration Costs in excess of Expense Cap. Costs beyond the Expense Cap not paid by the Investment Manager are paid by the Fund and could cause an amount greater than the percentage shown above paid by the Fund.

The Outperformance before Management Costs % is the percentage by which the gross return on Dynamic Macro Units exceeds the Benchmark return.

(1) Calculated as outperformance % x 20.5% (inclusive of GST and net of RITC).

(2) The Performance Fee % plus the Management Costs %.

(3) The Total Fund Cost % x $55,000 (the assumed balance).

The figures in the performance fee table above are not actual or forecast returns and should not be considered an indication of the actual returns that may be achieved by investors. These figures are provided for information and illustrative purposes only to enable an investor in the Fund to understand the effect that the performance fee might have on investment returns. The returns achieved by Dynamic Macro Units may be more or less than the examples given.

Based on the current calculation methodology for the performance fee, the Investment Manager has estimated that the prospective performance fee for Dynamic Macro Units for financial year 2017/18 is likely to be zero. Prior periods have been taken into account in making this assessment, as well as the likelihood that the performance of Dynamic Macro Units in financial year 2017/2018 will be sufficient to exceed the current high-water mark. However, this is not a forecast as the actual performance fee for the current and future financial years may differ and neither the Responsible Entity nor the Investment Manager can guarantee that there will be no performance fee payable in financial year 2017/2018. The Dynamic Macro Portfolio is considered highly volatile and has historically made excess returns in down markets. Should the right market conditions eventuate, then the Investment Manager may be entitled to a significant performance fee.

Information on current performance fees will be updated from time to time and made available at http://blueskyfunds.com.au/what-we-do/hedge-funds/.

ADMINISTRATION COSTS

The administration costs include, in respect of the Class and its related sub-fund ('Unit Class'), the fees of the Responsible Entity, the Custodian, the Fund Administrator and the Fund Auditor as well as legal fees, distribution fees and other costs incurred in establishing, running and promoting the Fund and sub-funds ('Administration Costs') with the exception of transaction costs and Abnormal Operating Expenses which are explained below. The Administration Costs of each Unit Class are payable in respect of that Unit Class, provided that the maximum amount payable in respect of Administration Costs by that Unit Class ('Expense Cap'), is:

(1) Absolute Return Units, the Expense Cap is 0.36575% per annum (0.35% plus GST less available RITC) of the funds under management for the relevant Unit Class;

(2) Real Return Units the Expense Cap is 0.36575% per annum (0.35% plus GST less available RITC) of the funds under management for the relevant Unit Class; and

(3) Dynamic Macro Units, the Expense Cap is 0.52250% per annum (0.50% plus GST less available RITC) of the funds under management for the relevant Unit Class.

Any Administration Costs that exceed the Expense Caps noted above will be payable by the Investment Manager from their Management Fee. If there are insufficient funds available from the Management Fee the Investment Manager will be required to reimburse the respective Unit class from their own funds.

Under the terms of the relevant Constitution the Responsible Entity and the Trustee, have the right to charge the Administration Costs directly to the Fund or sub-fund (as applicable). There is no limit in the Constitution on the amount of Administration Costs that the Responsible Entity may charge directly to the Fund. This means that if the Administration Costs that exceed the Expense Cap are not paid by the Investment Manager for any reason whatsoever, including that the Investment Manager refuses to, or is unable to, meet these costs, they will be paid from the assets of the Fund. In such a circumstance, there will be a direct impact on the value of the units in the Fund.

ABNORMAL OPERATING EXPENSES

These are costs which are not generally incurred in the day-today running of the Fund ('Abnormal Operating Expenses'). The Fund's Constitution allows for the recovery of these expenses if incurred by the Responsible Entity in connection with the performance of its duties and obligations in operating the Fund and does not set a maximum limit on the amount that can be recovered. Abnormal operating expenses are not borne by the Investment Manager, but are met from the assets of the Fund.

Abnormal operating expenses include events such as the costs of a meeting of unit holders or legal costs incurred in legal proceedings.

Abnormal operating expenses are deducted from the Fund and so are accounted for in the unit price of the Fund and are not an explicit cost paid by you. Abnormal operating expenses are deducted as and when they arise.

TRANSACTIONAL AND OPERATIONAL COSTS

Fund transaction costs are the costs of buying and selling investments, such as brokerage fees, settlement costs, clearing costs, buy-sell spreads on underlying fund investments and Government charges. They are included in the total cost of an investment bought by the Fund. Transaction costs are not borne by the Responsible Entity or Investment Manager, and are not included in, or covered by, the administration costs described above, but are an additional cost to you, although not explicitly paid by you. These costs are presented in the table below as a percentage of the average Net Class Asset Value over the financial year and are based on the financial year ending 30 June 2017.

BUY-SELL SPREAD

The buy-sell spread is the difference between the application and the withdrawal prices applicable to the different classes of units in the Fund and is an additional cost to you. It is calculated by adding the transaction costs from the Net Asset Value of a unit of the relevant class (the 'Net Class Asset Value') in the case of the buy spread and subtracting it from the Net Class Asset Value of a unit in the case of a sell spread. For the purpose of determining the buy-sell spread the transaction costs for the Fund are those estimated by the Responsible Entity. The method by which the Fund transaction costs are calculated is set out in the unit pricing policy of the Responsible Entity, a copy of which is available from it on request. No part of the buy/sell spread is paid to the Responsible Entity or the Investment Manager. The buy-sell spread is retained by the Fund, as an asset referable to the relevant class of units, to cover the transaction costs involved in buying and selling assets and to spread those costs fairly among those investors holding units of that class, whether they are joining, leaving or remaining in the Fund. The buy-sell spread is reflected in the unit price. The buy spread and the sell spread for each class of units in the Fund as at the date of this PDS is set out in the table below.

CLASS	ABSOLUTE RETURN CLASS	REAL RETURN CLASS	DYNAMIC MACRO CLASS
Buy Spread	+ 0.22%	+ 0.22%	+ 0.13%
Sell Spread	– 0.22%	– 0.22%	– 0.13%

For example, if you made an application of $50,000 into Absolute Return Units which has a buy spread of 0.22% on application, you would pay $110 ($50,000 x 0.22%). This amount is retained by the Fund to cover estimated transactional costs incurred in investing your application money.

To obtain an indication of the current buy/sell spreads that may apply to an application or withdrawal from a Fund, please visit http://blueskyfunds.com.au/what-we-do/hedge-funds/.

For example:

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

The Constitution does not impose a limit on the maximum buy or sell spread that may be set. The buy or sell spread may change from time to time as the costs of buying or selling assets fluctuates.

The percentage of the buy-sell spread which was recovered in relation to applications and withdrawals in the Fund in respect of each class in the financial year ended 30 June 2017 are set out in the table below.

BUY/SELL SPREAD RECOVERY

The table below sets out the transactional and operational costs, the buy-sell spread recovery, and the amount of transaction costs which are not recovered through the buy/sell spread (called other transaction costs). The buy-sell spread recovery is presented in the table below as a percentage of the average Net Class Asset Value over the financial year and are estimated based on the financial year ending 30 June 2017.

CLASS	ABSOLUTE RETURN CLASS	REAL RETURN CLASS	DYNAMIC MACRO CLASS	EXPLANATION
Transactional and operational costs	0.71%	0.51%	1.99%	Please note that transactional and operational costs are shown on the basis of all transactions undertaken by the Fund, not just that which is referable to applications and redemptions to which a buy sell spread is applied
Buy-sell spread recovery	0.14%	0.04%	0.08%	
Other transaction costs	0.57%	0.47%	1.91%	

OTHER COSTS THAT MAY BE CHARGED TO YOU

Any costs directly associated with transactions made on your unit holder account will be charged to you by deduction from your account if and when they occur. These include but are not limited to government taxes, special request fees, bank transaction and dishonour fees and any other charges incurred as a result of you transacting on your account.

They do not include the costs of processing your subscription or withdrawal requests, maintaining your unit holder account on the register and regular reporting to you as a unit holder. These costs are charged to the Fund as administration costs and are included in the amounts shown in Section 6.1 and are met by the Investment Manager out of its own funds (including the management fee).

GST

Unless otherwise stated, all fees and charges are shown inclusive of Goods and Services Tax ('GST') net of any available Reduced Input Tax Credits ('RITC'). The Management Costs are based on the GST rate (currently 10%) and available RITC however they may vary from time to time depending on a variety of factors including the Net Asset Value of the relevant class, the types of fees and costs paid and any changes to the GST rate and the RITC available.

CHANGE OF FEES AND COSTS

Fees and costs can change for a variety of reasons including changes in the economic, regulatory and competitive environment.

You will be given at least 30 days' written notice if, within the limits imposed by the Constitution, the fees payable by the Fund are to increase. OMIFL reserves the right to waive or reduce any of the fees and expenses described in this PDS without prior notice.

Under the Constitution, the Responsible Entity may charge an entry fee of up to 5% of the application price and an exit fee of up to 5% of the withdrawal price. It is not the current intention of the Responsible Entity to charge the entry fee or exit fee. Nor is the current intention of the Responsible Entity to charge the costs and expenses that may be incurred in processing transfers of units (which the Constitution caps at 5% of the unit value of the units being transferred).

SECTION 7: TAXATION

The comments made in this section are general in nature and only apply to investors who are residents of Australia for income tax purposes and hold their units on capital account.

It is recommended that investors consult their own taxation adviser about their own specific taxation circumstances, particularly investors that do not acquire their units on capital account.

7.1 TAX POSITION OF THE FUND

Generally, no Australian income tax will be payable by the Fund because the Fund will distribute all net taxable income (including net capital gains) that the Fund derives.

If the Fund incurs a revenue tax loss, it must be carried forward and may be applied against assessable income in future years subject to the Fund satisfying the statutory rules for tax losses. However, tax losses incurred by a sub-fund cannot be offset against assessable income of another sub-fund.

The tax implications for an investor depend on the components of the distribution received.

7.2 TAX POSITION OF AUSTRALIAN RESIDENT INVESTORS

DISTRIBUTIONS

Investors must include their proportion of the net taxable income in their income tax return for the year it was earned by the Fund even if the distribution is reinvested to acquire additional units or payment of the distribution is after 30 June.

FRANKED DIVIDENDS

Where the Fund invests in Australian equities, an investor's share of the Fund's net taxable income may include an entitlement to franking credits. Depending on the investor's particular circumstances, these amounts may be available to offset their tax liability or be paid as a refund if the franking credits exceed their total tax liability.

Under certain circumstances, an investor's entitlement to franking credits may be denied where they have not held the units at risk for at least 45 days.

FOREIGN INCOME AND FOREIGN TAX CREDITS

Foreign income (e.g. foreign interest and dividends) received by the Fund from sources outside Australia may be subject to withholding tax in the country from which the income is derived. Investors may be entitled to claim a credit against their Australian tax liability for foreign tax paid.

CAPITAL GAINS

Taxable net capital gains made by the Fund may be distributed to you. The Fund may also distribute the non-assessable portion of a discount capital gain. No adjustment to the cost base of the investor's units will be required in respect of the non-assessable discount capital gain concession.

TAX DEFERRED

Some of the income distributed to investors may be classified as tax-deferred income. For investors who hold their units on capital account, the tax-deferred income should not form part of an investor's assessable income in the year that the tax deferred distribution is paid. Instead, the investor's cost base in the units will be reduced by the tax-deferred amount and may affect the capital gains tax position of the investment. However, for those investors who have a zero cost base in their units, or where the tax-deferred distribution exceeds the cost base of their investment, any tax-deferred amounts received should be treated as a capital gain of the investor in the year to which payment relates. Investors should maintain records of their adjustments.

DISPOSAL OF UNITS

Investors may be liable for capital gains tax on gains realised on disposal of their units in the Fund. Disposal of units may be in the form of withdrawal or transfer.

As at the date of this PDS, if you have held your units for at least 12 months, individuals and trusts may be entitled to a capital gains discount of 50% whereas complying superannuation funds may be entitled to a discount of 33.33%.

Non-assessable amounts (if any) other than those relating to the discount capital gain concession, that are distributed to you may reduce the cost base of your units, which will result in an increased capital gain or a reduced capital loss on the subsequent disposal of units.

For non-resident investors, complex laws govern the taxation of capital gains distributed by the Fund or those realised on the disposal of units. Accordingly, non-resident investors should seek their own professional tax advice.

THE ATTRIBUTION MANAGED INVESTMENT TRUST (AMIT) REGIME

Since 1 July 2016, legislation has been in place for eligible managed investment trusts ('MITs') to elect to become an Attribution MIT ('AMIT') by irrevocable choice.

If the Responsible Entity elects to be an AMIT, the Fund may be treated as a fixed trust for Australian income tax purposes. Investors may receive distributions made up of different 'trust components' from the Fund. Trust components should retain their character in the Investors' hands. Trust components may include income, exempt income, non-assessable non-exempt income and tax offsets.

Other considerations of becoming an AMIT include a formal system to allow errors in calculating taxable income (referred to as 'unders and overs') to be rectified by making adjustments in the year they are discovered; and the ability to make an irrevocable election to treat income and assets attributable to a class of units as a separate AMIT.

Prior to the Fund electing to be an AMIT, the Constitution of the Fund may need to be amended. If amendments are required, the Responsible Entity plans to avail itself of the ASIC Class Order relief.

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact.

TAXATION OF FINANCIAL ARRANGEMENTS

Since 1 July 2010, the Taxation of Financial Arrangement ('TOFA') provisions have applied on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, the TOFA provisions recognise certain gains and losses on financial arrangements on an accruals basis, which may result in a taxing point prior to the realisation of the investment. Due to the implementation of the TOFA regime, there may be some instances where your share of the taxable income of the Fund exceeds the cash distribution you receive from the Fund.

TAXATION STATEMENT

To help you complete your tax return, you will be sent an annual taxation statement for taxation purposes. It will set out the taxable and non-taxable components of the Fund's distributions during the year.

7.3 GOODS AND SERVICES TAX ('GST')

Fees and expenses incurred by the Fund, such as management costs, will generally attract GST at the rate of 10%. Given the nature of the Fund's activities, the Fund will generally not be entitled to claim input tax credits for the full amount of the GST incurred. However, RITC should be available for the GST paid on the expenses incurred by the Fund. Where RITC are available, the prescribed rate is currently 55% or 75% depending on the nature of the fee or cost incurred.

No GST obligations arise for investors on the application, withdrawal or transfer of units in the Fund.

Distributions made by the Fund will also not be subject to GST.

7.4 TAX FILE NUMBER ('TFN') AND AUSTRALIAN BUSINESS NUMBER ('ABN')

It is not compulsory for investors to quote their ABN, TFN or apply for an exemption. However, failure to do so may cause the Fund to withhold tax at the highest marginal rate plus the Medicare Levy (currently 49%) from certain payments if this information is not provided.

SECTION 8: ADDITIONAL INFORMATION

8.1 KEEPING YOU INFORMED

To keep you informed of your investment the following information will be provided:

- confirmation of every transaction you make;
- annual transaction reports – including your opening and closing balances, a summary of all transactions on your account, any increases in contributions and any return on investments during the reporting period;
- financial reports for the Fund which will be published on the website *www.oneinvestment.com.au/bluesky* as soon as practicable after lodgement with ASIC;
- following the end of the tax year, a report to help you with your tax return; and
- notice of any material changes to this PDS and any other significant event.

In addition, key information will be made available to you annually and monthly as to the matters set out in Benchmark 2: *Periodic reporting of key information* in Section 2: *ASIC Hedge fund benchmark and disclosure principles* of this PDS. This information will include Fund facts and Portfolio updates, funds under management, unit prices, Fund review, Portfolio performance, asset allocation, underlying fund managers, and material changes in risks, investment strategy or management, if any. This information will be on the *http://blueskyfunds.com.au/what-we-do/hedge-funds/*.

You will also find on the website the current disclosures as to each of the Hedge fund benchmark and disclosure principles set out in Section 2. It will be updated whenever there is a material change or a significant event that affects a matter that is disclosed, occurs.

Once the Fund has more than 100 investors it will be regarded as a disclosing entity under the Corporations Act. As a disclosing entity it will be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Once the Fund becomes a disclosing entity, an investor in the Fund will have the right to obtain the following documents from OMIFL free of charge:

- the most recent annual report;
- the half yearly financial report lodged with ASIC in respect of the Fund;
- any continuous disclosure notices issued in respect of the Fund after lodgement of the annual report and prior to the date of this PDS.

In accordance with ASIC policy, the Responsible Entity has elected to make all of the above documents, as well as any other information that needs to be provided to investors under ASIC policy, available on the website *www.oneinvestment.com.au/bluesky* instead of lodging continuous disclosure notices with ASIC. Investors are encouraged to check this website regularly for such information. If this practice ceases, the Responsible Entity will notify the investors.

You must advise of any change to your personal details in writing. The Fund Administrator will in turn acknowledge any advised changes to your details in writing.

8.2 THE OPERATION OF THE FUND

THE INVESTMENT MANAGER

Blue Sky Investment Science Asset Management Pty Ltd is a wholly owned subsidiary of Blue Sky Alternative Investments Limited and manages multi-asset and multi-manager portfolios in accordance with the SRA™ portfolio construction methodology.

Details as to its investment team are in Disclosure principle 2: Investment Manager in Section 2: *ASIC Hedge fund benchmark and disclosure principles* of this PDS.

Established in 2006 as a private equity investment manager, Blue Sky Alternative Investments Limited is a diversified alternative asset manager specialising in four asset classes; Private Equity, Private Real Estate, Hedge Funds and Real Assets. The company listed on the Australian Securities Exchange in January 2012 (ASX:BLA). The Blue Sky group of companies is headquartered in Brisbane, with offices in Sydney, Melbourne, Adelaide and New York.

THE RESPONSIBLE ENTITY

One Managed Investment Funds Limited is the holder of AFSL 297042 issued by ASIC. The principal business of OMIFL is to provide administration and management services for registered and unregistered managed investment schemes. OMIFL is the issuer of this PDS and of units in the Fund. OMIFL's role is to administer the Fund in accordance with the Constitution. In carrying out its role, OMIFL must comply with the Corporations Act and must:

- act honestly and in the best interests of all unit holders;
- exercise due care and diligence;
- treat unit holders holding the same class equally; and
- give priority to the interests of unit holders in the event of a conflict between the interests of the Responsible Entity and those of unit holders.

INTERESTS OF OMIFL

The trustee of each of the sub-funds is Columbus Administration Pty Limited ABN 71 109 736 012, which is a related body corporate of OMIFL. No fees are payable to that company for acting as the trustee of any of those trusts.

THE CONSTITUTION

The operation of the Fund is governed under the laws of Australia and its Constitution which addresses matters such as unit pricing and withdrawals and applications; the issue and transfer of units or classes of units; unit holder meetings; unit holders' rights including unit holders' rights to income of the Fund; the Responsible Entity's powers to invest, borrow and generally manage the Fund and fee entitlement and right to be indemnified from the Fund's assets.

The Constitution states that your liability is limited to the amount you paid for your units, but the courts are yet to conclusively determine the effectiveness of provisions of this kind.

The Responsible Entity may alter the Constitution if it reasonably considers the amendments will not adversely affect investors' rights. Otherwise the Responsible Entity must obtain investors' approval at a meeting of investors. The Responsible Entity may retire or be required to retire as Responsible Entity (if investors vote for its removal).

The Responsible Entity may exercise its right to terminate the Fund in accordance with the Constitution and the Corporations Act. This includes the right, exercisable in consultation with the Investment Manager to give not less than 30 days' notice of its intention to terminate the Fund. Investors have the right to require the termination of the Fund by passing an extraordinary resolution (that is, one that is passed by the investors holding not less than 50% of the units in the Fund).

Your rights to requisition, attend and vote at meetings are mainly contained in the Corporations Act.

THE COMPLIANCE PLAN

A Compliance Plan has been prepared for the Fund to ensure compliance with the Corporations Act in relation to managed schemes and with the Constitution. The Compliance Plan is designed to document compliance risks and the monitoring process and to provide a basis for compliance adherence and auditing. A compliance committee with the required number of external compliance members has been appointed. The Compliance Plan has been lodged with ASIC and is independently audited.

THE CUSTODIAN

As at the date of this PDS, OMIFL has appointed National Australia Bank Limited ABN 12 004 044 937 ('NAB') as the independent custodian to hold the assets of the Fund. NAB's role as custodian is limited to holding the assets of the Fund as the agent of OMIFL. NAB has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. NAB has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custody Agreement. NAB makes no statement in the PDS and has not authorised or caused the issue of it. NAB has given and not withdrawn its consent to be named in the PDS. NAB holds investments of the Fund as bare trustee and such investments are not investments of NAB or any other member of the NAB group of companies ('NAB Group'). Neither NAB, nor any other member of NAB Group, in any way stands behind the capital value, nor do they guarantee the performance of the investment or the underlying assets of the Fund, or provide a guarantee or assurance in respect of the obligations of OMIFL or its related entities.

THE FUND ADMINISTRATOR

As at the date of this PDS, OMIFL has appointed NAB as the independent fund administrator to, amongst other things, calculate the Net Asset Value and maintain financial books and records so far as may be necessary to give a complete record of all transactions carried out by NAB on behalf of the Fund. NAB has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. NAB has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Administration Agreement. NAB makes no statement in the PDS and has not authorised or caused the issue of it. Neither NAB, nor any other member of NAB Group, in any way stands behind the capital value, nor do they guarantee the performance of the investment or the underlying assets of the Fund, or provide a guarantee or assurance in respect of the obligations of OMIFL or its related entities.

CHANGES TO SERVICE PROVIDERS

The above service providers, and others engaged by OMIFL or the Trustee, may change during the currency of this PDS in accordance with the terms of their engagement. Any changes will be notified to investors as part of the periodic reporting to investors as noted in Benchmark 2: *Periodic reporting of key information in Section 2*.

CONFLICTS OF INTEREST

The Responsible Entity, the Investment Manager and their associates may from time to time:

- represent or act for, or contract with, their affiliates and associates;
- invest in and deal in any capacity, with the same investments as that of the Fund, on similar or different terms;
- act in various capacities in relation to, or be otherwise involved in (such as by way of investment), other business activities that may be in competition with the interests of unit holders;
- recommend that investments be purchased or sold, on behalf of the Fund, regardless of whether at the same time it may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other clients;
- appoint any agents and use brokers, custodians and clearing houses and other persons, including related parties, for the purposes of it meeting its obligations and responsibilities in respect of the Fund; and/or
- receive and retain profits or benefits of any nature, in connection with the Fund,

and may do so without being liable to account to the Fund or investors.

8.3 COMPLAINTS RESOLUTION

The Responsible Entity has procedures in place to properly consider and deal with any complaints received in accordance with clause 57 of the Constitution. The Responsible Entity will acknowledge a complaint, investigate it and decide what action needs to be taken. The Responsible Entity will notify a complainant of its decision together with any remedies that are available under the Constitution or other avenues of redress or appeal.

If you have a complaint in relation to the Fund, please contact the Complaints Officer of the Responsible Entity at PO Box R1471 Royal Exchange NSW 1225 (Phone: +61 2 8277 0000 Email: *complaints@oneasset.com.au*). The Responsible Entity will ensure that the complaint receives proper consideration and will communicate with the complainant as soon as possible (and in any event, within 45 days after receipt of the complaint).

If your complaint is not resolved within 45 days, you may have the right to complain to the Financial Ombudsman Service at GPO Box 3, Melbourne, Victoria 3001 or by calling 1300 780 808. ASIC also has an infoline (1300 300 630) to obtain further information about your rights.

Depending on the nature of their complaint, Indirect Investors should contact their IDPS operator or the Responsible Entity if they wish to make a complaint or if they are unsatisfied with how a complaint has been handled.

8.4 PRIVACY AND THE COLLECTION AND DISCLOSURE OF INFORMATION

The Privacy Act 1998 (Cth) regulates, among other things, the collection, disclosure and access to personal information.

Certain laws require us to us to collect, store and disclose information about you (which may include your personal information) for example, The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Law), the Foreign Account Tax Compliance Act (FATCA) and the Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (CRS). We may be required under the AML/CTF Law to provide information about you (including your personal information) to the Australian Transaction Reports and Analysis Centre (AUSTRAC), the body responsible for regulating the AML/CTF Law. In respect of investors who are ordinarily resident in a country other than Australia, both FATCA and CRS may require us to collect and disclose to the Australian Taxation Office information obtained from you (including your personal information).

If you do not provide the information requested in our application form, we will not be able to process your application (including any application for additional units) and your application may be delayed or rejected. Where applications are delayed or refused, we are not liable for any loss you suffer (including consequential loss) as a result. Alternatively, if we accept your application to the Fund when you have not provided all of the requested information, we may provide information about you to the relevant regulator.

We will be required to share information about you (including personal information) with service providers to the Responsible Entity in respect of the Fund (including the Investment Manager) to ensure you receive the appropriate information and assistance in respect of your holding in the Fund.

By applying to invest in the Fund, the applicant consents to your information (including your personal information) being used and disclosed by the Responsible Entity for the purposes permitted under the Privacy Act, unless you have instructed the Responsible Entity in writing to do otherwise.

If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all.

You are entitled to access, correct and update all personal information which the Responsible Entity holds about you. This information held may be obtained by contacting the Responsible Entity. You should contact the Responsible Entity using its contact details in the Corporate Directory if you have concerns about the completeness or accuracy of the information we have about you or would like to access or amend your personal information held by the Responsible Entity (or its relevant service provider). Complaints are dealt with in accordance with our complaints resolution policy referred to in Section 8.3.

A copy of our current Privacy Policy is available on our website at *www.oneinvestment.com.au* and a paper copy will be sent to you free of charge on request. Changes will be made to our Privacy Policy from time to time to reflect changes in the law, including the Privacy Act.

If you have any questions relating to the Responsible Entity's privacy policy or anything else found in this PDS, please contact the Responsible Entity by email, facsimile or telephone during normal business hours. The contact details are set out in the Corporate Directory.

SECTION 9: GLOSSARY

abnormal operating expenses	Has the meaning given to that term in Section 6.3.
active manager	An investment manager applying active management investment techniques.
administration costs	Has the meaning given to that term in Section 6.3
active management	An investment approach employing the manager's analytical skills, forecasts, judgment and experience in the making of investment decisions as to what investment products or instruments to buy, hold or sell. The opposite of active management is 'passive' management, which is also known as 'indexing'.
alpha	The outperformance of an investment against a market index used as a benchmark.
asset class	A group of assets defined by convention with similar characteristics which trade on the same or related markets.
backtest	A simulated performance history of a systematic strategy whereby the rules of the strategy are applied to a period of historical data.
benchmark	The return series that a portfolio or underlying manager aims to beat, which usually reflects the objectives and typical investments of the portfolio or underlying manager. The return series is generally constructed from at least one passive index.
beta	The correlation between an investment asset performance and the underlying benchmark performance.
brokers	References to brokers include references to prime brokers and futures clearing brokers. Futures clearing brokers facilitate the execution of their clients' orders on futures exchanges of which they are members. They ensure that their clients post margin into segregated accounts as required by the exchange. Unlike prime brokers they do not enter into derivative contracts directly with clients. Direct derivative contracts with prime brokers (also known as 'over the counter' derivative contracts) allow the use of bespoke contracts that are not available on futures exchanges, and allow the execution of large trades that would be unavailable on futures markets due to the lack of market liquidity and depth. The use of over the counter derivative contracts opens up a counterparty risk to the prime broker.
business cycle	The period of expansion and contraction in the level of economic activity for an economy around a long-term growth trend. These cycles typically have a duration of 5-7 years; however, each cycle is different and the duration may be longer or shorter.
CPI	The Australian Consumer Price Index as published quarterly (March, June, September, December) and annually by the Australian Bureau of Statistics.
dealing day	The last business day of each week when banks are open for business in New South Wales. All references in this PDS to time are references to Sydney local time.
derivative	A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Futures contracts, forward contracts, options and swaps are the most common types of derivatives. Derivatives are generally used as an instrument to hedge risk, but can also be used for speculative or investment purposes. Derivatives can be traded with exchanges or by private treaty (over the counter).

diversification	The beneficial risk-reducing property of holding more than one risk exposure in a portfolio, as there is likely to be some instances where the losses from some risks are offset by the profits from other risks.
hedge/hedged	A risk exposure whose effect in the portfolio has been significantly reduced or neutralised. This can be achieved through the use of a derivative or other non-correlated asset.
high water mark	The value of the total return index of a portfolio up to which a performance fee has been paid.
historical stress test scenario analysis	A backtest to examine what could happen to a portfolio over a short period of time when financial markets were particularly volatile, e.g. the 1987 stock market crash, the 1994 bond market meltdown, the 1997 Asian currency crisis, the 1998 Russian debt default and the 2008 global financial and credit crisis.
leverage	A fund is leveraged when the asset exposures of the fund sum to greater than 100%, achieved either through borrowing or derivative contracts. A fund may be net neutral yet employ leverage as is evident in a 130/30 fund.
liquidity	The propensity of an investment to be readily sold for cash without influencing the price of the investment.
long term	A period of 5 years or more.
managed futures strategies	These are quantitative investment strategies that seek to generate profits from investments across bonds, interest rate, currency, commodity, equity and volatility markets. They are generally entered into with exchanged traded derivatives in particular futures, however may include options and non-exchange traded instruments.
margin to equity	Margin is the amount of money required by a broker and/or exchange to enter into a futures position. Margin is based on risk and is comprised of an initial outlay and ongoing amount depending on whether the position is making or losing money. Margin to equity is the ratio of the total margin required by a broker and/or exchange relative to the total equity value of a portfolio. Generally higher risk involves a higher margin requirement, and a higher margin to equity ratio involves a higher risk portfolio.
mean reversion	Mean reverting trading strategies involve establishing a long or short position based on signals that a market move has over-extended and should be expected to reverse.
the Quadrant	The Quadrant uses a single variable, being Historical Money Supply data to forecast the inflation and growth paths of 7 global economies and specifically if they are running at, above or below average for that country. The data for each economy is then plotted on an economic quadrant indicating its place in the economic cycle.
RBA cash rate	The RBA cash rate is the interest rate which banks pay or charge to borrow funds from or lend funds to other banks on an overnight unsecured basis as measured and reported on a daily basis by the Reserve Bank of Australia. The measure is also known as the inter-bank overnight cash rate.
risk adjusted return	The measurement of how much risk is used to produce a return.
risk exposure	A source of uncertainty that impacts on the value of a portfolio.

risk preference	The level of investment risk an investor chooses which is determined by a perception of the risk-return payoff, the investor's risk tolerance and the investor's capacity to withstand losses.
risk premium	The long term expected excess return of an asset class such as equities or commodities above the risk free rate of return normally associated with treasury bonds.
risk tolerance	How an investor feels about risk to their wealth.
RITC	Reduced Input Tax Credits. The Fund may be entitled to RITC which is currently either 75% or 55% of any GST paid. This will effectively reduce the GST payable by the Fund. The rates are determined by legislation and may change.
sensitivity analysis	A hypothetical scenario of the impact on the value of a portfolio of a given change in the level of a risk exposure.
short selling	This is frequently associated with shares but can equally apply to other instruments such as futures and options. An investor 'shorting is looking to gain from a fall in price or hedge an existing long position. Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of an asset may appreciate.
special events	An investment strategy that aims to profit from the imminent announcement of company news, the result of which is expected to have a sudden sharp impact on share prices. Typically this relates to corporate re-organisations such as mergers, acquisitions, spin-offs, and capital raisings, but can also involve litigation, contract bids, and clinical drug trials.
Strategic Asset Allocation, SAA	An investment paradigm that matches an investor's risk preference with allocations to a pre-defined list of asset classes. An example of SAA is a growth fund that invests 70% in equities and 30% in bonds.
Strategic Risk Allocation, SRA™	An alternative investment paradigm to SAA that matches an investor's risk preference with a level of volatility of investment returns. An example of SRA™ is a risk budget of 4% per annum that can be invested across a wider investment set than equities and bonds.
systematic macro overlay	A proprietary "Quadrant" macroeconomic overlay which uses analysis of the outlook for growth and inflation for each of the leading global economies to dynamically allocate Risk to the underlying strategies.
trend following	An investment strategy that aims to profit from the belief that if financial market prices have been moving in a particular direction then they tend to continue in the same direction. Managers have applied this type of strategy to all types of markets and to timeframes lasting from seconds to months and years.
your fingerprint	Your Fingerprint is the service provided at https://investor.blueskyfunds.com.au/investorportal/ or downloaded from the iPhone App Store or Google Play store where investors can view weekly unit prices or their individual investment information. This service requires logging in and the data is only available to the individual investor and will not be made available to other third parties.

CORPORATE DIRECTORY

MEMBER ENQUIRIES

Tel: +61 (0) 7 3270 7500

Email: *investorservices@blueskyfunds.com.au*

RESPONSIBLE ENTITY

One Managed Investment Funds Limited

Level 11, 20 Hunter Street
Sydney NSW 2000

PO Box R1471
Royal Exchange NSW 1225

Tel: +61 (0) 2 8277 0000
Fax: +61 (0) 2 8580 5700
Web: *www.oneinvestment.com.au*

INVESTMENT MANAGER

Blue Sky Investment Science Asset Management Pty Ltd

Suite 2202, Level 22 Australia Square
264-278 George Street, Sydney NSW 2000

Web: *http://blueskyfunds.com.au/what-we-do/hedge-funds/*
Email: *investorservices@blueskyfunds.com.au*

CUSTODIAN

National Australia Bank Limited

Web: *www.nab.com.au*

FUND ADMINISTRATOR

National Australia Bank Limited

Web: *www.nab.com.au*
Fax: +61 1300 365 601

FUND AUDITOR

HLB Mann Judd (NSW Partnership)