



HMC Capital  
High Conviction Alternatives Fund  
Supplementary Product Disclosure Statement  
Dated 18 March 2024

# HMC Capital High Conviction Alternatives Fund Supplementary Product Disclosure Statement Dated 18 March 2024

## Important Information

This is a supplementary product disclosure statement ('SPDS') for the purpose of Part 7.9 of the Corporations Act and is issued by HMC Capital Investments Limited (ACN 606 555 480, AFSL 478061) ('Responsible Entity', 'our', 'we' or 'us') as the responsible entity of the HMC Capital High Conviction Alternatives Fund (ARSN 666 525 677) ('Fund').

This SPDS supplements, and is intended to be read together with, the product disclosure statement dated 27 March 2023 ('PDS'), issued by the Responsible Entity as the responsible entity of the Fund and any other SPDS issued for the Fund. This SPDS is dated 18 March 2024.

The information set out below is taken to be included in the PDS. Terms defined in the PDS have the same meaning in this SPDS. If there is a conflict between the PDS and this SPDS, this SPDS will prevail.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers.

## Obtaining a copy of this SPDS

The PDS and this SPDS are available at [www.hmccapital.com.au](http://www.hmccapital.com.au) or by contacting [invest@hmccapital.com.au](mailto:invest@hmccapital.com.au). A paper copy of the PDS and the SPDS is available free on request.

## Disclaimer

No person is authorised to provide any information or to make any representation in connection with the offer that is not contained in this SPDS. Any information or representations not contained in this SPDS may not be relied upon as having been authorised by the Responsible Entity, its directors or the Manager.

## Purpose of this SPDS

The purpose of this SPDS is to provide existing and prospective investors with additional information which may be relevant to their decision to invest in the Fund.

Since inception of the Fund on 27 March 2023, the Underlying Fund has performed strongly and is therefore accruing Performance Fees in accordance with the terms set out in the PDS. As a result, Section 4 of the PDS (Fees and costs) has been updated to reflect the Responsible Entity's reasonable estimates of the fees and costs payable for the current financial year. In addition, the calculation date for payment of the first Performance Fee by the Underlying Fund has been amended from 31 August 2024 to 30 June 2024. This change will result in any Performance Fee payable by the Underlying Fund as at 30 June 2024 being calculated based on audited financial statements. There has been no change to the amount of Performance Fees payable by the Underlying Fund.

Accordingly, 'Section 4 – Fees and costs' of the PDS (PDS page 23) should be replaced in its entirety with the following section.

## Section 4: Fees and 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 investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

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

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

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](http://www.moneysmart.gov.au)) has a managed funds calculator to help you check out different fee options.

### Fees and costs summary

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Tax details are set out in the Section 8 'Taxation' of the PDS.

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

#### HMC Capital High Conviction Alternatives Fund

Type of Fee or Cost <sup>1</sup>	Amount	How and when paid
Ongoing annual fees and costs		
Management fees and costs	1.57% p.a.	
The fees and costs of managing your investment	The management fees and costs comprise <sup>2</sup> : <ol style="list-style-type: none"> <li>1. Fund recoverable expenses of 0.25% (capped).</li> <li>2. Indirect costs incurred by the Underlying Fund on account of management fees of 1.14% p.a.</li> <li>3. Indirect cost attributable to other management fees and costs of 0.18% p.a.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fund recoverable expenses are accrued monthly and paid from the Funds assets as and when incurred.</li> <li>2. Indirect costs incurred by the Underlying Fund on account of management fees is calculated and accrued monthly and is paid quarterly in arrears out of the Underlying Fund. Accrued but unpaid management fees are reflected in the Underlying Fund Unit Price of the Underlying Fund units held by the Fund,</li> <li>3. Other indirect costs are generally deducted from the assets of the Underlying Fund as and when incurred and are reflected in the Fund's Unit Price.</li> </ol>

HMC Capital High Conviction Alternatives Fund

Type of Fee or Cost <sup>1</sup>	Amount	How and when paid
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Ongoing annual fees and costs *continued*

Performance fees Amounts deducted from your investment in relation to the performance of the Fund	2.93% p.a. <sup>3</sup>	The Fund itself does not charge a performance fee. However, the Underlying Fund charges a performance fee of up to 20% of the amount (if any) by which the Underlying Fund's Unit Return (as explained below under 'Performance Fees') exceeds the return hurdle of 7%pa ('Return Hurdle') (subject to a high water mark). If payable, the performance fee is accrued monthly and paid to the Underlying Fund Manager annually out of the assets of the Underlying Fund <sup>4</sup> . Accrued but unpaid performance fees are reflected in the Fund's Unit Price.
Transaction costs The costs incurred by the Fund when buying or selling assets	0.03% p.a. <sup>5</sup>	Transaction costs which are incurred when an investor invests or redeems from the Fund will generally be recovered through the buy-sell spread applied to the Unit Price. Transaction costs that are not recovered reduce returns, and are reflected in the Funds Unit Price.
Member Activity Related Fees and Costs (fees for services or when your money moves in and out of the Fund)		
Establishment fee The fee to open your investment	Nil	Not Applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not Applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the Fund	Buy spread 0.30% Sell spread 0.30%	The buy-sell spread is deducted from the application amount received from, or the withdrawal amount to be paid to, applications and withdrawing Unitholders respectively at the time of the relevant application or withdrawal.
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not Applicable
Exit fee The fee to close your investment	Nil	Not Applicable
Switching fee The fee for changing investment options	Nil	Not Applicable

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<sup>1</sup> Unless otherwise stated, all fees and costs referred to in this table are quoted inclusive of GST and net of any input tax credits ('ITCs') or reduced input tax credits ('RITCs') that are expected to be available to the Fund and are shown without any other adjustment in relation to any tax deduction available to the Responsible Entity.

<sup>2</sup> Estimated based on the Responsible Entity's reasonable estimates of the typical ongoing amounts for the current financial year.

<sup>3</sup> Estimated based on the Responsible Entity's reasonable estimates of the typical ongoing amounts for the current financial year, having regard to the performance fee accrued by the Underlying Fund as at 31 January 2024.

<sup>4</sup> Performance fee will be accrued but not paid until 30 June 2024, and annually each 30 June thereafter. Please see 'Additional explanation of fees and costs' for more detail on performance fee calculation.

<sup>5</sup> Estimated based on the Responsible Entity's reasonable estimates of the typical ongoing amounts for the current financial year.

Unless otherwise stated, all estimates of fees and costs in this section are based on information available as at the date of this SPDS and reflects the Responsible Entity's reasonable estimates of the typical ongoing amounts for the current financial year. Please refer to the 'Additional explanation of fees and costs' section below for more information on fees and costs that may be payable.

For certain wholesale clients (as defined in the Corporations Act), the Responsible Entity may, at its discretion and in accordance with ASIC policy and the Corporations Act, negotiate, rebate or waive all or part of the Responsible Entity's management fee. Please refer to the 'Additional explanation of fees and costs' in this SPDS for further details.

Please refer to the 'Other Indirect costs' section of the 'Additional explanation of fees and costs' in this SPDS for an explanation of what is an 'interposed vehicle' of the Fund.

The transaction costs disclosed in this fees and costs summary are shown net of any recovery received by the Fund from the buy-sell spread charged to transacting Unitholders, includes the Underlying Fund's buy-sell spread charged to the Fund by the Underlying Fund, and net of any recovery received by the Underlying Fund from the buy-sell spread charged to transacting Unitholders in the Underlying Fund.

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

### Example of annual fees and costs

The table below gives an example of how the ongoing annual fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare the Units with other managed investment products.

#### Example: HMC Capital High Conviction Alternatives Fund

		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management fees and costs	1.57%	And, for every \$50,000 you have in the Fund you will be charged \$783 each year.
PLUS Performance fees	2.93%	And, you will be charged or have deducted from your investment \$1,463 in performance fees each year.
PLUS Transaction Costs	0.03%	And, you will be charged or have deducted from your investment \$13 in transaction costs.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of \$2,260*. What it costs you will depend on the fees you negotiate.

\* Additional fees and costs may apply. Indirect investors may also incur additional fees and costs charged by their IDPS operator. The above example assumes the additional contribution of \$5,000 was made on the last day of the year.

## Additional explanation of fees and costs

The investment returns of the Fund will be affected by the fees and expenses incurred, including at the Underlying Fund. Unless otherwise stated, all estimates of fees and costs in this SPDS are based on information as at the date of this SPDS and reflect the Responsible Entity's reasonable estimate of the typical ongoing amounts for the current financial year. Please read the section 'Changing the fees and costs' below for information on changes to management fees and costs.

### Management fees and costs

Management fees and costs include the amounts payable for administering the Fund, amounts paid for investing in the assets of the Fund, Fund recoverable expenses, costs of OTC derivatives and other indirect costs incurred by the Underlying Fund and the Holding Trust.

#### Management fee

Neither the Manager nor the Responsible Entity charges a management fee at the Fund. The Underlying Fund Manager charges a management fee to the Underlying Fund as disclosed below.

#### Recoverable expenses and expenses paid by HMC Capital

The Responsible Entity has a right to recover or pay out of the Fund's assets costs incurred in managing the Fund, including expenses such as custodial, compliance, administrative, accounting, registry, banking and audit expenses incurred in respect of the Fund. The Responsible Entity recovers expenses from the Fund's assets. The amount of recoverable expenses will be capped at 0.25% p.a. on the NAV of the Fund (inclusive of GST net of any RITC recovered).

#### Indirect cost – Underlying Fund Management Fee

The Underlying Fund Manager is entitled to a management fee at the Underlying Fund, and this is estimated to result in a management fee at the Fund of 1.03% p.a. on the NAV of the Fund (inclusive of GST net of any RITC recovered). The Underlying Fund management fee is calculated and accrued monthly and generally payable quarterly out of the assets of the Underlying Fund in arrears.

### Other Indirect costs

Indirect costs include any amount that the Responsible Entity knows or reasonably ought to know, or where this is not the case, may reasonably estimate has reduced or will reduce (as applicable), whether directly or indirectly, the return of the Fund, or the amount or value of the income of, or property attributable to the Fund, or an interposed vehicle in which the Fund invests. Each Underlying Vehicle is an interposed vehicle of the Fund.

In addition to the Underlying Fund management fee and recoverable expenses, the management fees and costs figure disclosed in the fees and costs summary in this SPDS includes the estimated indirect costs of 0.18% p.a., which is the Responsible Entity's reasonable estimate at the date of this SPDS.

These indirect costs are reflected in the Unit Price and include the management fees and costs of interposed vehicles and other indirect costs.

The indirect costs may vary from year to year, including to the extent that they rely on estimates.

Where applicable, the costs to the Underlying Vehicles of investing in OTC derivatives are included in indirect costs (except for OTC derivatives used only for hedging). The costs of investments in OTC derivatives can affect the underlying returns you receive.

The actual indirect costs that the Fund incurs may differ from the indirect costs disclosed in this SPDS. Details of any future changes to indirect costs will be provided on the Fund website where they are not otherwise required to be disclosed to investors under law.

## Performance fees

### Performance fees charged by Manager

The Manager does not charge a performance fee in respect of the Fund.

### Performance fees charged by the Underlying Fund Manager

The Responsible Entity will invest substantially all of the assets of the Fund into the Underlying Fund. The Underlying Fund Manager charges a performance fee against the assets of the Underlying Fund.

The Underlying Fund Manager is entitled to an Underlying Fund's performance fee of 20% (excluding GST) of Unit Return (explained below) in excess of the Return Hurdle of 7% per annum of the net asset value of the Underlying Fund, subject to a high water mark (also explained below).

The Responsible Entity's estimate of the performance fees charged by the Underlying Fund Manager is incorporated in the fees and costs summary in this SPDS and is based on the Responsible Entity's estimate of the fee for the current financial year having regard to the performance fee accrued by the Underlying Fund as at 31 January 2024.

After applying the methodology above, the Responsible Entity estimate of the Underlying Fund's performance fees is 2.93% p.a. of the NAV of the Fund.

The Underlying Fund's performance fee (if any) will be calculated and accrued monthly and will be reflected in the Underlying Fund Unit Price. It will be paid to the Underlying Fund Manager on each of the following dates as if property of the Underlying Fund was disposed of at the relevant calculation date and in accordance with the Underlying Fund's valuation policy:

- on or around 30 June 2024;
- on or around each 30 June thereafter; and
- as otherwise set out under the trust deed of the Underlying Fund.

The monthly Unit Price for the Fund will primarily depend on the Underlying Fund Unit Price, which will include an accrual for the performance fee where applicable in accordance with the calculation methodology below.

### Calculation Methodology

The Unit Return ('Unit Return') in respect of each unit in the Underlying Fund, is intended to reflect the Underlying Fund's investment performance and is an amount equal to the change in the net unit value of the Underlying Fund (before Underlying Fund's performance fees but after accruing for all other Underlying Fund management fees and costs) plus any distributions (income and capital) paid or payable to Unitholders of the Underlying Fund since the last time an Underlying Fund performance fee was payable.

The net unit value ('Underlying Fund Net Unit Value') in respect of the Underlying Fund means (in the context of the Underlying Fund's performance fee calculation) the Net Asset Value in respect of the Underlying Fund (before the Underlying Fund's performance fees but after management fees and costs in respect of the Underlying Fund) divided by the number of units in the Underlying Fund.

The Return Hurdle is equal to the amount that the unitholder in the Underlying Fund would need to receive since the last time the Underlying Fund's performance fee was payable (or, in the case of the first Calculation Period, since the date the unit was issued) in order to receive (as at the last day of the Calculation Period) a 7% per annum return (compounded annually) relative to the high water mark.

The high water mark means, in respect of a unit in the Underlying Fund, the previous highest Underlying Fund Net Unit Value immediately after payment of the Underlying Fund's performance fee (or if none has been paid in respect of the unit, the initial issue price of the unit).

The 'excess return' per unit in respect of the Underlying Fund ('Excess Return') is the Unit Return less the Return Hurdle (or nil where the excess return is negative).

The performance fee accrual is equal to 20% of the Excess Return.

The performance of the Underlying Fund (reflected by the Underlying Fund Net Unit Value at the date of the SPDS) is currently above the high water mark and above the Return Hurdle. Accordingly, the estimated performance fee for the financial year ending 30 June 2024, based on the performance of the Underlying Fund as at 31 January 2024, is 2.93%p.a. The actual performance fee accrued or paid will depend on the performance of the Underlying Fund over the relevant period.

## Performance Fee Worked Example

The following examples demonstrate the dollar effect of the Underlying Fund's performance fee for a hypothetical new investor who invests \$50,000 in the Fund on the first day of a Calculation Period assuming:

- a) an Application Price of \$1.00 per unit (total 50,000 units);
- b) all of the investor's investment is invested by the Fund into the Underlying Fund;
- c) there are no other investments in the Underlying Fund;
- d) no performance fee has been accrued in the Underlying Fund to date;
- e) no distributions have been paid and no other transactions are undertaken during the period.

<p>Scenario 1</p> <ul style="list-style-type: none"> <li>• Unit Return is 10% for the Calculation Period</li> <li>• Return Hurdle for the Calculation Period is 7%</li> <li>• The Unit Return in excess of the Return Hurdle is 3%</li> <li>• The Underlying Fund Manager is entitled to 20% of Excess Return</li> </ul>	<p>Outcome:</p> <p>An Underlying Fund's performance fee of \$300 (excluding GST) is charged (50,000 units x \$1.00 per unit x 3% x 20%)</p> <p>This fee is paid to the Underlying Fund Manager and reduces the value of the Fund's investment in the Underlying Fund.</p>
<p>Scenario 2</p> <ul style="list-style-type: none"> <li>• Unit Return is 5% for the Calculation Period</li> <li>• Return Hurdle for the Calculation Period is 7%</li> <li>• The Unit Return is below the Return Hurdle</li> <li>• The Underlying Fund Manager is not entitled to a performance fee</li> </ul>	<p>Outcome:</p> <p>No Underlying Fund's performance fee is charged</p>
<p>Scenario 3</p> <ul style="list-style-type: none"> <li>• Unit Return is -5% for the Calculation Period</li> <li>• Return Hurdle for the Calculation Period is 7%</li> <li>• The Unit Return is below the Return Hurdle</li> <li>• The Underlying Fund Manager is not entitled to a performance fee</li> </ul>	<p>Outcome:</p> <p>No Underlying Fund's performance fee is charged</p>

These examples are provided for illustrative purposes only and do not represent any actual or prospective performance of the Underlying Fund or the Fund. It is not possible to estimate the actual performance fee payable for any given period as we cannot accurately forecast the Fund's or the Underlying Fund's performance. We do not provide any assurance that either the Underlying Fund or the Fund will achieve the performance used in the example and you should not rely on this in determining whether to invest in the Fund. The example does not account for GST or other taxes (if applicable). Due to rounding, numbers presented in these examples may not calculate precisely.

Potential investors should be aware that the Fund and the Underlying Fund are relatively newly established, and as such their investments are relatively new, and performance fees are typically incurred later in the life of those vehicles. The actual Underlying Fund performance fees incurred may be higher or lower in future, depending on the Unit Returns generated by the Underlying Fund. Past performance is not a reliable indicator of future performance.

## Transaction costs

Transaction costs are the costs incurred when assets are bought or sold by the Fund and include brokerage, Underlying Fund buy-sell spreads, settlement costs (including custody costs), clearing costs, due diligence costs and stamp duty.

Transaction costs also include costs incurred by an interposed vehicle (including the Underlying Fund) that would be transaction costs if they had been incurred by the Fund and certain costs of investing in OTC derivatives for hedging purposes (excluding any costs disclosed as indirect costs).

Where these costs are incurred due to transactions initiated by you, they may be recovered through the applicable buy-sell spread. The transaction cost shown in the fees and costs summary are net of any amount recovered by the buy-sell spreads charged by the Fund and net of any amount recovered by the buy-sell spread charged by the Underlying Fund but includes the Underlying Fund's buy-sell spread charged to the Fund by the Underlying Fund.

Transaction costs are reflected in the Unit Price and, where incurred by the Underlying Fund, the Underlying Fund Unit Price. As these costs are factored into the value of the Fund's assets and reflected in the Unit Price, they are an additional cost to you and are not a fee paid to the Responsible Entity.

The estimated transaction costs figure disclosed in the fees and costs summary of this SPDS is the amount reasonably estimated by the Responsible Entity to be incurred by the Fund during the current financial year, including the Responsible Entity's reasonable estimates where it was unable to determine the exact amount or information was unavailable at the date of this SPDS. The transaction costs shown in the fees and costs summary are net of any amount recovered by the buy-sell spread charged by the Fund and net of any amount recovered by the buy-sell spread charged by the Underlying Fund to other investors but includes the Underlying Fund's buy-sell spread charged to the Fund by the Underlying Fund. Transaction costs are an additional cost to you where they have not already been recovered by the buy-sell spread of the Fund or the Underlying Fund.

Although the Underlying Fund's investment strategy is not intended to involve a high volume of trading and turnover of investment, any turnover of investments will generate transaction costs which will be borne by the Underlying Fund.

The Fund's estimated transaction costs (net of cost recovered via the buy-sell spread) are 0.03% p.a. of the NAV of the Fund. The dollar value of these costs over a 1-year period based on an average account balance of \$50,000 is \$13.

The Fund's estimated and/or historical transaction costs may not be an accurate indicator of the actual transaction costs you may incur in the future. Details of any future changes to transaction costs will be provided on the Fund website where they are not otherwise required to be disclosed to investors under law.

The following table shows estimated transaction costs for the Fund in relation to the financial year ending 30 June 2024 and as a percentage of the Fund's average NAV over the financial year. The difference between the Fund's gross transaction costs (incurred by the Fund and the Underlying Fund) and the net transaction cost figures represent amounts recovered through the buy-sell spread of the Fund and the Underlying Fund (other than buy-sell spread charged by the Underlying Fund to the Fund).

### *Estimated Transaction Costs (p.a.)*

Gross	Recovery	Net
0.33%	0.30%	0.03%

A buy-sell spread is an amount deducted from the value of a Unitholder's application money or withdrawal proceeds that represents the estimated transaction costs incurred by the Fund as a result of the application or withdrawal, including buy-sell spreads charged by the Underlying Fund on the Fund in connection with the application or withdrawal. The buy-sell spread is an additional cost to you but is reflected in the Fund's application and redemption price. Such costs are not charged separately to you. This is paid into the Fund for the benefit of other investors.

A buy-sell spread applies on distributions from the Fund that are re-invested.

As of the date of this SPDS, the buy-sell spread charged by the Fund is 0.30% of the application or withdrawal amount (as applicable).

To obtain an indication of the current buy-sell spread that may apply to an application or withdrawal from the Fund, please visit the Fund website.

The buy-sell spread is in addition to any Redemption Discount (as set out in Section 6 of the PDS) that is allocated to you in the event you redeem from the Fund prior to the end of the lock-up period, which ends on 31 August 2024.

### Differential fees

The Responsible Entity may charge, rebate or waive all or part of the management fee to 'wholesale clients' as defined in the Corporations Act, including investor directed portfolio service ('IDPS') operators, on an individually negotiated basis.

The Responsible Entity can be contacted at the address specified in the 'Contacting the Responsible Entity' section of the PDS for further details.

### Financial advisers

Additional fees may be paid by you to a financial adviser if you have consulted a financial adviser. You should refer to the statement of advice or financial services guide provided by your financial adviser in which details of the fees are set out. Indirect investors accessing the Fund through an IDPS may incur fees and costs applicable to the IDPS separate to the Fund's fees and expenses.

### Changing the fees and costs

The Fund and the Underlying Fund's estimated and/or historical management fees and costs may not be an accurate indicator of the actual management fees and costs you may pay in the future. Details of any future changes to management fees and costs will be provided on the Fund website where they are not otherwise required to be disclosed to investors under law.

Under the Corporations Act the Responsible Entity may change the amount of any fees currently charged as well as other fees which are not currently charged, up to the maximum set out in the Constitution, without your consent on 30 days' advance notice to you.

The Responsible Entity will give at least 30 days' advance notice of any change to the amount of the cap on recoverable expenses and any increase to fees in the Underlying Fund.

### Maximum fees

#### Application fee

The maximum application fee for the Fund allowable under the Constitution is 6% (exclusive of GST) on the application amount.

#### Withdrawal fee

The maximum withdrawal fee for the Fund allowable under the Constitution is 6% (exclusive of GST) on the withdrawal amount.

#### Taxation

Tax details are set out in Section 8 'Taxation' of the PDS.

#### GST

Unless otherwise stated, all fees and costs outlined in this SPDS are inclusive of GST less any RITC entitlement where applicable.