



Kwala Fund

PRODUCT DISCLOSURE STATEMENT

30 September 2022
Kwala Fund
ARSN 657 530 277
hello@kwalainvest.com

Responsible Entity

Melbourne Securities Corporation Limited
ACN 160 326 545 AFSL 428289
Level 2, 395 Collins Street,
Melbourne Vic 3000
1300 798 790

Manager and Administrator

Cache Investment Management Pty Ltd
ACN 624 306 430 AFSL 514360
Level 2, 23 Foster Street
Surry Hills NSW 2010
1300 122 243

Kwala

Kwala Pty Ltd
ACN 644 816 295
Level 5, 255 George Street
Sydney NSW 2000
AR 001295262
hello@kwalainvest.com

Important Information

This Product Disclosure Statement (**PDS**) is a summary of significant information about the Fund and is issued by Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289) (**MSC, the Trustee, or we**) as the trustee and responsible entity of the Fund. It refers to important information in the Additional Information Document (**AID**) (available at kwa.la/AID.pdf) and Investment Options List (**IOL**) (available at kwa.la/IOL.pdf), which both form part of this PDS.

You should consider the information in this PDS (including the AID and the IOL) and obtain financial advice tailored to your personal circumstances before making a decision about the Fund. The information in this PDS is general information only, is not financial product advice and does not take account of your personal financial situation or needs.

The Fund is a fully digital investment product. By making an application, you agree to receive communications in digital form only (including via email or the Kwala Mobile Investing App (**App**) with a copy of, or hyperlink to, the relevant communication). **The App is not incorporated by reference into, and otherwise does not form part of this PDS.**

This offer is only open to retail and wholesale investors who are Australian residents for income tax purposes, who have received this PDS in Australia and who have an Australian residential address.

Information in this PDS may change from time to time. Where a change is not materially adverse to investors, it may be updated via a notification at kwa.la

You can ask Kwala to provide a digital copy of any updated information, free of charge, at hello@kwalainvest.com

MSC is not a bank and an investment in the Fund is not a bank account. Neither MSC, Kwala, Cache nor any other person guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of return.

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1. About Melbourne Securities Corporation Limited

The Trustee has appointed Cache Investment Management Pty Ltd as the investment manager and administrator of the Fund, and in these roles it is responsible for managing the assets of the Fund and the Fund's administration.

Manager and Administrator

Cache Investment Management Pty Ltd (ACN 624 306 430 AFSL 514360) (**Cache**) has been appointed by MSC as investment manager and administrator of the Fund to undertake certain services including the establishment of the Fund, day-to-day management of the Fund, management of the Fund portfolio, operation of the Fund's unit registry and accounting services in respect of the Fund.

Promoter

Kwala Pty Ltd (ACN 644 816 295) (**Kwala**) is the promoter of the Fund and will assist investors to engage with their investment in the Fund by operating the App. Kwala will also advise Cache on the Fund's ESC strategy and ethical screening process. Kwala has been appointed as an authorised representative of Cache under its Australian financial services licence (number 514360).

Responsible entity

Melbourne Securities Corporation Limited (ACN 160 326 545 AFSL 428289) (**MSC, the Trustee, we or us**) is the trustee and responsible entity of the Fund and the issuer of units in the Fund. MSC is responsible for operating the Fund and the Fund's compliance with the Fund's constitution (**Constitution**), the Corporations Act 2001 (Cth) (**Corporations Act**) and other relevant laws.

Custodians

Sandhurst Trustees Limited (ACN 004 030 737 AFSL 237906) has been appointed by MSC to hold domestic Fund assets as custodian, and may also provide other services (including services relating to trade and transaction settlement, corporate action reporting and administration, proxy voting, income and distribution processing and cash management).

Phillip Capital Limited (ACN 002 918 247 AFSL 246827) has been appointed by MSC to hold international Fund assets as custodian, and may also provide other services (including services relating to trade and transaction settlement, corporate action reporting and administration, proxy voting, income and distribution processing and cash management).

2. How Kwala Fund works

A unit trust and a managed investment scheme

The Fund is a managed investment scheme that is structured as an Australian unit trust and registered with the Australian Securities and Investments Commission under the Corporations Act. There may be one or more classes of units in the Fund (each, an **Investment Option**).

A unit represents an undivided beneficial share in the Fund's assets as a whole (but not a right to any Fund assets in particular), subject to the Fund's liabilities.

Each Investment Option has a unit price

Each Investment Option may have a different unit price. The unit price for an Investment Option is determined by dividing the Investment Option's net trust value by the number of units on issue in the Investment Option at that time.

The unit price for each Investment Option will vary as the market value of the Investment Option's underlying assets rise and fall.

For more information, please see the Unit Pricing Policy and Fair Value Pricing Policy for the Fund. You can ask the Trustee to provide a digital copy to you free of charge at hello@kwalainvest.com.

How to increase or decrease your investment

To open your investment in the Fund you will need to open an investment account via the App and transfer monies into your investment account.

Investors are required to nominate an Australian bank/credit union account held in the investor's name. Account fees will be debited from this linked bank/credit union account.

When you've successfully opened an investment account and your cleared funds have been received and accepted, you will be issued units in the relevant Investment Option at the applicable unit price (plus any applicable buy spread).

You may increase the size of your investment by providing the Trustee with an investment instruction via the App, coupled with transferring additional funds into your investment account. These monies, once cleared, will be applied towards acquiring units in the chosen Investment Option.

You may decrease the size of your investment by making a withdrawal request using the App. Withdrawal amounts will usually be paid to you within 5 - 7 days after the Trustee receives and accepts your withdrawal request (less any applicable sell spread and any amounts you owe in relation to your investment).

Should there be more than one Investment Option available, you may then request to switch money from one Investment Option to another, and the Trustee will deem that to constitute both a request to withdraw from one Investment Option and an application to invest in another. Where the Trustee accepts that kind of request, units in the first Investment Option will be redeemed at their applicable unit price (less any applicable sell price) and then the proceeds will be applied towards an application for units in the second Investment Option at their applicable unit price (plus any applicable buy spread). You may hold units in more than one Investment Option at a time.

You will usually be able to increase and decrease the size of your investment in this way 24 hours per day, 7 days per week. Fees apply – see section 6 'Fees and Costs' of this PDS.

Regular investment plan

You can also make ongoing investments under a regular investment plan. A regular investment plan allows you to make regular investments via direct debit on a weekly or monthly basis. The minimum investment under a regular investment plan is \$10 per period (however the Trustee may accept lesser amounts or reject any application in part or in whole at its discretion).

Transfers of units

Transfers of units are not permitted without the Trustee's consent.

Limitations

In some circumstances, such as when there is a freeze on withdrawals or the App is unavailable, investors may not be able to withdraw from the Fund within the usual period upon request.

The Trustee may accept or reject any investment or withdrawal request at any time at its discretion, without providing a reason for its decision.

Minimum amounts

The minimum investment amount is **\$10**. The minimum withdrawal amount is **\$10**. The minimum balance is **\$10**.

Distributions

The Fund does not pay distributions to you. Any income received by the Fund in respect of units allocated to you will be automatically re-invested into the Fund and will increase the value of your investment. You can withdraw the amount of any income that has been automatically re-invested by making a withdrawal request via the App.

You should read the important information about acquiring and disposing of units before making a decision. Go to section 1 of the AID. The material relating to acquisitions and disposals of units may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in Kwala Fund

The key features and benefits of an investment in the Fund include:

Access to a responsible investment option

Kwala provides access to a responsible investment option that can help you start investing and potentially build wealth over time, through an easy-to-use App.

Access via App

You can access the Fund in minutes through Kwala's easy-to-use App.

Communications in one place

Communications related to your investment are easy to receive and store via the App.

Investments on autopilot

The App allows you to set up regular contributions to your investment account so you can steadily increase the size of your investment over time. Dividends and distributions will be automatically reinvested back into the Fund to grow the value of your investment.

All investment options carry risk

Risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income. Also remember that past performance is not a reliable indicator of future performance.

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns in the Fund are not guaranteed. The value of investments will vary, as will investment returns. Future returns may differ from past returns and investors may lose some or all of their money. Laws affecting registered managed investment schemes may also change in the future.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment timeframe, risk tolerance and where other parts of the investor's wealth are invested.

The significant risks of investing in the Fund include but are not limited to:

- (a) **Performance risk:** the risk that your investment in the Fund does not perform as you expect or meet your financial requirements. There is no guarantee that any investment strategy will be managed successfully.
- (b) **Market risk:** the risk of investment losses resulting from poor market conditions or changes to the market price of assets held by the Fund. This includes the risk that a market outside Australia experiences poor market conditions.
- (c) **Liquidity risk:** the risk that the Fund has insufficient liquid assets to pay a withdrawal request in a timely manner.
- (d) **Interest rate risk:** the risk that the capital value or income of a security may be adversely affected when interest rates rise or fall.
- (e) **Fund risk:** the risk that the Fund terminates, its fees or other terms change or MSC, Cache, Kwala or another service provider changes.
- (f) **Underlying fund risk:** the risk that any underlying fund or ETF terminates, its fees or other terms change or its manager or other service provider changes.
- (g) **Concentration risk:** the risks associated with investing in a limited number of shares, ETFs or investment classes.
- (h) **Authorisation risk:** the risk that your investment is accessed by another person that pretends to be you (for example, by using your mobile device or password).
- (i) **Operational risk:** the risk that Cache's, the Trustee's or Kwala's, or a service provider's operational processes and procedures malfunction or fail.
- (j) **Foreign exchange risk:** the risk that the value of the currency in which investments are held falls.
- (k) **Data security risk:** the risk that information systems fail, are infiltrated or corrupted.

- (l) **Regulatory risk:** the risk that the laws or regulations that impact the Fund (or its assets) change in Australia or overseas, including environmental or climate-related laws.
- (m) **Technology risk:** the risks associated with investing in a digital investment product, such as the risk of software errors and bugs occurring. Technology risks may result in, for example:
 - a transaction request (such as a withdrawal request) you submit in the App not being received (and therefore not being processed); or
 - your balance, transaction history or other information in relation to your investment in the Fund not being presented accurately on the App.

You should read the important information about the risks of investing in the Fund before making a decision. Go to section 2 of the AID. The material relating to the risks of investing in the Fund may change between the time when you read this PDS and the day when you acquire the product.

5. How we invest your money

There is currently a single Investment Option that gives exposure to a portfolio of listed and unlisted securities, exchange traded funds (ETFs) and managed funds through managed accounts, in accordance with the investment objective of the option. The securities will either be listed or quoted on major global exchanges or be unlisted securities domiciled in Australia and developed international markets.

More Investment Options may be added in the future. Detailed information on the Investment Options available under this PDS is set out in the Investment Options List.

You should consider the likely investment return, risk and your investment timeframe when choosing to invest in an Investment Option.

Detailed information about the Kwala One Fund Investment Option is set out below.

The investment return objective for the Kwala One Fund Investment Option is to provide returns in excess of the MSCI World Total Returns Index after fees and expenses in Australian dollars. The returns are expected to be generated through a combination of capital growth and income by investing in listed and unlisted assets. In addition, international exposure will not be currency hedged. Some cash will be held for liquidity purposes.

Investment profile – Kwala One Fund

The Kwala One Fund Investment Option has a very high weighting to Australian and international equities and may suit an investor seeking to generate returns over the longer term, which may allow for a recovery in the event of market deterioration, through investments in securities that have been screened and selected based on a set of environmental, social and corporate governance criteria.

This Investment Option is considered to be high risk. The minimum suggested investment timeframe for this Investment Option is 7 years.

Labour standards and environmental, social and ethical considerations

Kwala takes into consideration environmental, social and ethical considerations and labour standards when applying positive screens to determine the universe of investable securities, and when applying negative screens to exclude companies from the universe of investable securities. For a list of the criteria used for

positive and negative screens and further details on this methodology refer to section 1 of the Investment Options List.

Although Cache may take these considerations into account, it is not bound to consider labour standards, environmental, social and ethical considerations when selecting, retaining or realising investments in its role as investment manager and administrator of the Fund.

The Trustee does not take into account labour standards or environmental, social and ethical considerations when selecting, retaining or realising investments.

ASSET ALLOCATION	EXPOSURE TYPE	ALLOCATION (% of the gross value of the Investment Option)
Australian equities	ETFs Listed single stocks Unlisted single stocks Unlisted managed funds	98% (80 - 100%)
International equities	ETFs Listed single stocks Unlisted single stocks	
Cash	Cash or cash equivalent (all currencies)	2% (0% - 20%)

This table sets out the strategic asset allocations. In practice, the actual asset allocation may vary from the target asset allocation (within the range specified). The Fund's investment objective and strategy can be changed without notice in some cases. Investors will be informed of any material change to the Fund as required by law.

You should read the important information about how your money is invested before making a decision. Go to section 3 of the AID and to the Investment Options List. The material relating to how your money is invested may change between the time when you read this PDS and the day when you acquire the product.

6. 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 account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example reduce it from \$100,000 to \$80,000).

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

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

TO FIND OUT MORE

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

Fees and other costs

The table below shows fees and other costs that you may be charged in the Kwala One Fund Investment Option and can be used to compare costs between different simple managed investment schemes.

Fees and costs may be paid directly from your account or deducted from investment returns.

Fees and costs summary

KWALA ONE FUND		
Type of fee or cost	Amount [4]	How and when paid
Ongoing annual fees and costs		
<i>Management fees and costs</i> [1], [2] The fees and costs for managing your investment	Account fee per calendar month of: for balances below \$5,000, \$2.00; for balances from \$5,000 to \$15,000, \$3.00; and for balances above \$15,000, \$4.00.	Account fees are calculated and accrued on each business day and payable in arrears on the last business day of each month and are paid from your linked bank/credit union account.
	Indirect costs of 0.29% p.a. of the net trust value of the Fund	Management fees and costs also include indirect costs which are costs which reduce the returns of the Fund, such as the fees charged by issuers of underlying ETFs (if any). Such costs are generally deducted from the Fund's assets as and when they are incurred.
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product	Not applicable.	Not applicable.
<i>Transaction costs</i> [3] The costs incurred by the scheme when buying or selling assets	0.04% p.a. of the net trust value of the Fund	Paid as incurred or reimbursed from the assets of the Fund, or from the assets of any interposed vehicle, as and when they are incurred and reflected in the unit price of the Investment Option.
Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)		
<i>Establishment fee</i> The fee to open your investment	Not applicable.	Not applicable.
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil.	Not applicable.
<i>Buy-sell spread</i> An amount deducted from your investment representing costs incurred in transactions by the scheme	±0.25%	The buy spread will be applied to the investment price and paid into the Fund when you invest into the Fund. The sell spread will be applied to the withdrawal price and paid into the Fund when you withdraw from the Fund.

<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil.	Not applicable.
<i>Exit fee</i> The fee to close your investment	Not applicable.	Not applicable.
<i>Switching fee</i> [5] The fee for changing investment options	Nil.	Not applicable.

[1] The costs component of management fees and costs reflects costs that the Trustee reasonably estimates, as at the date of this PDS, will apply for the current financial year as a percentage of the net trust value of the Fund. For more information, please see the 'Additional explanation of fees and costs' below, section 4 of the AID and sections 1 and 2 of the Investment Options List.

[2] In addition to account fees and indirect costs, management fees and costs could include other fees and costs such as management fees and recoverable expenses but none are anticipated at this stage. For more information on management fees and costs, please see section 4 of the AID and sections 1 and 2 of the Investment Options List.

[3] The transaction costs are based on the Trustee's estimate of the transaction costs for the current financial year that are not recovered by the buy/sell spread.

[4] 'Nil' means there is an entitlement under the Constitution but we have elected not to charge it. 'Not applicable' means there is no entitlement for the Trustee to charge this fee under the Constitution.

[5] A switch is effected as a withdrawal from one Investment Option and an investment in another Investment Option. Under the Constitution there is no fee chargeable specifically relating to switching between Investment Options, however, under the Constitution the Trustee is entitled to charge an application fee and a redemption fee associated with the process of switching from one Investment Option to another. The Trustee has elected not to charge such application and redemption fees, however a buy/sell spread applies.

For more information, or for the fees and costs for other Investment Options, please see section 4 of the AID and sections 1 and 2 of the Investment Options List.

Example of annual fees and costs

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

EXAMPLE - KWALA ONE FUND [1]	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR	
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0 .
PLUS Management fees and costs [2]	Account fee of \$4.00 per month for having a balance above \$15,000 deducted from your linked bank/credit union account. 0.29% p.a. of the net trust value of the Fund	And , for every \$50,000 you have in Kwala One Fund you will be charged or have deducted from your investment \$190.65 each year
PLUS Performance fees	Not applicable [3]	And , you will be charged or have deducted from your investment \$0 in performance fees each year
PLUS Transaction costs	0.04% p.a. of the net trust value of the Fund	And , you will be charged or have deducted from your investment \$20.84 in transaction costs
EQUALS Cost of Kwala One 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: \$211.49 What it costs you will depend on the investment option you choose and the fees you negotiate.

[1] This example assumes a constant investment of \$50,000 throughout the year and an \$5,000 investment occurs at the end of the year.

[2] The amount of account fees are charged based on whether you have a balance of below \$5,000, a balance from \$5,000 to \$15,000 or a balance greater than \$15,000. For more information, refer to the 'Fees and costs summary'.

[3] 'Nil' means there is an entitlement under the Constitution but we have elected not to charge it. 'Not applicable' means there is no entitlement for the Trustee to charge this fee under the Constitution.

There is a calculator provided by ASIC on its Moneysmart website (www.moneysmart.gov.au) that you can use to calculate the effect of fees and costs on your balance.

Additional explanation of fees and costs

In respect of the Fund, no transaction fees will be charged when you invest money, withdraw money, or move money from one Investment Option to another.

Account fees will be deducted for each calendar month you are invested from your linked bank/credit union account and paid directly to Cache, who will pass on some or all that fee to the Trustee or Kwala (depending on the scale of the Fund). If there are insufficient funds in your linked bank/credit union account, your investment account may be closed and the value of the outstanding account fees may be deducted from your investment.

All monetary amounts are in Australian dollars. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (GST) and any applicable stamp duty, and take into account the expected entitlement to a full tax credit or a reduced input tax credits in respect of the GST component of the fee.

The Trustee can change its fee structure without your consent, subject to the maximum fees described in the Constitution. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. You will be given notice of any changes to fees in accordance with the Corporations Act (for example, where there is a material increase in fees or charges and the fund is not a disclosing entity, you'll be notified at least 30 days before the increase takes effect).

If you have a financial adviser, additional fees may be payable to the adviser. Refer to the Statement of Advice provided by your adviser.

You should read the important information about the fees and costs of the Fund before making a decision. Go to section 4 of the AID and sections 1 and 2 of the Investment Options List. The material relating to the fees and costs of the Fund may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes generally do not pay tax on behalf of investors. However, the Trustee may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. Investors are assessed for tax on any income and capital gains generated by the registered investment scheme.

The Trustee will provide an annual summary of distributions made to you during each financial year as well as the relevant information required to complete your Australian tax return.

You should read the important information about how managed investment schemes are taxed before making a decision. Go to section 5 of the AID. The material relating to how managed investment schemes are taxed may change between the time when you read this PDS and the day when you acquire the product.

8. How to apply

How to invest

Before you choose to invest, please carefully read and consider this PDS (including the AID and the Investment Options List).

To invest, you will need to download the App and then complete and submit an application through the App.

At the moment, applications will only be accepted from Australian resident individuals of at least 18 years of age.

Cooling off

Where your application to invest in the Fund has been accepted, you can request the return of your investment within a 14-day cooling-off period. Please contact the Trustee directly if you would like to exercise this right. If you cool-off, the Trustee will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (whether up or down) in the unit price of the Fund and any related expenses. As a result, there may be tax, profit or loss implications for you. The cooling-off period commences on the earlier of the end of the fifth business day after your units are issued or the day you receive confirmation of your investment.

Enquiries or complaints

If you are dissatisfied or have a complaint about your investment in the Fund, please contact Kwala at:

Kwala Pty Ltd
Level 5, 255 George St, Sydney NSW 2000
hello@kwalainvest.com

Kwala will confirm receipt of any complaint by email within 1 business day, investigate the matter (in conjunction with Cache) and get back to you with a response with the aim of resolving your complaint within 30 days. If an issue has not been resolved to your satisfaction, you can request that the complaint be escalated to MSC for review. You can also lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
afca.org.au
info@afca.org.au
1800 931 678 (free call)

9. Additional information

You should read the important additional information about how to request further information, the Fund, notifying changes in your details, transaction confirmation and reporting, privacy, requirements relating to your foreign tax residency status information required from you, and when your investment account may be suspended or transactions request rejected the Constitution, and how the Trustee meets its obligations in respect of the Fund (i.e. its compliance plan).

The AID also contains information about your rights and liability under the Constitution and investor meetings, your liability, financial information about the Fund and what happens if the Fund terminates and changes to the Fund. **Go to section 6 of the AID.**