



## Information Memorandum

---

<b>Fund Manager</b>	Horizon 3 Biotech Pty Ltd ACN 640 449 887 Authorised Representative Number 001282862
<b>Trustee</b>	Melbourne Securities Corporation Ltd ACN 160 326 545 AFSL 428289
<b>Dated</b>	23 March 2022

## Contents

---

<b>1</b>	<b>Letter to Investors from the Fund Manager</b>	<b>9</b>
<b>2</b>	<b>Summary and Key Features of the Fund</b>	<b>10</b>
<b>3</b>	<b>How the Fund operates</b>	<b>15</b>
3.1	Investment objective	15
3.2	Capital not guaranteed	15
3.3	Structure	16
3.4	Term	16
3.5	Unit pricing	17
3.6	Investment process	17
<b>4</b>	<b>Key parties</b>	<b>19</b>
4.1	Trustee	19
4.2	Fund Manager	20
<b>5</b>	<b>Investment selection and management process</b>	<b>24</b>
5.1	Investment selection criteria	24
5.2	The healthcare industry generally	25
5.3	The global and Australian biotechnology markets	25
5.4	Key global trends in the healthcare market in 2020	29
<b>6</b>	<b>Risk factors</b>	<b>31</b>
6.1	Related party transactions risk	31
6.2	General risks Investment risk	32
6.3	Risks relating to investments Product development	36
6.4	Other risks	39
<b>7</b>	<b>Fees and other costs</b>	<b>40</b>
7.1	Payment of fees and other costs	40
7.2	Investor fees and expenses	40
7.3	Changes to fees and other costs	42
7.4	Waiver, deferral or rebate of fees	42
<b>8</b>	<b>How to invest in the Fund</b>	<b>43</b>
8.1	General	43
8.2	Processing applications	43
8.3	Payment	45
8.4	Issue price	45
<b>9</b>	<b>Distributions</b>	<b>45</b>
<b>10</b>	<b>Withdrawals from the Fund</b>	<b>47</b>
10.1	Minimum Investment Term	47
10.2	Redemption price	47
<b>11</b>	<b>Taxation information</b>	<b>48</b>
11.1	General	48

11.2	Tax position of Australian resident Investors	48
11.3	Applications and withdrawals made by Australian resident Investors	49
11.4	Taxation of non-resident investors	49
11.5	Tax File Number (TFN) and Australian Business Number (ABN)	49
11.6	Goods and services tax (GST)	49
<b>12</b>	<b>Other information</b>	<b>50</b>
12.1	Trust Deed	50
12.2	Management Agreement	51
12.3	Related party investments and transactions	52
12.4	Conflict of Interest	52
12.5	Privacy information statement	53
12.6	Reporting	54
12.7	Anti-money laundering laws	54
12.8	Foreign Account Tax Compliance Act	55
12.9	Common Reporting Standard (CRS)	55
12.10	Wholesale Clients	55
12.11	Consents	56
12.12	Electronic instructions	56
12.13	Investor inquiries	57
<b>13</b>	<b>Glossary</b>	<b>58</b>
<b>14</b>	<b>Directory</b>	<b>60</b>

## Important notices

This Information Memorandum (“IM”) is issued by Horizon 3 Biotech Pty Ltd ACN 640 449 887 (Fund Manager), the manager of the Horizon 3 Biotech Fund (Fund). The trustee of the Fund is Melbourne Securities Corporation Limited (ACN 160 326 545) (AFSL 428289). The Fund Manager (AFSL Authorised Representative number 001282862) is a Corporate Authorised Representative of BK Consulting (Aust) Pty Ltd ACN 134 397 087 AFSL 334906.

The Trustee is the issuer of units in the Fund (Units). You should read this IM in its entirety before making a decision about whether to invest in the Fund.

This IM sets out general information about the Fund for the recipient of this IM (Recipient) to consider in making a decision as to whether the Recipient should acquire an interest in the Fund.

Application to invest in the Fund will be accepted only on receipt of:

- a validly completed Application Form issued together with this Information Memorandum; and
- if an Investor chooses to invest in the Fund by way of Commitment, the receipt of cleared funds in respect of the initial call on an applicant’s Commitment.

## Date

This IM is 23 March 2022 (**IM Date**). Its delivery at any time after the IM Date does not imply that the information contained in it is accurate, timely and complete at any time subsequent to the IM Date. Earlier versions of the IM are superseded and replaced in its entirety by this IM.

## Glossary

Certain words and expressions used in this IM are defined in Section 13 (*Glossary*).

## Conditions of receipt

This IM is not made available generally to the public but rather is supplied personally to the Recipient on the conditions set out below, which are taken to be accepted and agreed by the Recipient as evidenced by the retention by the Recipient of this IM, in part consideration of the supply of this IM. If these conditions are not acceptable, this IM must be returned immediately.

### Eligible Investors

The Offer is only open to wholesale clients (within the meaning of that term under the *Corporations Act 2001* (Cth)) receiving this IM within Australia and who accept the conditions of receipt of this IM.

### Disclosure document status

This IM is intended to provide potential Investors with information only and does not constitute a Product Disclosure Statement or disclosure document as defined under the *Corporations Act 2001* (Cth).

This IM has not been, and is not required to be, lodged with the Australian Securities and Investments Commission (**ASIC**) or any other government body.

### Restrictions on distribution

The Offer is an offer which is available to persons receiving this IM within Australia but does not constitute an offer of interests in the Fund in any jurisdiction where, or to any persons to whom, it would be unlawful to make the Offer.

This IM does not constitute an offer to sell or the solicitation of an offer to buy any securities or other financial products other than Units.

It is the responsibility of any person located in a jurisdiction other than Australia to ensure compliance with all laws of any country relevant to the Offer. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of any relevant laws and that all approvals and consents have been obtained.

### Investors to undertake own due diligence

Information contained in this IM has been provided to Investors to assist them to make an assessment of whether or not to invest in the Fund. In relation to the information contained in this IM, none of the Trustee or the Fund Manager, or their officers, employees, related parties, associates, consultants, advisers and agents, warrant or represent that:

- all information which is relevant to the Offer or to the acquisition of Units has been provided in this IM.
- all information provided under this IM is accurate, correct or complete or does not contain misleading or deceptive statements.

Whilst the Trustee has undertaken due diligence in relation to the Fund and the information which has been presented in this IM, it is possible that, due to factors such as the passage of time or the uncertainty in forecast details, the information contained in this IM may be inaccurate at the date of release of this IM or at a later time.

Except where expressly disclosed, the information contained in this IM has not been independently verified or independently audited. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Trustee or Fund Manager and their associates or advisers as to the accuracy or completeness of any part of this IM, nor will they have any responsibility to update or supplement this IM.

The Trustee has not sought to verify any statements contained in this IM about the investments proposed by the Fund Manager, the Fund Manager's business or the business of any other parties named in this IM.

This IM has been prepared without taking into account the objectives, financial situation or needs of any particular person. Investors are strongly encouraged to undertake their own due diligence in relation to the Fund before making an investment. In addition, Investors should read this IM in its entirety and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund and the information contained in this IM.

To the maximum extent permitted under the law, the Trustee and the Fund Manager disclaim any liability arising from any information provided in this IM, including any errors or omissions.

By making an investment in the Fund, an Investor warrants and represents to the Trustee and Fund Manager that they have undertaken their own due diligence in relation to the Offer, Units, and an investment in the Fund, including without limitation, in relation to the structure of the Fund, its investments and the likelihood of returns from the Fund.

### **No performance guarantee**

None of the Trustee or the Fund Manager or their officers, employees, related parties, associates, consultants, advisers and agents, or any other person, guarantees the performance or success of the Fund, the repayment of capital invested in the Fund by an Investor or any particular rate of return on investments in the Fund.

There can be no assurance that the Fund will achieve results that are comparable to the track record of the Trustee or the Fund Manager, or that the Fund's investment objectives will be achieved.

An investment in the Fund does not represent a deposit with, or a liability of, the Trustee or the Fund Manager or any of their associates. The Trustee is not authorised under the *Banking Act 1959* (Cth) and is not supervised by APRA, and investments in the Fund are not covered by the depositor protection provisions available to depositors that make a deposit with an Australian authorised deposit-taking institution (**ADI**) under that Act.

An investment in the Fund is subject to investment risks which are described in Section 6 (*Risk factors*) of this IM, including possible delays in repayment and loss of some or all of your income or capital invested. The risks associated with an investment in the Fund are different to a cash deposit or investment in an ADI.

### **Illiquid investment**

Recipients acknowledge that the Fund will invest in Equity, which may be illiquid in nature, and on terms described in this Information Memorandum.

### **No personal advice**

Investors should read the whole of this IM before making a decision about whether to invest in the Fund.

The information contained in this IM is general information only and is not personal financial product advice. It does not take into account the individual objectives, financial situation, needs or circumstances of any person.

Investors should not construe the contents of this IM as tax or investment advice.

### **No representation other than this IM**

No person is authorised to give any information or to make any representation in connection with the Offer which is not set out in this IM.

This IM supersedes any other information memorandum, disclosure document or marketing materials given prior to the issue of this IM to the extent of any inconsistency. Any information or representation in relation to the Offer not contained in this IM may not be relied on as having been authorised by the Trustee, the Fund Manager or their advisers.

### Forward-looking statements

Certain information contained in this IM constitutes 'forward-looking statements' that can be identified by the use of forward-looking terminology such as 'may,' 'will,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'target,' 'intend,' 'continue,' or 'believe' or the negatives or other variations of those words or comparable terminology.

Furthermore, any projections or other estimates in this IM, including estimates of returns or performance, are 'forward-looking statements' and are based on certain assumptions that may change.

Due to various risks and uncertainties, including those set out in Section 6 (*Risk factors*), actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in any forward-looking statements.

The forward-looking statements included in this IM involve subjective judgment and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Trustee and Fund Manager. Actual future events may vary materially from the forward-looking statements and the assumptions on which those statements are based. Given these uncertainties, Investors are cautioned to not place undue reliance on any forward-looking statements.

Any estimate, forecast, projection, feasibility, cash flow or words of a similar nature or meaning in this IM are forward-looking statements and subject to this disclaimer.

### Past performance information

Where this IM sets out any past performance in respect of the Fund, the Fund's strategy, or other funds or investment vehicles operated or managed by the Trustee or Fund Manager, Investors must not interpret that information as a representation about the future performance of the Fund. Past performance is not a reliable indicator of future performance.

### Confidentiality

The contents of this IM are confidential. Neither this IM nor any other information provided by the Trustee or Fund Manager may be disclosed to any other party, except for the purpose of obtaining independent advice in connection with the consideration of an investment in the Fund, or used for any purpose other than the consideration of an investment in the Fund, unless the express prior written consent of the Trustee is obtained. Any reproduction of all or part of this IM is strictly prohibited without the written consent of the Trustee and may only be reproduced in accordance with that consent. In the event that the Recipient does not participate in the Fund, this IM, along with all related materials, must be returned to the Trustee immediately on demand, or electronic copies deleted or destroyed.

### Summary of key documents only

This IM contains a summary of the terms of the Fund and certain other material documents. However, Investors should refer to the complete legal documentation for the Fund (available on request from the Trustee). Investments in the Fund are governed by the trust deed of the Fund and associated documents and nothing in this IM limits or qualifies the powers and discretions conferred on the Trustee and the Fund Manager under those documents. This IM should be read in conjunction with the

trust deed of the Fund and associated documents for the Fund. In the event of any inconsistency between the trust deed of the Fund and associated documents and this IM, then the trust deed and associated documents will prevail to the extent of the inconsistency.

### **Applications may be rejected**

The Trustee reserves the right to evaluate any applications or subscriptions to acquire Units and to reject any or all of them, without giving reasons for rejection. Neither the Trustee nor the Fund Manager is liable to compensate the Recipient or any Investor for any costs or expenses incurred by any person in reviewing, investigating or analysing any information in relation to the Offer, the Fund or otherwise.

### **No cooling-off rights**

No cooling-off applies to the issue of Units.

### **Trustee limitation of liability**

Except in certain circumstances prescribed by law, the Trustee enters into transactions in respect of the Fund in its capacity as trustee of the Fund only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Fund.

### **Updated information**

Information in this IM may change. Updated information regarding this IM may be made available by the Trustee; however, the Trustee is not required to, and may not, update, supplement or replace this IM.

### **Currency**

In this IM any reference to currency, 'A\$' or 'AUD' is to Australian Dollars, unless otherwise indicated.

### **Language**

The primary language of this IM is English. This IM may be translated into different languages, with the consent of the Trustee. Any translations provided or procured by the Trustee are for reference purposes only. If there is any inconsistency or conflict between the English version of this IM and versions of this IM in any other language, the English version prevails.

### **Images**

Any photographs or images in this IM do not depict assets of the Fund, unless otherwise indicated. Any photographs, images, charts and diagrams in this IM are for illustrative purposes only.

### **Questions**

Any questions regarding this IM should be directed to the Fund Manager, whose contact details are set out in Section 14 (*Directory*).



## 1 Letter to Investors from the Fund Manager

Dear Investors

On behalf of the Fund Manager, Horizon 3 Biotech Pty Ltd ACN 640 449 887 (**Horizon**), I welcome and thank you for your interest in considering an investment in the Horizon 3 Biotech Fund (**Fund**).

We are in the midst of a dynamic moment as the global healthcare system mobilizes to combat the Coronavirus pandemic.

Our objective is to make a meaningful contribution to people's lives and the broader community with intelligent investments in innovative science and technology that have the potential to transform healthcare globally.

While the planning for this venture started well before the pandemic, we believe the pandemic reinforces the need for sustainable investment that advances our global healthcare standards. The healthcare and biomedical industry is one of the fastest growing industry sectors underpinned by trends such as ageing populations and life expectancy, technology advancements, patients seeking out high quality healthcare, among others.

Biotech is an industry that thrives on challenges as we are reminded today. We plan to support those companies and scientists that will help create the next step-change in the biotech industry. We'll be investing in private and public healthcare companies that are at the leading edge of the biotech revolution that we believe will deliver commercial success and returns for investors as well as Australian and foreign listed companies which operate in the biomedical and healthcare industry.

We are a diverse team with decades of experience in international markets and significant accomplishments in healthcare investing and innovation.

We strongly believe in the future of innovation in healthcare and invite you to partner with us on a significant global business opportunity.

This Information Memorandum contains important information about the Offer, along with the risks associated with investing in the Fund which are outlined in Section 6 (*Risk factors*). Please read this Information Memorandum carefully and in its entirety before making a decision to invest in the Fund. Consultation with a qualified financial adviser is recommended to ensure that an investment in the Fund suits your individual circumstances.

Kind regards

The Directors

Horizon 3 Biotech Pty Ltd

## 2 Summary and Key Features of the Fund

The table below is a summary of the key features of an investment in the Fund. Potential Investors should read the whole of this Information Memorandum to obtain more detailed information.

Item	Detail
<b>Fund name</b>	Horizon 3 Biotech Fund
<b>Trustee</b>	Melbourne Securities Corporation Limited ACN 160 326 545 AFSL 428289
<b>Fund Manager</b>	Horizon 3 Biotech Pty Ltd ACN 640 449 887  The Fund Manager (AFSL Authorised Representative number 001282862) is a Corporate Authorised Representative of BK Consulting (Aust) Pty Ltd ACN 134 397 087 AFSL 334906
<b>Fund structure</b>	<p>The Fund is an unregistered unit trust established by the Trustee pursuant to the Trust Deed and is governed by Australian law.</p> <p>By making an investment in the Fund, Investors will invest, through the Fund, in the shares, debt instruments and convertible debt instruments of selected biotechnology companies. Investors whose applications are accepted will be issued with Units in the Fund.</p> <p>For more information about the Fund's structure see Section 3 (<i>How the Fund operates</i>).</p> <p>When making equity investments, the Fund will invest directly into selected biotechnology companies. These companies may also be a related party of the Fund Manager. Please refer to Section 6.1 (<i>Related party transactions risk</i>) and Section 12.3 (<i>Related party investments and transactions</i>) for further information.</p>
<b>The objective</b>	<p>The investment objective of the Fund is to generate strong capital gains for Investors by making equity and debt investments in high quality biotechnology companies.</p> <p>The Fund will make investments in such companies and in such circumstances that meet the Fund Manager's investment selection criteria. In particular, the Fund will make active investment in a balanced portfolio of majority Australian public and private late pre-clinical/clinical stage therapeutics, and medical device feasibility/pivotal stage companies as well as Australian and foreign listed companies which operate predominantly in the biomedical and healthcare industry.</p> <p>Investors' subscription money is 'pooled' and invested collectively into the Fund. For further information regarding the pooling of subscription money see Section 3 (<i>How the Fund</i></p>

Item	Detail
	<i>operates</i> ) and for further information regarding the Fund's investment selection see Section 5 ( <i>Investment selection and management process</i> ).
<b>Target return</b>	The target return for the Fund is 20% gross per annum. The target return depends on the performance of the Fund's investments and is not guaranteed.
<b>Offer period</b>	<p>The Offer will be open to applicants until total invested capital reaches \$100,000,000 (<b>Close Date</b>).</p> <p>The Trustee reserves the right to close the Fund early or extend the Close Date at its sole discretion.</p> <p>Applications will be accepted on a first come first served basis, and no further applications will be accepted if the Fund is fully subscribed prior to the Close Date.</p> <p>The Trustee reserves the right to extend the Offer by opening the Fund to further Investors subsequent to the Close Date.</p>
<b>Target fund size</b>	<p>\$100,000,000 AUD.</p> <p>The Fund Manager may proceed with the Fund even if the target fund size is not achieved via capital raising.</p>
<b>Issue of Units</b>	Completed applications will ordinarily be processed monthly.
<b>Commitments and Application for Units</b>	<p>An Investor may elect to invest in the Fund by providing:</p> <ul style="list-style-type: none"> <li>• the total investment amount up front as a subscription for Units; or</li> <li>• a Commitment to subscribe for Units and by paying no less than 50% of the Commitment upfront which will be used to subscribe for Units. The Trustee may make subsequent calls on Commitments from Investors.</li> </ul> <p>The Commitment is an Investor's binding agreement with the Trustee to subscribe for Units to a specified dollar amount and against which capital calls may be made by the Trustee. During the period of the Commitment (<b>Commitment Period</b>), the total committed investment amount may be called upon progressively by the Trustee. Investors who choose to invest in the Fund by way of Commitment are required to commit for the entire Commitment Period.</p> <p>At the expiration of the Commitment Period, all applicants will be released from any further obligations with respect to their Uncalled Capital.</p>
<b>Upfront call</b>	<p>The Investors who choose to invest in the Fund by way of Commitment are required to pay at least 50% of the total committed investment amount on application..</p> <p>The remainder of the Commitment may be called by the Trustee progressively during the rest of the Commitment</p>

Item	Detail
	<p>Period applied to the Fund specified below. The amount of each remainder call will be calculated based on the forecasted capital requirement for investing in the selected biotechnology companies for the period between that call and the subsequent call.</p> <p>These Investors are required to pay a call within 10 days after a capital call is made.</p> <p>Once an applicant has paid the subscription amount (either as a upfront subscription or as a upfront call on Commitment), they will be issued with Units at the issue price calculated in accordance with IM within 5 Business Days of the payment due date of the initial call. Please refer to Section 3.6 (<i>Unit Pricing</i>) for further information.</p> <p><b>If further Commitments after the initial call are not paid, the Units issued on the initial call may be partially or fully forfeited. Please consider this carefully before making a commitment to invest in the Fund.</b></p>
<b>Commitment Period</b>	<p>The Commitment Period for investment is four years from the date on which the initial call is made. The Trustee may, on the advice of the Fund Manager, at its sole discretion extend the Commitment Period of the Fund if it is necessary.</p> <p>The Trustee may call the full amount of the Commitment prior to the end of the Commitment Period.</p> <p>However, the Trustee may, on the advice of the Fund Manager, delay the initial call to the Investors by giving notice to the Investors.</p>
<b>Distribution frequency</b>	<p>Distributions will be paid as and when the investments of the Fund generate sufficient surplus returns to distribute to Investors. As at the IM Date it is not anticipated that distributions will be paid at a regular basis, as the Fund aims to ensure capital appreciation over a 5-7 year period.</p> <p>Refer to Section 9 (<i>Distributions</i>) for more information.</p>
<b>Gearing</b>	<p>The Fund will not borrow from third parties to invest.</p>
<b>Minimum commitment</b>	<p>\$50,000 (unless otherwise determined by the Trustee at its discretion)</p>
<b>Fund currency</b>	<p>Australian Dollars (AUD) only.</p> <p>All amounts in this Information Memorandum are quoted in AUD.</p> <p>The financial records of the Fund will be maintained in Australian Dollars.</p>

Item	Detail
<b>Term</b>	<p>The Term is not fixed. The Fund is an open-ended unit trust, meaning that the Trustee will continuously issue and redeem Units on terms set out in the Trust Deed and this Information Memorandum.</p> <p>For more information about the Term, see Section 3.5 (<i>Term</i>) and Section 10.1 (<i>Minimum Investment Term</i>).</p>
<b>Minimum Investment Term and withdrawals</b>	<p>The Minimum Investment Term is three years. Holders of Units cannot make a withdrawal request until the end of the Minimum Investment Term. Thereafter, they may make a withdrawal request to the Trustee by providing at least six months' notice. The Trustee, however, is not obliged to accept a withdrawal request and may do so only where there is sufficient liquidity in the Fund or on terms where a replacement Investor subscribes for Units to fund the requested withdrawal.</p> <p>Withdrawal requests will only be satisfied if the Fund has sufficient liquid reserves to do so. Investors who wish to withdraw may need to wait up to 2 years in order to have their withdrawal requests satisfied. The Trustee does not, and does not intend to operate, a liquidity facility in respect of Units in the Fund.</p> <p>See Section 10 (<i>Withdrawals from the Fund</i>) for information on withdrawing from the Fund.</p>
<b>Eligible Investors</b>	<p>This Fund is only open to investment by Wholesale Clients receiving this IM within Australia and investors investing from jurisdictions where it is legally permissible to invest in the Fund who accept the conditions of receipt of this IM.</p>
<b>Application Fees</b>	<p>Nil</p>
<b>Management Fees</b>	<p>2% per annum of the net asset value of the Fund, however, the Fund Manager and Trustee reserve the right to charge a lower amount at their sole discretion.</p> <p>See Section 7 (<i>Fees and other costs</i>) for further details.</p>
<b>Performance fee</b>	<p>The Fund Manager will not charge a Performance Fee for the first three years of the Fund.</p> <p>After the first three years, the Fund Manager will be entitled to a performance fee equal to 20% of any over performance over a benchmark of 8% per annum calculated on a compounding whole of fund basis.</p> <p>The payment of the Performance Fee is subject to a high watermark set out in Section 7.2 (<i>Investor fees and expenses</i>).</p> <p>Once payable, the Performance Fee will be calculated and paid on a yearly basis or deducted from the Unit redemption price at the end of each calendar year.</p> <p>The Fund Manager may elect to receive the Performance Fee in cash or be issued Units in the Fund in lieu of payment. The</p>

Item	Detail
	<p>Fund Manager may redeem up to one third of Units it holds each year.</p> <p>See Section 7 (<i>Fees and other costs</i>) for further details.</p>
<p><b>Withdrawal Fees</b></p>	<p>A withdrawal fee equal to 2% of the withdrawal proceeds is payable where the Units redeemed have been on issue for less than 9 years.</p> <p>See Section 7 (<i>Fees and other costs</i>) for further details.</p>
<p><b>Fund fees and expenses</b></p>	<p>The Trustee is entitled to charge a trustee fee and Fund expenses out of the assets of the Fund. All Fund establishment and marketing expenses are also payable from the assets of the Fund.</p> <p>Refer to Section 7 (<i>Fees and other costs</i>) for more information.</p>
<p><b>Key risks</b></p>	<p>Investments in the Fund are subject to varying degrees of risk. Some of the key risks of investing are set out below:</p> <p><b>Investment risk:</b> distributions may or may not be paid and capital may or may not be returned.</p> <p><b>Suitable investment risk:</b> the Manager may be unable to negotiate a sufficient number of attractive investments to meet the Fund’s objectives.</p> <p><b>Product development risk:</b> investment in biotechnology involves a long-term commitment with no certainty of return.</p> <p><b>Regulatory risk:</b> before obtaining regulatory approval for the commercial sale of any products, a portfolio company or its licensees and/or partners must demonstrate that its products are safe for use in humans. There is a risk that regulatory parameters around what is considered safe for use may change between an investment being made and a product coming to market.</p> <p>Refer to Section 6 (<i>Risks factors</i>) for more information.</p>

### 3 How the Fund operates

#### 3.1 Investment objective

The investment objective of the Fund is to generate capital appreciation returns for Investors by making investments in the shares, debt instruments and convertible debt instruments of selected biotechnology companies.

All subscription money received from Investors will be pooled together and invested collectively and applied by the Fund Manager for the purpose of making investments in accordance with this Information Memorandum. No individual has a beneficial interest in any particular equity investment or any other investment or asset of the Fund.

The target return of the Fund is 20% gross per annum. The target return is not guaranteed.<sup>1</sup>

The Trustee, under instruction from the fund Manager, will only make investments which meet the investment selection criteria. The Fund may make investments in third parties as well as to related parties of the Fund Manager. In particular, the Fund intends to make investment in a balanced portfolio of majority Australian public and private late pre-clinical/clinical stage therapeutics, and medical device feasibility/pivotal stage companies as well as Australian and foreign listed companies which operate predominantly in the biomedical and healthcare industry.

The Fund also has a performance fee model which is focused on delivering Investor returns. Our Performance Fee is based on any over performance over a benchmark of 8% per annum and has a high watermark to ensure that the Fund can only receive a Performance Fee for continued growth and outperformance. This model protects Investors and reflects our team's culture of delivering Investor value as our first priority.

Apart from equity, the Fund will hold one or more bank accounts comprising cash money of the Fund, including dividend payments made under the equity investments pending the distribution of net receipts to Unit holders in accordance with the requirements of the Trust Deed.

While the Trustee has a broad power of investment under the Trust Deed, the Trustee intends to invest only in assets contemplated under this IM.

For further information regarding the Fund Manager's investment selection, see Section 5 (*Investment selection and management process*).

#### 3.2 Commitments

The Investors of the Fund may choose to invest by providing the total investment amount upon subscription for Units or by way of Commitment. The Commitment is an Investor's binding agreement with the Trustee to subscribe for Units to a specified dollar amount and against which capital calls may be made by the Trustee. Investors who choose to invest by way of Commitment must pay at least 50% of the total committed capital upfront as a subscription for Units.

Investors who choose to invest in the Fund by way of Commitment are required to commit for the

---

<sup>1</sup> Actual return of the Fund will depend on the performance of the Fund and the income of the Fund.

entire period of four years from the date on which the initial call is made (**Commitment Period**). At the expiration of the Commitment Period these Investors will be released from any further obligations with respect to their Uncalled Capital. The Trustee may, on the advice of the Fund Manager, at its sole discretion extend the Commitment Period of the Fund if it necessary. The Trustee may call the full amount of the Commitment prior to the end of the Commitment Period. However, the Trustee may, on the advice of the Fund Manager, delay the initial call to the Investors by giving notice to the Investors.

The remainder of the Commitment may be called by the Trustee progressively during the rest of the Commitment Period applied to the Fund specified below. The amount of each remainder call will be calculated based on the forecasted capital requirement for investing in the selected biotechnology companies for the period between that call and the subsequent call.

For details of the application process, see Section 8 (*How to invest in the Fund*).

### 3.3 Capital not guaranteed

None of the Trustee or the Fund Manager, or their officers, employees, related parties, associates, consultants, advisers and agents, or any other person, guarantee:

- the performance of any of the Fund's investments, or any Indicative Rate of Return.
- the value of any asset of the Fund, or all of the Fund's assets as a whole; or
- the return or income or capital invested by a holder of a Unit in the Fund.

The investments of the Fund do not represent a deposit or other liabilities of the Trustee or any of its related bodies corporate, and none of these entities is an ADI or subject to prudential supervision by APRA.

### 3.4 Structure

The Fund is an unregistered unit trust established under, and governed by, Australian law. The Fund is not required to be registered with ASIC. The Fund seeks to raise capital under the Offer for the purpose of making investments in the shares, debt instruments, and convertible debt instruments of biotechnology companies selected in accordance with the investment criteria. All subscription money received from Investors will be pooled together and invested collectively and applied by the Trustee for the making of investments. Under the Trust Deed, no individual has a beneficial interest in any particular investment or asset of the Fund.

The Fund is established under and governed by the Trust Deed and applicable laws. Each Unit gives the holder of a Unit an entitlement to a share of the capital and income of the assets of the Fund, subject to the terms and conditions of the Trust Deed.

For more information about the Trust Deed, see Section 12.1 (*Trust Deed*). For more information about the Trustee and the Fund Manager, see Section 4 (*Key parties*) of this Information Memorandum.

### 3.5 Term



Under the Trust Deed, there is no specific term of the Fund (except where required by law). Other than as required by law, the Trust Deed does not require the Fund to come to an end at a specified time. The Trustee may, however, terminate the Fund at any time by notice in writing to Investors.

The Fund is an open-ended unit trust, meaning that the Trustee will continuously issue and redeem Units on terms set out in the Trust Deed and this Information Memorandum.

### 3.6 Unit pricing

The issue price for Units in the Fund will be based on the net asset value of the Fund per Unit determined in accordance with terms of the Trust Deed. Under the Trust Deed, the Trustee may change the methodology for the calculation of the issue prices for Units from time to time.

When investments are withdrawn from the Fund via a redemption that has been accepted by the Trustee, they are redeemed at the relevant Unit redemption price for the Fund. The redemption price is calculated by taking the net asset value per Unit. Please note that:

- (a) a withdrawal fee of 2% of the withdrawal proceeds is payable from the redemption proceeds where the Units redeemed have been on issue for less than 9 years; and
- (b) the accrued Performance Fees are calculated and deducted from the Unit redemption price at the time of redemption.

The ongoing Unit price is calculated by dividing the net asset value (determined by the net market valuation of assets owned, less all liabilities held, including fees, provisions and accrued expenses in accordance with the Trust Deed) divided by the number of Units on issue.

Private companies will be valued at last capital raise, post money valuation.

Exceptions to this rule will be:

- If last capital raise was >12 months earlier, or
- Where a company has had a major milestone or setback in the development programme since the last capital raise.

In these situations, the services of an independent third party would be used to determine a fair current valuation.

MSC Abacus is an independent entity providing unitholder registry and accounting services responsible for quarterly net asset value calculations.

### 3.7 Investment process

Applications will be processed within 10 Business Days of the end of each month where the completed Application Form and application money are received. The Trustee reserves the right to process applications earlier at its discretion.

The Trustee reserves the right to evaluate any applications for Units and to reject any or all applications submitted, without giving reasons for rejection. The Fund Manager and Trustee may close the Fund to

further applications at any time at its absolute discretion.

For more information about investing in the Fund, see Section 8 (*How to invest in the Fund*) of this Information Memorandum.

## 4 Key parties

### 4.1 Trustee

#### (a) About the Trustee

Melbourne Securities Corporation Ltd is a professional trustee firm, licensed by the Australian Securities & Investments Commission (**ASIC**) under Australian Financial Services Licence No.428289.

The Trustee has been appointed as trustee of the Fund to protect investors and provide regulatory compliance oversight as legislated by the Corporations Act and in reference to ASIC guidelines.

In exercising its powers and duties, the Trustee must:

- act honestly and in the best interests of investors at all times.
- exercise a reasonable degree of care and diligence.
- treat each class of Unit holders equally and fairly.
- not make use of information obtained to gain an improper advantage or cause detriment to Unit holders.
- comply with the Fund's constitution and all applicable laws.
- ensure Fund property is separated from the property of the Fund Manager and other entities; and
- assume ultimate responsibility for any complaints by investors or enquiries by the regulator.

The Trustee also has the obligation to step in and operate the Fund if anything happens to the Fund Manager. This includes any impropriety of the Fund Manager or non-adherence under a formal management agreement.

All bank accounts of the Fund will be held by the Trustee or its appointed custodian on behalf of investors. The Trustee will refer to Fund disclosure documents and governing documentation before authorising any transfer of funds requested by the Fund Manager. It will also ensure investment decisions comply with Fund terms and the Trust Deed.

The Trustee is required to meet strict financial guidelines as set out in the Corporations Act and under its licence conditions, including holding adequate professional indemnity insurance, maintaining minimum net tangible assets and it must produce regular cash flow projections to ensure it has the financial resources to meet its obligations on an ongoing basis.

#### (b) Governance and compliance

As the trustee of the Fund, the Trustee is in charge of the overall operation and management of the Fund. The Trustee will be guided by the investment objective and parameters of the Fund specified in Section 3.1 (*Investment objective*), by the Fund's governing Trust Deed, and by Trustee's duties under general law.

## 4.2 Fund Manager

Horizon has entered into a management agreement with the Trustee, under which Horizon has been appointed as the Fund Manager of the Fund and as such is responsible for managing the investments of the Fund. The Fund Manager may only be removed in accordance with the terms of the management agreement between the Trustee and the Fund Manager.

The key personnel of the Fund Manager are as follows:

### Board Members

#### **Mike Sullivan, Executive Chairman**

Mike Sullivan is an accomplished Banking and Capital Markets Executive with experience across the US and Australia. He is an inspirational leader who brings together talented teams to drive material business advantage. He has an established track record of success supporting and advising growing companies and business owners.

Today, he leads a successful Corporate Advisory business supporting clients across diverse contexts and is an active investor in the life sciences sector in Australia and globally.

Previously, he worked for 20 years in financial services across wealth management, equity capital markets, corporate advisory, and banking. His two decades' experience includes 11 years at National Australia Bank, 3 years at Ferris Baker Watts in the US.

Mike has a Bachelor of Business Administration from Loyola College in Baltimore, Maryland USA.

#### **Matt McNamara, Director and Chief Investment Officer**

Matt is passionate about commercialising promising human healthcare technologies.

Matt continues to invest in and commercialise great healthcare technologies through Healthcare Funds and an exciting portfolio of executive/non-executive board and advisory roles.

Matt has over 30 years' experience in the healthcare & medical sciences sector and more than 20 years as a venture capitalist. Fourteen years as CIO at BioScience Managers (4 funds. >\$200M FUM. >20% IRR), and was previously CEO of SciCapital pre-seed fund. Prior to that he served as SVP Business Development for eBioinformatics Inc. Initially, Matt spent over a decade in the pharma industry working in Sales & Marketing with Merck & Co. and in General Management at Johnson and Johnson Medical Pty Ltd.

In 2017, Matt led the successful \$100M BioScience Managers Biomedical Translation Fund application to the Federal Government securing \$50M from IOOF and matching \$50M from the Federal Government.

Matt has a BSc (Hons) in Molecular Biology, an MBA, and is a GAICD.

**Mr Sun Jian, Director**

Jian Sun is the Founder of Huikang Bio-Tech and Director of Huikang Group. He has a very persistent belief in the health industry and biotechnology, a forward-looking strategic vision, excellent operational capabilities, and rich management experience.

Over 20 years of operating and running Huikang Group, which continues to this day, Mr Sun has overseen 60 patents granted in China and abroad, more than 50 patents pending, and a number of awards for its research achievements with many of those commercialised in market, in China. At present, A\$100,000,000 has been invested to create the Huikang Biotechnology Industrial Park equipped with international advanced scientific research and production equipment, covering R&D, manufacture and sale of new drugs, gene therapy, cosmetics and medical devices.

In 2005 Mr Sun started doing business in Australia, with Melbourne now the international headquarters for Huikang Group. Mr. Sun and Huikang Group are dedicated and committed biotechnology industry participants with a long-term view to being a key contributor of the global biotech industry to advance mankind.

**Glenn Cross, Director**

Glenn has spent his working life in life sciences progressing from the lab bench to senior executive positions.

He has over 40 years' experience in the life sciences sector and has held senior executive roles in both multinational and Australian companies.

His expertise covers general management, sales, marketing, finance, distribution and manufacturing in the life sciences market.

He also has experience in finance, human resources, product development and manufacturing. In recent years he has been involved in capital markets and general investment activities in North America, Asia and Australia. He was the Chief Operating Officer and CEO of AusBiotech for over 13 years.

He is currently the CEO of his own investment and advisory company – Red Bluff Capital. He is a non-executive director on the board of a number of biotechnology and medical device companies.

**Robin Chambers AO, Director**

Robin has been chairman and director of ASX listed companies and numerous private corporations covering a range of industries and has been involved in major project development and project financing with a particular focus on Chinese investment in Australia.

Robin has been involved in developing a number of funds in Australia and overseas in areas such as tourism, resources and biotech.

Robin is the Senior Partner of an Australian law firm which has a leading China and international law practice and is Chairman of China House which is a consultancy for capital introductions on cross border investments. He was formerly General Counsel of CRA (now Rio Tinto in Australia) and with law firms in New York, London and China.

Robin has law degrees in Australia (Melbourne University) and in the US (Duke) and is a MAICD.

## Investment Committee Members

### **Dr Mei, Pharmacologist and Investment Committee Member**

Dr Qibing Mei is a world-leading pharmacologist who has dedicated his career to leadership in new drug evaluation. His expertise has been put to impressive effect with his leadership in establishing best practice drug evaluation in China.

Currently Dr Mei is Chief Scientist of the HK Biotech R&D team. He has engaged in pharmacology and new drug evaluation for 41 years and completed more than 100 pre-clinical evaluations of new drugs. Early in his career, Dr. Mei completed postdoctoral research at the University of Pennsylvania in 1991. He organised the establishment of China's first drug-ability evaluation centre, and the certification of the first drug toxicology laboratory in Shanghai, China that complies with the OECD Principles of Good Laboratory Practice (GLP).

Additionally, he has undertaken 11 national-level projects, including the National 973 Plan, the State Project for Essential Drug Research and Development, the National 863 Project and the National Natural Science Foundation Project, and authored more than 500 publications, 130 of which are SCI papers, and 13 teaching materials and monographs. Dr. Mei has recently become an independent director of the Luzhou New Drug Evaluation and Research Centre.

### **Paul Field - Life Sciences Business Development Executive & Investment Committee Member**

Paul Field has over 25 years of business development experience across a range of disease areas, and a deep network in the global biopharmaceutical industry.

Currently a corporate advisor at Alsonex, Marinova, GARDP (Switzerland), and FIND (Switzerland) and until recently a business development advisor to Biocurate.

Paul was previously the life sciences specialist at Austrade, the Australian Government's investment promotion agency, where he facilitated foreign direct investment into Australian research of infectious diseases, autoimmune diseases, cancer and other therapeutic areas.

Paul was the founder and Executive Chairman of Bio-Link, a privately owned biotechnology business development company. His work at Bio-Link involved the commercialisation of discovery, pre-clinical and early-stage clinical programs undertaken by Australian biotech companies and medical research institutions.

Paul has served on a number of Boards, and he is a Fellow of the Australian Institute of Company Directors (FAICD).

### **Dr Bev Thomas - Senior Investment Professional & Investment Committee Member**

Dr. Bev Thomas is an experienced investment, strategic and operational professional with focus on SME management. She has successfully delivered on roles in early-stage venture investment, organisational turnaround and growth. Dr Thomas combines Board experience on start-up investee companies and not-for-profit organisations with strong technical capabilities and commercial acumen, supporting the development and execution of successful strategic outcomes across a range of SMEs.

She is currently Director of Clean Energy Finance Corporation; an Australian clean technology venture

fund with \$200 million funds under management. Bev is responsible for lead identification and due diligence activities for new pipeline investment opportunities. In addition, she is an active Member of the Board of Directors for start-up investee companies.

Previously, she was the CEO of Australia's leading Phase I clinical faculty, Investment Manager for a large Medical Research Commercialisation Fund that supports the development of Australian life science companies with >\$300 million under management.

She holds a Ph.D. and a Bachelor of Pharmacy, Upper Second Class (Hons), University of Bath, UK, and she also holds an MBA from Deakin University.

### **Scott Power - Investment Analyst & Investment Committee Member**

Scott Power has spent the last thirty years investing in and researching emerging companies. Currently Scott is a Senior Analyst at Morgans Financial focussed on ASX listed healthcare and life science stocks.

His long tenure has resulted in a wide network of contacts across the healthcare, life science and technology sectors which is essential in the identification of key trends and developments.

He has also held the role of Investment Manager in the venture capital industry at QIDC for over a decade where he helped identify and analyse large-scale investment opportunities.

Scott has a Bachelor of Commerce, a Grad Dip Applied Finance (FINSIA) and is a Certified Practising Accountant (CPA).

## 5 Investment selection and management process

### 5.1 Investment selection criteria

The Fund offers Investors investments into a carefully selected range of investments in the shares, debt instruments, and convertible debt instruments of selected public and private biotechnology companies as well as Australian and foreign listed companies which operate predominately in the biomedical and healthcare industries.

The Fund intends to invest primarily in healthcare and medical science companies that are built upon advances in medical and life science research.

Target companies will be involved in the biotechnology industry, and may be sourced globally, though the Fund intends to focus on the Australian biotechnology industry. The Fund will invest in Companies in the following areas:

- drug development and medical devices
- R&D pre-clinical mid-stage biotechnology companies; and
- will invest across the life cycle of biotechnology companies from angel to secondary markets

The Fund has identified a funding gap in the industry, particularly in Australia. Between early-stage venture capital investment and later-stage IPO investments from less sophisticated investors, there is a 'medium sized' investment gap between the start-up stage and IPO stage, and the Fund intends to identify companies with promising research prospects and invest directly to provide working capital to these mid-sized biotechnology companies.

Depending on the specific investment opportunity, the Fund may elect to acquire a meaningful shareholding in the investee companies in which it invests, including a board seat, and may take a leading role in capital raising.

Alternatively, where appropriate, the Fund may seek to co-invest with other funds or private equity investment companies, to allow the Fund to leverage other fund managers' expertise to enhance investor returns.

Horizon will aim to make investments in private and pre-IPO companies which could deliver a 20% IRR per annum. However, until the portfolio of investee companies has been identified, the Fund may temporarily invest its capital in 3-5 solid blue chip healthcare stocks which are listed either locally or internationally. The Fund will seek to invest in blue chip listed healthcare stocks which are liquid and could deliver returns in excess of the current cash rate.

Please note that target rates of returns are targets only and are not forecast or guaranteed. None of the Trustee or the Fund Manager or their officers, employees, related parties, associates, consultants, advisers and agents, or any other person, guarantees the performance or success of the Fund, the repayment of capital invested in the Fund by an Investor or any particular rate of return on investments in the Fund.



## 5.2 The healthcare industry generally

The healthcare industry comprises a broad range of products and services to meet the diagnosis, treatment and prevention of disease, illness, injury and other physical and mental impairments.

The healthcare sector is at an inflection point. The promise of cell and gene therapies is being delivered to patients; rare diseases, previously believed to be incurable, are on the precipice of real cures. Artificial Intelligence (AI) and machine learning approaches are raising expectations that therapy discovery and development may not only be more innovative, but also more time- and cost-effective. Data-driven approaches have the potential to create value across manufacturing, the supply chain, and the entire health care ecosystem. As technology and behavioural science converge, the focus is increasingly shifting to disease prevention. Consumer wearables now have medical-grade sensors, and telemedicine, remote monitoring, and virtual trials are reducing complexity for patients. Medical algorithms and connected devices are delivering data everywhere. (Source: 2020 Global Life Sciences Outlook – Deloitte Touche Tohmatsu (Deloitte)).

The COVID-19 pandemic has posed a significant challenge for world economies, most notably the healthcare sector.

We don't have to make a case for investing in health – every country has learnt the hard lesson that pandemics can destroy the global economy and cost trillions. Investing in health is investing in the economy.

“We will see a renewed attention to and re-positioning of health on the political agenda, as people become more clearly aware of the role of governments in health, and as governments will have a hard time reversing the positive measures they've put in place to respond to COVID-19. Calls for universal health coverage (UHC) may become more and more compelling,” said Seye Abimbola, Editor of *BMJ Global Health*, and professor at the University of Sydney.

## 5.3 The global and Australian biotechnology markets

The healthcare and biomedical industry is one of the world's fastest growing industry sectors, absorbing over 10% of the GDP of most developed nations. It is underpinned by a number of macroeconomic factors that are currently driving growth and expected to continue to drive growth into the future. These include:

- ageing populations and lengthening life expectancy.
- rising incidence of chronic disease.
- patients demanding and willing to pay for higher quality healthcare.
- increasing healthcare spend in emerging markets.
- technology advancements and innovation; and
- healthcare reform.

In developed nations, growth in healthcare spending is becoming one of the biggest challenges for

governments seeking to provide their populations with the best healthcare whilst limiting the exponential increases in cost which have dominated the past decade. In Australia, if growth continues at the rate of the last decade (74%), health will demand an additional 2% of GDP by 2023 (Source: Grattan Institute).

Between 2019 and 2024, worldwide prescription drug sales are projected to have a positive compound annual growth rate of 6.9 percent with sales expected to reach US\$1.18 trillion. Drivers of growth are expected to be:

- an accelerated and rising number of drug approvals.
- a potential for an additional US\$109 billion from orphan drug sales; and
- a growing portion of sales from oncology therapies.

(Source: 2020 Global Life Sciences Outlook – Deloitte)

According to Business Monitor International, global healthcare expenditure had an average annual growth rate of 6.4%, and this is expected to continue at a rate of 5.7% to 2023, where the industry is expected to generate total revenues greater than US\$13.0 trillion.

### Major drivers of the global healthcare market

Rising incidence of chronic disease – With the rise in longevity and poor lifestyle choices, there is an increasing burden of chronic, non-communicable diseases. Obesity, cardiovascular disease, hypertension and dementia are becoming persistent. Although the future sales of individual drugs will change, it was forecast that the top 10 drugs into 2020 will continue to be focused on managing cancer, diabetes and arthritis. (Source: Biospace)

Generic and biosimilars – The expiration of many high value patents, known colloquially as the patent cliff, has led to a rise in the demand for generic drugs and biosimilars. Several big products will be targeted over the coming years putting downward pressure on ‘big pharma’ revenues. Payers are increasingly looking for discounts, particularly in highly competitive fields such as cancer, hepatitis C, respiratory and diabetes treatments (Source: FiercePharma). According to IMS Health generic drugs accounted for 80% of drug prescriptions in the US. There will continue to be consolidation of generic and biosimilar companies, such as Teva’s acquisition of Allergan’s generics business for \$40.5bn. In response to the competition, large pharmaceutical companies will accelerate their search to boost their diminishing pipelines, via the acquisition of emerging healthcare and biomedical science companies with later-stage products (Source: Global health care outlook – Deloitte).

Commoditisation of Pharmaceuticals – Lower income economies have become the manufacturing hubs for generic and raw materials for western medicine, decreasing manufacturing costs significantly. India is the standout, being the global producer of generic medications for European and the US markets.

Technology advances – Almost all elements of medical information that was paper based are being replaced by electronic systems; including prescriptions, medical records, diagnostic results, patient information, etc. The trend is in response to the cost savings and centralisation of medical information.

R&D Expenditure – According to Deloitte research, the average cost of developing a drug is approximately US\$2.1 billion. In the future, a 10 percent improvement in the accuracy of predictions could lay the groundwork for saving the pharmaceutical sector billions of dollars and years of work. Drug

discovery and preclinical stages could be sped up by a factor of 15 and enable more competitive R&D strategies.

M&A activity – As regulators demand increasing volumes of safety and efficiency data before approving a drug. It is more cost effective for healthcare and biomedical science companies to acquire smaller companies that have de-risked a technology by developing the technology to a later stage, and thereby reducing the overall cost to the acquirer.

Emerging Economies - The Asia Pacific healthcare sector is emerging as one of the fastest growing sectors in the world. At one end of the continuum, emerging markets such as China, India and smaller South East Asian markets are leading the growth in the demand for drugs and raw materials. On the other end, more developed markets such as Australia, New Zealand, Singapore, Japan, Korea and increasingly India, are focusing on innovative R&D into drug, medical IT and medical device technologies.

### The Regional Healthcare Sector

Per capita health expenditure in the United States is expected to amount to \$10,612 in 2020, according to IBISWorld estimates, substantially higher than comparative per capita health expenditure of other developed countries. The exorbitant costs of healthcare in the United States stem from its complex, hybrid public-private payer system that largely depends on employer-provided health insurance.

The implications for the US healthcare system under the current COVID-19 outbreak are dire. Concerns regarding capacity and economic support have come to the forefront of national discussions. COVID-19 has strained healthcare capacity in areas of the country considered hotspots for the virus. Nowhere in the country is this more prevalent than in New York. The state continues to contend with the rapid spread of the virus and surging hospitalization rates.

Australia spends more than \$180.0 billion on its healthcare system annually, equivalent to approximately 10.0% of GDP or \$7,485 per capita. Prior to the coronavirus outbreak, respiratory diseases represented less than 5.0% of total health expenditure in Australia. However, this is expected to be significantly higher in 2019- 20 and 2020-21, as resources across the country are being diverted to treat and contain the virus. (Source IBISworld)

Although UK healthcare expenditure has increased over the past five years, it has fallen as a share of GDP. ONS figures show that there was a 3.3% increase in spending over 2017, equating to £2,989 per person, but healthcare spending has fallen from 9.8% of GDP in 2013, to 9.6% in 2017. Per capita healthcare spending in the UK was marginally below the median spend of OECD countries, but the country has the highest rate of health expenditure paid for through public revenues, at 79.0%. Opportunities for private practitioners have arisen in the face of long NHS waiting times, which have significantly exceeded targets. However, private healthcare provision may marginally offset pressure on NHS services during the pandemic, as the government has struck a deal with private healthcare providers to assist in providing care for COVID-19 patients. However, as the functionality of the NHS dominates the public eye in the final quarter of 2019-20 and into 2020-21, healthcare expenditure is expected to increase as the NHS scrambles to cope with rising demand. The government initially made a £5.0 billion fund available to the NHS and public services to support efforts to fight COVID-19 and has promised to provide however much is needed.

Globally, the UN predicts that the proportion of people over 60 years old will increase at a rate that outpaces the growth of any other age group in what it calls 'one of the most significant social transformations of the twenty-first century'. This opens up important opportunities over the course of the next few years, particularly within China, which is likely to remain one of the most attractive markets

for healthcare providers and pharmaceutical and biopharmaceutical companies. China's spend on healthcare is predicted to grow to \$1 trillion in 2020. Many factors are fuelling this growth including:

- urbanisation
- healthcare reforms
- economic growth; and
- an increasing focus on health.

Above all, China's aged population is increasing significantly. China's 65 and over population, that accounted for an estimated 40% of the prescription drug market and up to 50% of the over-the-counter drug market in 2011, is predicted to triple to 329 million in 2050, larger than the population of the US today. (Minter Ellison- Australian Life Sciences and Biotech. Key themes and trends)

### The Funding Gap in Australian Healthcare and Biomedical Science Development

Following the rapid growth of early-stage healthcare and biomedical science companies over the past two decades in Australia, many companies are encountering a funding gap as they develop, known as the "second valley of death". This funding gap can be summarised in the following manner:

A large number of pre-seed and seed funding and support exists for companies, creating a large number of high-quality, early-stage companies. These companies then face a funding gap as the development costs for clinical trials rapidly increases. This stems from the lack of scale in the market, a lack of sophistication in the institutional market, the distance from international sources of capital, and previously low levels of government incentives for late preclinical, early clinical stage funding.

The Manager believes that a significant opportunity exists, to invest in advanced preclinical, phase I, phase II clinical trial therapeutic companies; and feasibility and pivotal stage medical device companies that are at very favourable valuations (both public and private) because:

- a meaningful number of outstanding emerging companies are growing out of the large pool of start-ups created over the past decade; and
- a low level of investment competition for these companies, itself due to:
  - the general absence of late preclinical, early clinical stage funding in the healthcare and biomedical sciences sector;
  - minimal accessible and smart capital for unlisted and listed healthcare companies; and
  - the low appetite of the listed capital markets for healthcare companies.

### Funding Needs - Healthcare and Biomedical Science Companies Forced to List Earlier

The Manager believes that resorting to public finance at an early stage in product development cycles has had the following implications for healthcare companies: they have become ineligible investments for most venture capital firms interested in the healthcare and biomedical science sector – these firms

are generally mandated to invest in private companies only; and generally, investors in listed companies and the intermediaries who advise them do not understand relevant technologies or the time and costs associated with developing them.

Despite warnings given to investors, the relatively slow pace of development erodes the sentiment that led to the original investment. The poor level of understanding between healthcare and biomedical science companies and their public stakeholders means that the companies cannot stop the erosion of sentiment making it difficult to raise additional capital.

### Closing the Funding Gap

The healthcare and biomedical science company valuations will continue to grow significantly as clinical trials occur because the risks of failure associated with earlier stages has been reduced. The Manager will focus on the opportunity created by the fact that the demand for capital by companies in Australia, likely to be involved in clinical trials substantially exceeds supply. While it is difficult to compare the value of emerging healthcare and biomedical science companies that do not have sales revenue or profits; it is arguable that investors discount healthcare companies in this region more than their northern hemisphere counterparts because, of the capital constraints.

The valuation of northern hemisphere companies implementing the private financing model typically recognises the achievement of milestones towards taking a product to market or selling the company. The Manager believes that targeting healthcare companies and bringing an international focus to their commercialisation activities in Australia will push those companies towards the international benchmark valuation curve, creating the opportunity for relatively fast returns.

#### 5.4 Key global trends in the healthcare market in 2020

COVID-19 makes clear what has been true all along. Your health is as safe as that of the worst-insured, worst- cared-for person in your society. It will be decided by the height of the floor, not the ceiling.

The World Health Organization (**WHO**) has been the global coordinator of the pandemic response. For years, WHO has struggled to get adequate funding from countries. The resultant lack of capacity was exposed during the Ebola outbreak in West Africa. Even during the current pandemic, President Trump proposed cuts to the US contribution to WHO. In fact, WHO has been forced to raise money by creating a COVID-Solidarity Response Fund. What WHO asked for, in the end, will be a drop in the bucket, compared to the trillions in economic losses.

“The world will need a WHO with a stronger mandate and reliable funding. Its role in preparedness and response - by ensuring common goods for health - must be expanded. In turn there must be an accountability mechanism created that holds the global system as well as countries to account,” said Ilona Kickbusch, founding director of the Global Health Centre at the Graduate Institute of International and Development Studies in Geneva.

“I hope that there will be further investment in WHO especially in its work supporting countries in enhancing local surveillance and capacities, and investment in bringing together at country level the two agendas of health systems strengthening and global health security,” said Devi Sridhar, Chair of Global Public Health at the University of Edinburgh. (Forbes April 6, 2020)

In the US, Therapy areas with the largest increase in activity over the past year are focused on oncology; amyotrophic lateral sclerosis (ALS) and other degenerative musculoskeletal conditions; rare diseases related to the gastrointestinal (GI) tract; and nonnarcotic pain treatments. Since 2013, the

number of oncology drugs increased by 63 percent, and oncology contributes to 40 percent of the clinical development spend. Oncology is predicted to have close to 20 percent of the market share of pharmaceutical sales by 2024. Since 2013, pain and dermatology drugs rose more than 50 percent, but represent just under 6 percent of the total pipeline each.

In 2020, the shift is expected to continue toward rare diseases and treatments for unmet needs. The number of next-generation cell, gene, and nucleotide therapies more than doubled over the past three years. These new approaches to treating and curing disease continue to attract attention and investment. However, uptake has been slower than expected, mostly due to the high cost of new treatments and the challenges in coverage and reimbursement faced by commercial and public payers. This creates a need for new financing solutions and reimbursement models that can ensure appropriate patient access to needed treatments, increase affordability for payers, and sustain private investment in innovation.

Antibiotics are an area of unmet need but may not be profitable enough to develop, and some pharma companies appear to be exiting the field. In 2019, small molecules dominated the pharmaceutical pipeline with 22 US FDA approvals compared with eight large molecule (biotech) approvals as of October 22, 2019. The number of large molecules being investigated in 2019 increased significantly compared with 2015. In 2019, four out of every 10 drugs under development are biotech derived. The growing demand for personalized medicine and orphan drugs is driving R&D investments in large molecule products. (Source: 2020 Global Life Sciences Outlook – Deloitte).

## 6 Risk factors

All investments involve varying degrees of risk. There are a number of risk factors that could affect the performance of the Fund, the making of distributions and the repayment of Investor's capital. Many risk factors fall outside of the Trustee's and the Fund Manager's control and cannot be completely mitigated. While there are many factors that may impact on the performance of any investment, this Section 6 summarises some of the major risks that Investors should be aware of when investing in the Fund.

Before investing, Investors should consider whether the Fund is a suitable investment, having regard to their personal investment objectives, financial position, and particular needs and circumstances. Investors should also consider and take into account the level of risk with which they are comfortable, the level of returns they require, as well as their frequency and nature, and their investment time horizon. Investors should seek professional advice in setting their investment objectives and strategies.

The risks described below are not exhaustive and whether a risk is specifically referred to in this Section or not, that risk may have a material effect on the performance and value of the Fund. Importantly, Investors should note that the value of an investment in the Fund, and income received by Investors, may rise or fall and, consequently, Investors may suffer losses (including the loss of all of their capital investment in the Fund or a loss of an investment return relating to their investment in the Fund). Distributions and Indicative Rate of Returns are not guaranteed, and neither is the return of Investor's capital.

### 6.1 Related party transactions risk

The success of the Fund is dependent on the Fund Manager identifying suitable investments for the Fund and ensuring that research and development is capable of resulting in a profitable outcome.

By making an investment in the Fund, Investors acknowledge that the Fund can make investments in or to related parties of the Fund Manager. For information about related party investments and transactions see Section 12.3 (*Related party investments and transactions*).

The Trustee has appointed the Fund Manager to identify suitable investments. Under this arrangement, while the Trustee has the fiduciary oversight of the Fund and its investments, the Trustee will not assess the merits of each investment recommended by the Fund Manager, but rather will review that each investment is contemplated by this Information Memorandum and the Trust Deed and will not conduct any independent review that the investment is otherwise in the interests of the Investors.

The Trustee will rely on the Fund Manager's confirmation that it has complied with its investment guidelines and management processes outlined in this Information Memorandum but will not otherwise undertake any independent review, except where it has reason to suspect that the Fund Manager is not properly performing its obligations.

By investing in the Fund, Investors acknowledge that:

- the Fund Manager is responsible for making investment decisions for the Fund.
- investments may not be on arm's length terms where they are to related parties of the Fund Manager; and



- they have made their own independent investigations to satisfy themselves of the benefit of becoming an Investor in the Fund.

Investors should also note that the Fund Manager may co-invest or be issued Units in the Fund. Units may be issued to the Fund Manager as payment for fees (including Performance Fees). Where the Fund Manager holds Units in the Fund, Investors acknowledge that the Fund Manager may redeem up to one third of their Unit holdings each year in order to obtain liquidity or to make payment of fees to itself.

### 6.2 General risks Investment risk

An investment in the Fund involves investment risk. For example, the value of a Unit holder's investment in the Fund may rise or fall, investment returns may fluctuate, distributions may or may not be paid and a Unit holder's capital may or may not be returned.

While we are unable to eliminate all investment risks, we aim to reduce the impact of risk through our established management procedures such as our lending approval processes and investment selection criteria. See Section 5 (*Investment selection and management process*) for more information.

#### Underlying investment risk

There may be external influences from time-to-time, including unforeseen items of expenditure which have not been budgeted for and loss of revenue, which adversely affect the income of the Fund. These may result in a reduction of distributions and returns.

It is not the responsibility of the Trustee to assess the merits of each investment recommended by the Fund Manager, but rather to review that each investment is contemplated by this Information Memorandum and the Trust Deed.

#### Listed investment risk

The Fund may invest in Australian listed and foreign listed securities. In particular, the Fund will invest in listed securities prior to the portfolio investments being constructed. Investments in listed securities are subject to a number of risks and the value of listed securities could be impacted by events such as changes to management, profit and loss announcements, corporate actions, the expectations of investors regarding the issuer, competitive pressures, legal action, changes to listing rules, shorting, hedging, securities lending and the use of derivatives to gain exposure to certain markets as well as government and regulatory issues.

Moreover, where the Fund invests in foreign listed securities, additional risks may include differences in local laws and regulations, emerging capital markets risks, differences in accounting standards and valuation methodology, lack of depth, liquidity or research in certain markets, foreign taxes and duties, foreign currency and hedging risks as well as risks relating to the local securities exchange and local markets.

#### Return risk

The Fund seeks to deliver the Target Rate of Return to Investors. It is designed for Investors seeking a return greater than the interest paid on basic deposit and saving products offered by an ADI. The Fund is targeting returns which are significantly higher than interest paid on basic deposit products. However, as a general rule, higher potential returns have higher levels of uncertainty (high risk) than investments with



lower potential returns and low levels of uncertainty (low risk).

The Indicative Rate of Return is not a forecast. The Trustee or Fund Manager may not be successful in meeting this objective. None of the Trustee, the Fund Manager or any other person or entity guarantees any income or capital return from the Fund. Investors should also note that Fund operating expenses, including management fees, may exceed income or realised profits therefore requiring the difference to be paid from the Fund's capital.

Investors should note that an investment in the Fund is not an investment in an ADI (such as a bank) regulated by APRA and an investment in the Fund carries greater risk than an investment in a bank.

### **No guarantee of performance or representations made by the Trustee**

None of the Trustee, the Fund Manager nor any other person or entity guarantees any income or capital return from the Fund. See Section 3.3 (*Capital not guaranteed*) for more information.

### **Concentration risk**

Concentration risk is the risk that the investment portfolio of the Fund may lack a diversification of assets. While the Fund will be invested in a range of equity investments, there is a risk associated with Fund's assets not being sufficiently diversified by sector, geography or risk profile or number of underlying companies which may expose the Fund to any events which have an adverse effect on the value of assets in the biotechnology or healthcare sector. Additionally, it may take some time before a sufficient number of investments are entered into to provide genuine diversification of investments.

### **Commitment risk**

During the Commitment Period, the committed capital of the Investors who choose to invest in the Fund by way of Commitment may be called progressively by the Trustee at short notice (10 business Days). Failure to pay a call on a Commitment may result in the imposition of penalty interest, costs, expenses and/or forfeiture of some or all of the Investor's Units in the Fund. Please see Section 8.2 (*Commitments*) for further information.

### **Funding gap risk**

There is a risk that the target fund raising amount for the Fund is not achieved or investments committed to by the Fund is not acquired due to one or more Investor's failure to pay the outstanding amount of the Commitment. In the event of a funding gap, the Fund could suffer significant capital or income losses. Please see Section 8.3 (*Failure to pay a call*) for further information.

### **Liquidity risk**

There are restrictions on withdrawals from the Fund. See Section 10 (*Withdrawals from the Fund*) for more information.

The Fund is an illiquid investment. Investors may only withdraw in accordance with the terms of issue of the Units.

There is currently no secondary market for Units in the Fund, and it is unlikely that any active secondary market will develop. There are substantial restrictions on the transferability of Fund

interests under the Trust Deed and applicable securities laws.

### Legal, regulatory and compliance risk

Changes in government legislation, regulation and policies generally could materially adversely affect the operating results of the Fund. Although unable to predict future policy changes, the Trustee intends to manage this risk by monitoring and reacting to any potential regulatory and policy changes.

The operation of a funds management business in Australia is subject to significant regulation by Australian government authorities including without limitation ASIC, the Australian Transactions Reporting and Analysis Centre, the Foreign Investment Review Board and the Australian Competition and Consumer Commission.

Furthermore, legal risks arise where contracts used by the Fund to make the investments are found to be defective or unenforceable against counterparties. To manage this risk, the Trustee and the Fund Manager will ensure that a reputable legal practitioner is engaged to prepare and finalise legal agreements.

### Tax risk

Tax and duty laws, and the regulatory interpretation or enforcement of them, can change and changes can be adverse. Investors should consider their own circumstances before investing. Although unable to predict future policy changes, the Fund Manager intends to manage this risk by monitoring and reacting to any potential regulatory and policy changes.

### Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on an investment.

### Fees and expenses risk

The Fund will incur fees and expenses regardless of whether it is successful. The Fund will pay management and administration fees whether or not it receives its returns. In addition, the Fund will also be required to pay annual fees to the Trustee and the Fund Manager whether the funds raised are fully utilised or not.

There is a risk that the Fund Manager does not ensure that there is sufficient liquidity maintained in order to meet these and other expenses.

The Fund Manager expects to incur significant costs and expenses in seeking to source, evaluate, structure, negotiate, close, monitor and exit the investments including, but not limited to, financial, legal, technical, regulatory and commercial advisers which are engaged to assist the Fund Manager in seeking to source, evaluate, structure, negotiate, close, monitor and exit the investments. There can be no assurance that the Fund will be successful in being able to recover these fees and expenses from a successfully closed investment. These amounts may be significant and could have an adverse impact on the return that Investors might otherwise realise.

### Currency risk

The Fund's investment will be domiciled in Australian dollars and therefore the weakening of a country's currency relative to the Australian dollar will negatively affect the value of the Fund's from the perspective of an international Investor.

### Thinly capitalised management

The Fund Manager does not have any material independent financial resources. If an action or claim is brought against the Fund Manager and that claim is not covered by the professional indemnity or directors' and officers' insurance policies arranged by or on behalf of the Fund Manager, the Fund cannot assure that the Fund Manager will have sufficient financial resources to cover any amounts payable under any claim.

The Fund is reserved to certain Wholesale Clients who are required to be aware of the risks involved in an investment such as the Fund and who accept that they will have recourse only to the Fund's assets in existence at any given time.

### Operating history risk

The Fund has no operating history on which Investors may base an evaluation of its likely performance. The success of the Fund's investment activities will depend almost entirely on the Fund Manager's ability to carry out the proposed investment strategy successfully. There can be no assurance that the Fund's investments will achieve the Target Rate of Return.

### Risk associated with key parties

The Trustee and Fund Manager may elect to retire or may be replaced as the Trustee or Fund Manager, or the services of key personnel of the Trustee or Fund Manager may become unavailable for any reason. The Fund is relying on the ability of the Fund Manager and its investment professionals to achieve the Fund's investment objectives. If the Fund Manager or its investment professionals were not to continue in their respective roles, or be replaced by suitably qualified and experienced professionals, the Fund may not be able to achieve its objectives.

There is also a risk that the Fund Manager may fail to identify and adequately manage the investment risks in the Fund's portfolio or execute the investment strategy effectively, affecting the ability to pay distributions or reduce the value of the Units.

Operational risks of the Trustee and the Fund Manager include the possibility of systems failure, cyber- attacks, documentation risk, fraud, legal and regulatory risk and other unforeseen circumstances.

The Fund Manager, and any other delegates of the Trustee, may also fail to adequately perform their contractual and other legal obligations.

### Conflicts of interest risks

The Fund Manager and its directors may develop other relationships with a wide variety of clients and investors. As a result of obligations that arise from those relationships, including obligations of confidentiality, certain potentially suitable investment opportunities of which the Fund Manager becomes aware may not be offered or disclosed to the Fund. In addition, the Fund may invest in

products or assets managed by a related party of the Fund Manager.

### Cyber risk and exposure

Investors should be aware that while the Trustee and Fund Manager have implemented technologies, processes, and practices designed to protect their networks, devices, programs, and data (or information technology systems) those information technology systems may still be subjected to malicious attack, damage, or unauthorised access.

Information technology systems may include the storage of information concerning an Investor's identity, financial interests or other personal details provided to the Trustee in connection with their investment in the Fund.

In the event serious harm is a likely outcome of a breach of the Trustee's information technology systems, the Trustee or Fund Manager (as may be required) will notify the affected individuals and recommend steps that ought to be taken in response to the breach. The Trustee may also be required to notify a government or regulatory authority as required by law.

### Information not complete or accurate

The Trustee is not in a position to confirm the completeness, genuineness or accuracy of any information or data included in this Information Memorandum. A significant amount of the material provided in this Information Memorandum was supplied by third parties including the Fund Manager. This information has not been audited or independently reviewed.

### COVID-19 risk

On 11 March 2020, the World Health Organisation declared COVID-19 (or Coronavirus) a global health pandemic. Since this time, measures have been implemented by the Australian, state/territory, and international governments in relation to public gatherings, travel restrictions and social distancing measures. Circumstances are changing daily and there is an unprecedented level of uncertainty in society and the economy. The duration of the pandemic is unknown.

As at the date of this Information Memorandum, the COVID-19 pandemic is causing instability in financial markets, a loss in investor and consumer confidence, and a general deterioration of global economic conditions. The economic and other effects of this virus, and its duration, are unknown.

COVID-19 may impact the financial and investment information presented in this Information Memorandum in ways that cannot be foreseen at this time.

## 6.3 Risks relating to investments Product development

Investment in healthcare and medical science research and development involves a long-term commitment with no certainty of return. The success of such an investment is a function of a number of factors including the ability to obtain strong patent protection, the successful progression of product candidates through research, preclinical development and clinical trials, the ability to scale up processing of the product to commercial volumes, the grant of appropriate regulatory approvals, the sufficiency of finance to progress product development through to commercialisation, the absence of superior competing products, success in negotiating profitable licensing agreements and the ability to obtain a satisfactory price.

Certain healthcare and medical science companies are characterised by a single product focus and rapidly changing technology which makes them particularly sensitive to the threat of obsolescence due to the development of competing products.

## Product testing and regulatory approval

Before obtaining regulatory approval for the commercial sale of any products, a company or its licensees and/or partners must demonstrate through preclinical testing and clinical trials that its products are safe and effective for use in humans. Conducting clinical trials is a lengthy, time-consuming and expensive process. A company will incur substantial expense in, and devote a significant amount of time to, preclinical testing and clinical trials. The preclinical and clinical evaluation, manufacture and marketing of a product candidate in which the portfolio company is interested are all subject to regulation administered and enforced by the regulatory agencies in countries where a portfolio company, or any of its potential partners or licensees, intend to test, manufacture or market such products.

Of prime importance is the requirement, applicable in most countries, to obtain from the regulatory authority an approval (marketing authorisation) to market a medicinal product in a territory, which is subject to the authority's jurisdiction. The grant of a marketing authorisation for a medicinal product requires the detailed evaluation of data, relating to the quality, safety and efficacy of the product in the proposed use(s) submitted by the applicant, in accordance with regulatory requirements. Accordingly, preclinical testing and clinical research of medicinal products can be a very lengthy and costly processes. The manufacture of medicinal products is also subject to specific authorisation and to the regular inspection of premises, staff and procedures by the regulatory authorities.

There can be no assurance that any product candidates identified and pursued by a company and/or its licensees and/or partners now, or in the future, will either reach or successfully complete the clinical trials process, or that regulatory approvals to manufacture and market its product candidates will ultimately be obtained. Furthermore, different worldwide regulatory authorities may impose their own differing conditions upon marketing (by, for instance, restricting a product's intended uses). They may refuse to grant, or may require additional data before granting, a marketing authorisation even though another regulatory authority may have approved the relevant product. If an authorisation is obtained, the product and its manufacture are subject to regular review and there can be no assurance that such approval will not be withdrawn or restricted at some point in the future.

Changes in applicable legislation or regulatory policy, serious breaches of regulatory requirements, or the discovery of problems related to the safety, quality or efficacy of the product, or to the production process, site or method of manufacture may result in the imposition of restrictions upon the sale, supply and/or manufacture, including, at worst, the withdrawal of the product from the market and/or the loss of the relevant authorisation(s), or may otherwise have an adverse effect on a portfolio company's business or income from its licensees and/or partners.

## Intellectual property protection

The commercial success of an investment company depends in part on its ability and/or that of its licensors to obtain patent protection for its product candidates in the major territories and to preserve the confidentiality of its own and its collaborators' know-how. No assurance is given that an investment company will develop products, which are patentable, or that patents will be sufficiently broad in their scope to provide protection for a portfolio company's intellectual property rights and exclude competitors with similar or competing technology. Substantial costs may be incurred if an investment company is required to defend its proprietary rights against third parties. There is no assurance that obligations to maintain an investment company's or its collaborators' trade secrets and/or know-how will not be breached or otherwise become known in a manner, which provides an

investment company with no recourse.

An investment company cannot be certain that it was (or its licensors were), the first to make the inventions covered by each pending application or that an investment company or its licensors were the first to file applications for such inventions.

The commercial success of an investment company will also depend in part on non-infringement of patents granted to third parties. Competitors or potential competitors may have filed applications, or may have been granted, or may obtain patents that may relate to technology that is employed by an investment company. If this is the case, an investment company may have to obtain appropriate licenses under these patents or cease and/or alter certain activities or processes and/or develop or obtain alternative technology.

#### 6.4 Other risks

Investors should be aware that not all risks can be foreseen. It is therefore not possible for the Trustee or Fund Manager to protect the value of the Fund's investments from all risks. Investors should ensure they obtain appropriate professional advice regarding the suitability of an investment in the Fund having regard to their individual circumstances, including investment objectives, their level of borrowings, their financial situation and individual needs.

**We strongly recommend that investors obtain independent financial advice before investing in the Fund.**

## 7 Fees and other costs

### 7.1 Payment of fees and other costs

The Fund Manager has agreed to pay all fees and costs of the Fund until such time as, in the opinion of the Trustee, the Fund is in a position to pay these fees and expenses directly. The Fund Manager may be reimbursed for fees and costs it has paid at some point in the future.

### 7.2 Investor fees and expenses

The following table sets out the fees and costs that may be charged to the Fund:

Type of fee or expense	Detail
<b>Management Fees</b>	2% per annum of the net asset value of the Fund. Payable quarterly in advance.
<b>Performance fee</b>  This fee is paid to the Fund Manager out of returns	<p>The Fund Manager will not charge a Performance Fee for the first three years of the Fund.</p> <p>After the first three years, the Fund Manager will be entitled to a performance fee equal to 20% gross return of any over performance over a benchmark of 8% per annum calculated on a compounding whole of fund basis calculated at the end of each calendar year.</p> <p>The payment of the Performance Fee is subject to a high watermark, which is the net asset value of the Fund at the end of the last <b>calendar year</b> in which a performance fee has been paid (adjusted for applications, redemptions and distributions). The high watermark for the first year of the Fund will be the initial issue price of the Units.</p> <p>The Performance Fee for a <b>calendar year</b> is not payable unless the net asset value of the Fund (pre-distributions and fees) performance exceeds the high watermark and outperforms the benchmark of 8% per annum during that <b>calendar year</b>.</p> <p>Once payable, the Performance Fee will be calculated and paid on a yearly basis or deducted from the Unit redemption price on a redemption of Units at the end of each calendar year.</p> <p>The Fund Manager may elect to receive the Performance Fee in cash or be issued Units in the Fund in lieu of payment. The Fund Manager may redeem up to one third of Units it holds each year.</p>



Type of fee or expense	Detail
<p><b>Trustee fee</b></p> <p>These fees are paid to the Trustee out of the Fund's assets.</p>	<p>The Trustee will charge the following fees:</p> <ol style="list-style-type: none"> <li>1) an establishment fee of \$20,000 (exclusive of GST); and</li> <li>2) a trustee fee, subject to a minimum annual fee of \$28,000 (exclusive of GST) per annum, of:               <ol style="list-style-type: none"> <li>(a) 0.2% per annum of the Fund's gross asset value on amounts up to \$50 million; plus</li> <li>(b) 0.05% per annum of the Fund's gross asset value on amounts greater than \$50 million but less than \$100 million; plus</li> <li>(c) 0.04% per annum of the Fund's gross asset value on amounts greater than \$100 million but less than \$150 million; plus</li> <li>(d) 0.03% per annum of the Fund's gross asset value on amounts greater than \$150 million.</li> </ol> </li> </ol> <p>The trustee fee accrues and is calculated monthly from the first issue of Units and is payable to the Trustee quarterly in arrears.</p>
<p><b>Establishment fees and expenses</b></p> <p>The fees and expenses associated with the establishment of the Fund's assets</p>	<p>These fees and expenses associated with the establishment of the Fund, and include all Fund establishment and marketing expenses</p>
<p><b>Withdrawal fee</b></p> <p>This fee is charged by the Fund to Investors on a withdrawal from the Fund and becomes an asset of the Fund</p>	<p>Withdrawal fee of 2% of the withdrawal proceeds is payable where the Units redeemed had been on issue for less than 9 years.</p>

Type of fee or expense	Detail
<p><b>Other Fund expenses</b></p> <p>The expenses charged to the Fund and paid out of the Fund's assets</p>	<p>In addition to the fees and other costs set out above, there are fees and costs related to the operation, administration, marketing and distribution of the Fund. This includes fees, costs, and expenses of the Fund, the Trustee and the Fund Manager incurred in connection with potential investments (including investments that are not consummated) and the acquisition, financing, holding, sale, proposed sale or valuation of any investment (including the repayment of those financings, the costs of establishing and maintaining any borrowing facility, costs of holding Unit holders meetings, costs of preparation of tax returns and any taxes, fees or other governmental charges levied against the Trustee, in its capacity as trustee of the Fund). The Trustee will pay, out of its own funds, all of its general overhead expenses, including the compensation of its personnel who act on its behalf relating to their duties and responsibilities.</p>

All fees and costs of the Fund payable out of the assets of the Fund are reflected in the Unit price of the Fund.

The Trustee or Fund Manager may elect to negotiate separate fees and fee rebates with individual investors at its sole discretion, including fee arrangements which are different to those set out above.

### 7.3 Changes to fees and other costs

The Trustee may change the fees and expenses charged to Investors by giving at least one month's written notice to Investors, subject to any fee limits in the Trust Deed.

The Trustee may agree with any Unit holder any fee arrangements with that Unit holder which are different to the fees set out in Section 7.1 (*Payment of fees and other costs*).

### 7.4 Waiver, deferral or rebate of fees

The Trustee or Fund Manager may, in their absolute discretion, accept lower fees and expenses than they are entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. In addition, the Fund Manager or Trustee may, in their absolute discretion, waive, negotiate or rebate their fees to an Investor.

## 8 How to invest in the Fund

### 8.1 General

Investors must complete the Application Form attached to or accompanying this Information Memorandum and provide the required customer identification material listed in that form.

Before making a decision to subscribe for Units, potential Investors should read this Information Memorandum.

A copy of the executed Application Form must be emailed to the Fund Manager at [info@horizon3biotech.com](mailto:info@horizon3biotech.com), with the original and supporting materials to follow.

Investors, please note that:

- the minimum investment amount is \$50,000, unless the Trustee otherwise determines in its discretion to accept a lower amount;
- the Offer in is expressly restricted to Wholesale Clients. By lodging an application for Units in respect of the Offer contained in this Information Memorandum, the Investor declares and warrants to the Fund that they are and will remain a Wholesale Client;
- the Trustee has the discretion to accept applications of less than \$50,000, provided that the applicant is a Wholesale Client; and
- in addition to the client identification material and documents required to be sent with an Investor's Application Form, the Trustee may require further information or documents from an Investor at any time in order to satisfy obligations under anti-money laundering and counter terrorism financing legislation or other legislation affecting the Fund or the Trustee.

Please see the Application Form link in Section 14 (*Directory*) below.

### 8.2 Commitments

After reviewing this IM in its entirety, Investors can invest in the Fund by completing the Application Form accompanying this IM (if not previously completed). In the Application Form, Investors are required to nominate the amount they intend to invest or commit to invest for the relevant Commitment Period. The Investors who choose to invest in the Fund by way of Commitment are required to pay at least 50% of the total committed investment amount on application.

Payments for the capital calls must be made via EFTPOS (bank transfer) or bank cheque. Cash payments will not be accepted. The bank account details for investing in Fund are contained in the Application Form.

During the Commitment Period, the Trustee may make one or more further calls for the Investor to invest up to the amount committed by providing at least 10 Business Day's written notice. The Investors are required to pay a call within 10 business days after a capital call is made.

Once an applicant has paid the subscription amount or call amount (whichever is the case), they will be issued Units within 5 Business Days of the payment due date of the payment. If calls on Commitments after the initial call are not paid, the Units issued on the initial call may be partially or fully forfeited. Please refer to clause 9 (Commitments) and clause 10 (Partly paid Units) of the Trust Deed for further information. **Please consider this carefully before making a commitment to invest in the Fund.**

Application Monies are held in the Fund's Application Account prior to being allocated to the Units and may not be withdrawn. Interest earned on funds held within the Application Account will not form part of the Fund's assets.

### 8.3 Failure to pay a call

If an Investor fails to pay a call on its Uncalled Capital on the due date, the Trustee will send the defaulting Investor notice (**Default Notice**) within 5 Business Days of the due date that:

- contains a demand for payment of all amounts due and payable in respect of the call, any costs and expenses associated with the failure to pay and any call default interest (see below); and
- specifies a further due date for payment which is not sooner than 5 Business Days after the date of the notice.

Call default interest is charged at the current Penalty Interest Rate plus 2% accruing daily and being capitalised monthly, in arrears. Call default interest is charged on the amount of the call and any other money owing from the due date until the Trustee receives payment of the overdue amount in full.

If a payment in full is not received by the due date specified in the Default Notice any Units held by the Investor are forfeited. The Trustee may, at the instruction of the Investment Manager, offer any of the Investor's Units for sale, and/or assign all or part of the unpaid call, as set out below.

The Trustee may sell a defaulting Investor's forfeited Units as follows:

- between 10 and 15 days before the sale date, give notice to all other Investors that they have a right to purchase a portion of the forfeited Units in proportion to their Commitment compared to the total of all Commitments at a price determined by the Trustee acting reasonably;
- Investors may purchase more than their proportionate share if there are forfeited Units remaining after the above sale;
- if there are unsold Units, the Trustee may sell the forfeited Units in any manner, including to new Investors, at a price that is not less than that at which they were offered to investors;
- if there are still unsold Units, the Trustee may recommence the above process at a lower price; and
- the net proceeds of the sale of any of the defaulting investor's Units (if any) will be paid back to the defaulting investor after making deductions which are permitted by the Trust Deed including, without limitation, costs and expenses incurred as a result of the default and any called but unpaid Commitments.

The Trustee may assign a defaulting Investor's unpaid calls as follows:

- between 10 and 15 days from the date of assignment, the Trustee will give notice to all non-defaulting Investors that they have a right to purchase a portion of the Uncalled Capital in proportion to their Commitment compared to the total of all Commitments;

- Investors may take up more than their proportionate share if not all of the unpaid calls and Uncalled Capital are assigned; and
- if there are unpaid calls and Uncalled Capital not assigned after the above steps, the Trustee may assign the remainder in any manner it determines, acting reasonably, including assignment to new investors.

A defaulting Investor may be liable for the unpaid amount in respect of the call, damage and losses suffered by the Fund as a result of the non-payment of the call or any future calls, call default interest and all expenses associated with any proceedings necessary to recover the amount due from the investor.

Please refer to clause 9 (Commitments) and clause 10 (Partly paid Units) of the Trust Deed for further information. the Trust Deed for the Fund for more information on the process for the forfeiture and sale of Units. The Trust Deed is available on request.

### 8.4 Processing applications

Applications will be processed within 10 Business Days of the end of each month where the completed Application Form and application money are received. The Trustee reserves the right to process applications earlier at its discretion.

The Trustee reserves the right to evaluate any applications for Units and to reject any or all applications submitted, without giving reasons for rejection.

### 8.5 Payment

The Trustee can only accept electronic funds transfers from a bank, building society or credit union account in the name of the Investor. Cash or cheque payments will not be accepted.

The bank account details for the Fund are set out in the Application Form.

### 8.6 Issue price

The issue price of Units under the Offer under this Information Memorandum will be based on the net asset value per Unit as determined in accordance with the Trust Deed unless otherwise determined by the Trustee and the Fund Manager.

## 9 Distributions

The Trustee, under instruction from the Fund Manager, may retain up to 50% of net income received in a particular financial year to ensure the continuing growth of the assets of the Fund. The Trustee may also, under instructions from the Fund Manager, distribute all net income of the Fund to Unit Holders in a particular financial year.

However, as at the IM Date, no distributions are expected to be made in the first 3 years of the Fund.

Under the Trust Deed, a Unit holder's distribution entitlement for each Unit is based on the number of Units held by the Unit holder at the relevant calculation date. The Trustee may change the distribution frequency by giving at least 30 days' prior notice to Unit holders.

It is generally expected that distributions are calculated on the last Business Day of each financial

year. Unit holders should allow up to 60 days after the date which distributions are calculated to receive distributions. Where distributions are calculated before the end of the financial year, Unit holders should allow up to 30 days after the date which distributions are calculated to receive distributions.

Distribution payments will be made by direct credit to a Unit holder's nominated account with a financial institution.

No distribution payments will be made to third parties or by cheque.

Investors may not reinvest distributions, unless the Trustee otherwise determines.

Distributions are dependent on the performance of the underlying investments of the Fund. None of the Trustee or Fund Manager, or their related parties, officers, employees, consultants, advisers or agents guarantees the payment of, or amount of, any distribution.

## 10 Withdrawals from the Fund

### 10.1 Minimum Investment Term

The Minimum Investment Term applied to an Investor is three years from the first issue of Units to the Investor. Holders of Units cannot make a withdrawal request until the end of the Minimum Investment Term. Thereafter, they may make a withdrawal request to the Trustee by providing at least 6 months' notice. The Trustee, however, is not obliged to accept a withdrawal request and may do so only where there is sufficient liquidity in the Fund or on terms where a replacement Investor subscribes for Units to fund the requested withdrawal.

To withdraw their investment, Investors must provide a completed Withdrawal Form.

Withdrawal requests will only be satisfied if the Fund has sufficient liquid reserves to do so. Investors who wish to withdraw may need to wait up to 2 years in order to have their withdrawal requests satisfied. The Trustee does not, and does not intend to operate, a liquidity facility in respect of Units in the Fund.

Where there are insufficient funds to satisfy all Withdrawal Requests received in a given calendar quarter or prior, withdrawal requests will be satisfied on a pro rata basis each [month] until those Investors who have submitted a Withdrawal Request are fully withdrawn from the Fund.

Where a Withdrawal Request is made within five years of the end of the Minimum Investment Term, withdrawals will be subject to a 2% withdrawal fee.

Withdrawal Requests made after six years of the end of the Minimum Investment Term will not be charged a fee.

The Trustee may at any time suspend the redemption of Units (where the Trustee has decided to accept or process withdrawal requests) in certain circumstances set out in the Trust Deed.

The Trustee may in its absolute discretion at its election, on reasonable notice to a Unit holder, redeem all or a portion of Units held by such Unit holder in its absolute discretion in certain circumstances set out in the Trust Deed.

### 10.2 Redemption price

The redemption price of Units will be based on the net asset value of the Fund.

At the time of withdrawal, the Fund Manager may be eligible to be paid a Performance Fee based on the current net asset value of the Fund. Where the Fund Manager is eligible to be paid a Performance Fee, the accrued Performance Fee will be deducted from the Unit redemption price.

## 11 Taxation information

### 11.1 General

There are Australian tax implications when investing in, disposing Units in, withdrawing Units from, and receiving income from, the Fund. Investors must take full and sole responsibility for the associated taxation implications arising from an investment in the Fund. The Trustee cannot give tax advice and the Trustee recommends that you consult your professional tax adviser as the tax implications for the Fund can impact investors differently. What follows is a general outline of some key tax considerations for Australian resident Investors and non-resident Investors.

This information is based on our current interpretation of the relevant taxation laws. The Australian tax laws are subject to continual change, and the tax treatment applicable to particular investors may differ. As such, Investors should not place reliance on this as a basis for making their decision as to whether to invest.

### 11.2 Tax position of Australian resident Investors

Taxable income earned by the Fund, whether attributed, distributed, retained or reinvested, can form part of the assessable income for Investors in the year of entitlement or allocation. Tax losses incurred by the Fund will remain in the Fund and can be applied to reduce the Fund's income in future years (subject to the Fund satisfying the specific provisions of the trust loss carry forward legislation).

Further, the timing of when the Fund's income is brought to account for tax purposes may be different to when amounts are distributed to you, so that you may be required to pay tax on income that has not yet been or may not be distributed to you.

If:

- the Fund is not eligible for, or does not elect into, the application of the attribution managed investment trust regime; and
- the Trustee does not distribute all of the Fund's distributable income in an income year,

then to the extent of the undistributed income, the Fund may be liable to pay income tax at the highest marginal tax rate (currently, 47%) on the undistributed income. However, Investors may be entitled to a tax offset with respect to such tax paid by the Fund if and when that income is eventually distributed to Investors.

For each year ending 30 June, the Trustee will send to you the details of assessable income, capital gains, foreign income, tax offsets and any other relevant tax information to include in your tax return and to determine any required tax adjustments. This may include information (if relevant) of certain income which may impact the cost base of your Units.

The Fund may derive foreign source income that might be subject to foreign tax. You may also be entitled to tax offsets (e.g. foreign income tax offsets) distributed by the Fund. Provided Investors satisfy certain provisions of the federal tax legislation, Investors may be able to utilise these credits against their tax liability on the taxable components of the distributions. In order to claim the amount



of tax credits, Investors must include the amount of the credits in their assessable income.

### **11.3 Applications and withdrawals made by Australian resident Investors**

If you acquire Units part way through a distribution period, that amount of accumulated income which is included in the unit price for the Units acquired may eventually be distributed to you as taxable income.

If you withdraw Units part way through a distribution period, the value of accumulated income may be included in your withdrawal price.

Your assessable income for each year may include net realised capital gains (i.e. after offsetting capital losses). This will include capital gains made upon withdrawing Units from, or disposing Units in, the Fund.

Individuals, trusts and complying superannuation entities may be eligible for capital gains tax (CGT) concessions, such as the CGT discount in relation to capital gains made with respect to Units which are held for at least 12 months. If you hold your Units on revenue account, gains and losses will be taxable as ordinary income or allowed as a deduction, as the case may be, and will not qualify for the CGT discount.

### **11.4 Taxation of non-resident investors**

If you are a non-resident Investor (for tax purposes) in the Fund, we strongly recommend that you obtain advice based on your particular circumstances. Non-resident Investors of the Fund should seek their own independent taxation advice regarding their local, as well as Australian, taxation obligations.

As a non-resident, distributions from the Fund may be subject to Australian income tax (which may be withheld by the Trustee) or Australian withholding tax (which may also be withheld by the Trustee, depending on your country of residence and the nature and amount of the distribution). Different tax consequences may apply in relation to gains or losses of non-resident Investors from the disposal of the Units, including whether any gains are subject to tax in Australia.

### **11.5 Tax File Number (TFN) and Australian Business Number (ABN)**

On your application form you may provide us with your TFN or TFN exemption. Alternatively, if you are investing in the Fund in the course of an enterprise, you may quote an ABN. It is not compulsory for you to quote a TFN, exemption or ABN, but if you do not, then we are required to deduct tax from any distribution payable to you at the highest marginal tax rate plus the Medicare levy (and any other levies we are required to deduct, from time to time). The collection of TFNs is authorised, and their use is strictly regulated by tax and privacy laws. Non-residents are generally exempt from providing a TFN.

### **11.6 Goods and services tax (GST)**

The application for, disposal and withdrawal of Units, and receipt of distributions, will not be subject to GST. However, GST is payable on our fees and certain reimbursement of expenses. The Fund may be able to claim input tax credits and/or reduced input tax credits of at least 55% of the GST incurred. Unless otherwise stated, all fees quoted in this IM are quoted on an Australian GST exclusive.

## 12 Other information

### 12.1 Trust Deed

The Fund's Trust Deed (in addition to the general law) sets out the terms and conditions under which the Fund operates, as well as many of the rights, liabilities, duties and obligations of Investors and the Trustee. Your rights, duties and obligations as a holder of Units are governed by the Trust Deed and the general law relating to trusts. These rights include the right to attend Unit holder meetings, to make withdrawal requests, receive and reinvest distributions, and participate in proceeds of the termination and winding up of the Fund.

Some key terms of the Trust Deed are described below, but it does not summarise all of the provisions. Other terms have been described elsewhere in this IM, including in relation to the nature of an Investor's interest in the Fund's assets, applications and redemptions of Units, Unit pricing, transfers of Units, distributions and Trustee fees.

Investors should refer to the Trust Deed for the detail of the provisions. A potential Investor, and a Unit holder, may obtain a copy of the Trust Deed on request to the Trustee.

#### (a) Transfer of Units and security over units

A Unit holder may transfer Units in the manner as the Trustee from time to time prescribes but must not do so without the express written consent of the Trustee (which may be withheld in its absolute discretion). An Investor may also be able to assign their Commitment or an unpaid call. Under the Trust Deed, the Trustee has the discretion to refuse the transfer of Units and is not obliged to accept a transfer of Units or Commitments. Please note that a transfer of Units or Commitments may have taxation consequences. Please see Section 11 (*Taxation information*) for further information.

#### (b) Trustee's role, obligations and rights

The Trustee's duties and obligations to Investors are imposed, and functions and powers conferred, by the Trust Deed, the Corporations Act (where relevant) and general law.

Examples of the Trustee's powers include acquiring and disposing of the Fund's assets, entering into agreements, operating accounts, and raising money.

A Unit holder may not create any encumbrance or other security interest over a Unit without the consent of the Trustee.

Under the Trust Deed, the Trustee has (among other things) a broad power of investment, an entitlement to be paid the specified fees out of the Fund's assets, a right to pay out of the Fund's assets fees and costs incurred by the Trustee in the performance of its duties (including payment of the fees and costs of the Fund Manager under the Management Agreement, and other Fund expenses such as in connection with custody, administration, valuation and dealing of Fund assets), and (subject to limitations operating by law) a right to be indemnified out of the Fund's assets for any fees or costs incurred by it, in its own capacity or through an agent, manager, advisor or delegate.

**(c) Trustee's indemnity and limitation of liability**

The Trustee, as the trustee of the Fund, has to the fullest extent permitted by law, a right to be indemnified out of the Fund's assets for any cost, expense liability incurred by it, in its own capacity or through an agent, manager, advisor or delegate.

To the fullest extent permitted by law, the Trustee is not liable in contract, tort or otherwise to any future trustee, any Unit holder or any other person.

**(d) Liability of Unit holders**

Generally, the liability of Unit holders is limited to the amount unpaid (if any) of the issue price of the Units they hold.

**(e) Trustee's retirement and removal**

The Trustee may retire as trustee of the Fund effective on the appointment of a replacement trustee, by giving notice to the Unit holders.

The Trustee must retire as trustee of the Fund when required by law or directed to retire by a special resolution provided that Unit holders holding in aggregate at least 75% of all Units on issue vote (in person or by proxy) on the resolution and provided that the Trustee must not retire until a replacement trustee is appointed.

**(f) Termination of the Fund**

The Trustee at any time may terminate the Fund by written notice to the Unit holders with effect from the termination date specified in the notice.

The Unit holders may at any time terminate the Fund by special resolution provided that Unit holders holding in aggregate at least 75% of all Units on issue vote (in person or by proxy) on the resolution.

**(g) Amending the Trust Deed**

The Trustee may amend the Trust Deed, however, where the Trustee proposes to:

- I. amend or replace the Trust Deed (**Proposed Change**); and
- II. the Trustee reasonably considers the Proposed Change will materially adversely affect Unit holders' rights,

the Proposed Change must be approved by the Unit holders by special resolution.

**12.2 Management Agreement**

The Trustee and Fund Manager have entered into a management agreement (**MA**). Under the terms of the MA:

- (a) the Trustee appoints the Fund Manager to promote and distribute the Fund, source investments for the Fund and manage the investments of the Fund.

- (b) the Trustee agrees with the Fund Manager to manage the Fund in accordance with relevant laws and the terms of the Trust Deed.
- (c) the Fund Manager agrees to provide regular reporting to the Trustee and be subject to the regular monitoring of the Trustee. The Fund Manager also agrees to provide proper instructions for the making of investments in the Fund.
- (d) the fees and expenses payable to the Fund Manager and Trustee are specified; and
- (e) terms are set out for the termination of the MA including where either party has breached the MA or becomes insolvent, or on notice after the minimum appointment period for the Trustee has been satisfied.

### 12.3 Related party investments and transactions

Related parties of the Trustee, including employees, family, friends and associated affiliates, may invest in the Fund on the same terms as other Investors in the Fund.

Further, an investment made by the Fund may be provided to a related party of the Fund Manager. The Fund may make investments in securities or other assets owned or controlled by a related party of the Fund Manager.

Where appropriate, the Trustee and Fund Manager will seek the opinion of an independent third-party expert to ensure that material related party arrangements are entered into on arm's length terms. However, none of the Trustee or the Fund Manager guarantees or represents that arrangements between related parties are ultimately on arm's length basis.

Under the Trust Deed, the Trustee may appoint any of its related entities to provide services and to perform functions in relation to the Fund, including acting as its delegate. The Trustee may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from a related entity. These arrangements will be based on arm's length commercial terms.

The Trustee may be paid a fee for work performed in connection with the Fund in its personal capacity and not in its capacity as the trustee of the Fund. The Trustee may retain these fees for its own purposes and is not required to account for them to the Fund or to Unit holders.

In the course of managing the Fund, the Trustee and the Fund Manager may face conflicts in respect of their duties in relation to the Fund, related funds and their own respective interests. The Trustee and the Fund Manager has policies and procedures in place to manage these appropriately.

The Trustee and its related parties may engage in related party transactions provided those transactions are in the best interests of Unit holders.

### 12.4 Conflict of Interest

The Fund Manager may have interests conflicting with the Fund arising in the ordinary course of its business. The Fund Manager has documented procedures for the identification, clearance and management of any conflicts of interest.

The information set out below identifies some areas where potential conflicts may arise:

### **Co-investment opportunities**

The Fund may participate in transactions that otherwise meet the investment criteria but require funding greater than the prudential limits set for the Fund. The investors may be offered an opportunity to co invest in such circumstances.

### **Other clients of the Manager**

The Fund Manager may act as the trustee, responsible entity, manager or general partner for a number of other Investors and has fiduciary obligations and duties in relation to each of those Investors that are similar to its obligations and duties in relation to the Investors.

To the extent the Investors do not take up all of any co-investment shortfall described above, the opportunity to co-invest with the Fund may be offered to other clients of the Fund Manager and may occur on terms which are different to the Fund. In addition, the Fund Manager may give advice and take action in the performance of its duties to other clients which differs from advice given and action taken in relation to the Fund.

The Fund Manager will not be required to account to the Fund for any co-investment fees earned by it or any associate.

### **Subsequent fund**

The Fund Manager may raise subsequent funds with the same investment mandate as the Fund. Any subsequent fund may participate in the same investment opportunities as the Fund.

### **Fund Manager's investment**

The Fund Manager may separately invest in transactions where:

- (a) the investment is outside the investment objectives of the Fund.
- (b) the investment is a strategic investment of the Fund Manager's business; or
- (c) the investment is related to an existing investment of the Fund Manager or an investment currently managed by the Fund Manager.

### **Investment in HK Biotech and HK Biotech projects**

HK Biotech is a subsidiary of Huikang Group and a related entity of the fund manager. HK Biotech's core capabilities are research and development activities in the healthcare and biotech sectors. There may be instances in the future when HK Biotech projects are reviewed by the investment committee for potential investment by the Fund. In those circumstances, the investment committee has procedures in place to rely on third party independent expert advice to support due diligence.

## **12.5 Privacy information statement**

The Trustee and the Fund Manager may collect personal information from Investors as part of the application process or during the administration of the Fund.

The Trustee and the Fund Manager use this information to establish and manage that investment for you. If you do not provide the Trustee with your contact details and other information, then it may not be able to process your application to invest in the Fund.

Under the Privacy Act 1988 (Cth), you can access personal information about you held by the Trustee, except in limited circumstances. Please let the Trustee know if you think the information is inaccurate, incomplete or out of date.

The Trustee and the Fund Manager may disclose Investors' personal information to external service providers engaged to supply administration, financial or other services, and anyone that Investors have authorised (including an Investors' custodian or financial adviser) or if required by law. The Fund Manager is obliged, under the Management Agreement, to adhere to the Trustee's privacy policy.

Under various laws and regulatory requirements, the Trustee may have to pass on certain information to other organisations, such as the Australian Taxation Office or the Australian Transaction Reports and Analysis Centre (or 'AUSTRAC').

By applying to invest, you give the Trustee permission to pass information it holds about you to other companies which are involved in helping it administer the Fund, or where they require it for the purposes of compliance with anti-money laundering and counter terrorism financing laws or in connection with the holding of application money.

The Trustee may also use your information to provide you with details of future investment offers made by it or the Fund Manager. You will be able to opt out of receiving notification of these offers.

The Trustee's privacy policy is available from the Trustee website.

### 12.6 Reporting

The Trustee will furnish Investors with financial statements and tax information necessary for the completion of Investor tax returns on an annual basis.

On a quarterly basis, each Investor will be furnished with a summary report on the Fund's investments, prepared by the Fund Manager.

On an annual basis, financial statements will be provided to Investors as soon as practicable after the end of the financial year.

Investors may not disclose information contained in any report without the consent of the Trustee or as required by law.

### 12.7 Anti-money laundering laws

As a part of the application for Units, Investors will be required to provide customer identification materials to enable the Trustee's compliance with anti-money laundering and counter terrorism financing legislation. In addition to the customer identification material and documents required to be sent with an Investor's Application Form, the Trustee may require further information or documentation from an Investor at any time in order to satisfy its obligations under anti-money laundering and counter terrorism financing legislation.

## 12.8 Foreign Account Tax Compliance Act

The Trustee believes that the Fund will be required to comply with the Foreign Account Tax Compliance Act (FATCA), United States (US) tax law which was enacted for the purposes of improving tax information reporting regarding US persons in respect of their offshore investments to the US Internal Revenue Service (IRS). In 2014, an Intergovernmental Agreement was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions.

In order to comply with FATCA requirements, the Trustee:

- may require Investors to provide certain information regarding their identification and will undertake certain due diligence procedures with respect to Investors to determine their status for FATCA reporting purposes. This information may be required at the time an application is made for the issue of Units or at any time after the Units have been issued; and
- will report annually to the IRS, via the Australian Taxation Office (ATO), in relation to relevant Investors' financial information required by the ATO (if any) in respect of any investment in the Fund.

Accordingly, by making an application to invest in the Fund, you agree to provide the Trustee with certain identification and related information in order to enable it to comply with its obligations in connection with FATCA.

## 12.9 Common Reporting Standard (CRS)

The Common Reporting Standard is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Australia has signed the Organisation for Economic Co-operation and Development (or 'OECD') Multilateral Competent Authority Agreement on Automatic Exchange of Account Information. This agreement enables CRS information to be exchanged between jurisdictions' tax authorities where relevant legislation has been adopted.

The Trustee is required to collect certain information about foreign tax residents (including New Zealand tax residents) to provide it to the ATO. The ATO may pass this information onto tax authorities in other jurisdictions that have adopted the CRS. The requirements are similar to those which exist under FATCA, however, there are a greater number of countries in respect of which the ATO may provide information to the respective tax authorities.

Accordingly, by making an application to invest in the Fund, you agree to provide the Trustee with certain identification and related information in order to enable it to comply with its obligations in connection with CRS.

## 12.10 Wholesale Clients

Only Wholesale Clients may apply for and hold Units.

Generally, an Investor is a 'wholesale client' for the purposes of the Corporations Act where any one of the following applies:



- (a) the Investor's investment is \$500,000 or more
- (b) the Investor provides an accountant's certificate stating that the Investor has net assets of at least \$2.5 million or has earned at least \$250,000 in each of the last two financial years
- (c) the Investor is a 'professional investor' (including those that hold an AFSL, are APRA regulated or have or control at least \$10 million worth of assets); or
- (d) we are satisfied on reasonable grounds that the Investor has suitable previous experience in financial products, subject to certain conditions.

#### 12.11 Consents

Each of the Trustee and Hall & Wilcox (as lawyers):

- (a) has made no statement included in this IM or on which a statement made in this IM is based, other than the details about it, and the other sentences in this IM that refer to it.
- (b) has consented to those statements being included in this IM in the form and context in which they appear and has not withdrawn this consent before the date of this IM.
- (c) specifically disclaims responsibility for, and liability to any person in the event of, any omission from, or any false or misleading statement included in, any other part of this IM; and
- (d) has not authorised or caused the issue of any part of this IM.

#### 12.12 Electronic instructions

Investors can provide instructions on their account and investment to the Trustee by email, subject to the Trustee's discretion to require original documentation.

In respect of electronic instructions, the Trustee will not accept an instruction unless it is accompanied by the scanned signature(s) of the Investor(s).

The Trustee (and its related parties, officers, employees, consultants, advisers and agents) will not be responsible for any loss or delay that results from a transmission not being received by the Trustee and will only process electronic instructions received in full and signed by authorised signatories of the Investor.

Only instructions received from an Investor or a person authorised by the Investor will be accepted by the Trustee. Investors must comply with any security or verification procedures required by the Trustee from time to time.

The Trustee and its related parties, officers, employees, consultants, advisers and agents will assume that any instruction received in respect of an Investor's investment has been authorised by the Investor, and the Trustee and its related parties, officers, employees, consultants, advisers and agents will not investigate or confirm that authority (unless the Trustee is actually aware that the instruction was not authorised).

The Trustee may refuse to act on any instruction until the validity of the instructions have been



confirmed, and the Trustee (and its related parties, officers, employees, consultants, advisers and agents) will not have any liability to the Investor or any other person for any consequences resulting from not acting on the instruction.

If an Investor chooses to provide electronic instructions, the Investor releases the Trustee and its related parties, officers, employees, consultants, advisers and agents from any claims and indemnifies those parties against all costs, expenses, losses, liabilities or claims arising from any payment or action those parties make based on instructions (even if not genuine) that any of those parties receive and which they reasonably believe are genuine, including as a result of gross negligence or wilful default by any of those parties.

Each Investor also agrees that neither the Investor, nor anyone claiming through the Investor, has any claim against the Trustee and its related parties, officers, employees, consultants, advisers and agents in relation to acting on instructions received (authorised by the Investor or otherwise).

Investors should be aware that there is a risk that fraudulent requests can be made by someone who has access to an Investor's account information.

The Trustee may vary the conditions of service of any communications at any time by providing notice, either in writing, by email or other electronic communication.

### 12.13 Investor inquiries

All inquiries or complaints from Investors about the Fund should be directed to the Fund Manager.

The Fund Manager may be contacted in one of the following ways:

**By telephone:** +61 3 9614 6888

**By email:** [info@horizon3biotech.com](mailto:info@horizon3biotech.com)

All complaints will be dealt with in a timely manner and in accordance with the Trustee's complaints resolution policy.

## 13 Glossary

In this IM, the following terms have the following meanings unless the context otherwise requires:

Term	Meaning
<b>ADI</b>	authorised deposit taking institution.
<b>AFSL</b>	Australian financial services licence issued by ASIC under the Corporations Act.
<b>Application Form</b>	the application form for interests in the Fund, attached to or accompanying this Information Memorandum, the form of which is determined by the Trustee from time to time.
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Business Day</b>	a day that is not a Saturday, Sunday, bank holiday or public holiday in Melbourne, Australia.
<b>Close Date</b>	12 months after First Close unless \$100,000,000 raised. The Trustee may determine the Close Date at its sole discretion.
<b>Commitment</b>	an applicant's binding agreement with the Trustee to subscribe for Units in the Fund to a specified dollar amount (being the amount equal to the issue price multiplied by the number of Units subscribed for) and against which capital calls made by the Trustee.
<b>Commitment Period</b>	a period for which a Commitment is made.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) and regulations and other subordinate legislation made pursuant to that Act.
<b>Fund</b>	Horizon 3 Biotech Fund established by the Trust Deed.
<b>Target Rate of Return</b>	the target return intended to be achieved by the Fund.
<b>Information Memorandum, IM</b>	this document.
<b>Fund Manager</b>	Horizon 3 Biotech Pty Ltd ACN 640 449 887.
<b>Investment Term</b>	the minimum period during which the Investor's interests in the Fund cannot be withdrawn from the Fund.
<b>Investor, you, your</b>	a holder of a Unit, or an applicant for a Unit, or a prospective applicant for a Unit, as the context requires.
<b>Management Agreement, MA</b>	the management agreement between the Trustee and the Fund Manager dated on or around the date of this IM.
<b>Offer</b>	the offer of Units under this IM.

Term	Meaning
<b>Trust Deed</b>	the trust deed of the Fund, as amended or replaced from time to time.
<b>Trustee, we, us, our</b>	the trustee of the Fund, being, at the time of this Information Memorandum, Melbourne Securities Corporation Limited ACN 160 326 545.
<b>Unit</b>	a unit in the Fund, with the rights, obligations and restrictions attaching to it as set out in the Trust Deed.
<b>Uncalled Capital</b>	any portion of an applicant's Commitment which is not subject to a call by the Trustee.
<b>Wholesale Client</b>	has the same meaning as 'wholesale client' under the Corporations Act.
<b>Withdrawal Form</b>	the withdrawal form that an Investor must complete to withdraw its interests in the Fund, the form of which is determined by the Trustee from time to time.

## 14 Directory

### Fund Manager

#### **Horizon 3 Biotech Pty Ltd**

ACN 640 449 887

Telephone: +613 9614 6888

Email: [info@horizon3biotech.com](mailto:info@horizon3biotech.com)

Website: [www.horizon3biotech.com](http://www.horizon3biotech.com)

### Application Form

Download and fill in online form [here](#)

### Trustee

#### **Melbourne Securities Corporation**

ACN 160 326 545

Telephone: 1300 798 790

Website: [www.msc.group](http://www.msc.group)

Email: [trustee@msc.group](mailto:trustee@msc.group)

### Legal advisor

#### **Hall & Wilcox**

Level 11, Rialto South Tower

525 Collins Street

MELBOURNE VIC 3000

Telephone: +61 3 9603 3555

Email: [information@hallandwilcox.com.au](mailto:information@hallandwilcox.com.au)

Website: [www.hallandwilcox.com.au](http://www.hallandwilcox.com.au)