



Product Disclosure Statement

for the Naos Long Short Equity Fund ARSN 111 813 346

Issue No 1 | Dated 1 November 2010

This PDS is issued by Naos Asset Management Limited ABN 23 107 624 126
Australian Financial Service Licence No. 273529

Important Note

This Product Disclosure Statement (PDS) dated 1 November 2010 is for the Naos Long Short Equity Fund. Naos Asset Management Limited (referred to in this PDS as 'Naos', the 'Responsible Entity', 'Investment Manager', 'Naos Asset Management', 'we', 'our' and 'us') ABN 23 107 624 126 is the Responsible Entity and issuer of the interests in the registered managed investment scheme, Naos Long Short Equity Fund ARSN 111 813 346.

This PDS has been prepared and issued by Naos as Responsible Entity of the Fund. Naos authorises the use of this PDS as disclosure to investors and prospective investors who invest directly or indirectly through an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme (IDPS). Indirect investors investing through an IDPS may rely on the information contained in this PDS in instructing IDPS operators to invest in the Fund on their behalf. Naos does not accept any responsibility where the IDPS operator does not provide indirect investors investing through an IDPS with a current version of this PDS or any supplementary or replacement PDS. Indirect investors investing through an IDPS do not acquire the rights of a Unit holder in the Fund. The rights of indirect investors are set out in the IDPS Guide or other offer document for the relevant IDPS.

The information contained in this PDS is general advice only. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. Before you invest, you should consider the suitability of the particular Fund for you and consider seeking appropriate advice (from your financial adviser, accountant and/or taxation adviser) before making an investment decision.

Neither Naos, nor any of its associates guarantee that you will earn any return on your investment, or, that your investment will gain or retain its value. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or capital invested.

Units in the Fund are offered and issued by Naos on the terms and conditions described in this PDS. You should read this PDS because you will be bound by its terms if you become a Unit holder of the Fund.

The offer made in this PDS is available only to persons receiving this PDS in Australia (electronically or otherwise). If you receive this PDS electronically, we will provide a paper copy to you free of charge upon request during the life of this PDS. Please call Naos on (02) 9947 2566 for a copy.

The information in this PDS is current as at the date of the PDS.

General information in this PDS is subject to change. Certain information that is not materially adverse may be updated without issuing a supplementary PDS and may be obtained by calling Naos on (02) 9947 2566 or by visiting the website of Naos www.naos.com.au. A paper copy of the updated information will be available free of charge upon request.

Unless otherwise stated, all amounts are in Australian dollars.

Unless otherwise stated, all fees and expenses quoted in this PDS are inclusive of the net effect of GST, i.e. GST less input tax credits.

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About Naos Asset Management

Naos Asset Management is a boutique fund manager dedicated to superior stock selection in Australian Equities. Naos commenced trading in January 2005, Naos takes an active, high conviction approach to investing in Australian Equities. By thoroughly analysing companies with a long bias Naos aims to enhance the returns of all our investors.

For more information on Naos Asset Management you can visit its website at www.naos.com.au or email enquiries@naos.com.au or phone Investor Enquiries on (02) 9947 2566.

Offer at a Glance

The information below is derived from and should be read in conjunction with the full text of this PDS.

Fund Features

Fund Name	Naos Long Short Equity Fund
Investment Manager & Responsible Entity	Naos Asset Management Limited
Investment Universe	85% ASX 300 & 15% EX300(market Cap > \$100m)
Investment Objective	Provide positive investment returns in excess of the Benchmark Index (ASX All Ordinaries Accumulated Index)
Investment Strategy	Generally 130 long, 30 short
Gross Market Exposure Limits	160% of the net asset value of the Fund, with a maximum cash weighting of 30%.
Exposure Limits to Individual Securities	+/- 17% of the Fund's net asset value
Date of deed establishing commencement of the Fund	January 2005
Minimum Suggested Timeframe	5-7 Years+
Potential Volatility	Medium – High

Fees & Costs

Ongoing Management Costs ²	1.17875% p.a
Performance Fee ³	20.5% of the excess return above the S&P/ASX All Ordinaries Accumulation Index. Only positive returns above 0 will attract a performance fee.
Performance Fee Paid	Annually
Application/Redemption Fees	Nil
Buy/Sell Spread ⁴	+/- 0.75%

Valuation & Distribution Payments

Unit Pricing	Daily
Distribution	Annual, paid in July into your nominated bank account or reinvested back in to the fund.
Minimum Investment	\$25,000
Minimum Balance	\$25,000
Minimum Additional Investment	\$10,000
Minimum Redemption ⁵	\$10,000

All fees and expenses are inclusive of the net effect of GST, i.e. GST less input tax credits.

¹ This is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term. The Fund may not be successful in meeting its objective. Returns are not guaranteed.

² The ongoing management costs (excluding transaction costs, abnormal expenses and performance fees) are capped at 1.17875% pa of the net asset value of the Fund for the life of this PDS. Please refer to the section entitled 'Management costs' under the heading 'Additional Explanation of Fees and Costs' for further details.

³ Please refer to the section entitled 'Performance fees' under the heading 'Additional Explanation of Fees and Costs' for further details.

⁴ A buy/sell spread is not applied to Units purchased via a reinvestment of distributions. Please refer to the section entitled 'Transaction costs and Buy/Sell Spread' under the heading 'Additional Explanation of Fees and Costs' for further details.

⁵ This is subject to the minimum account balance requirements.

The Issuer

Naos Asset Management Limited (Naos) is the issuer of this PDS. Naos holds an Australian Financial Services Licence (No. 273529)

Responsible Entity

Naos Asset Management Limited ACN 107 624 126 is the Responsible Entity of the Naos Long Short Equity Fund And the Naos Emerging Companies Long Short Equity Fund Naos is a privately owned company that employs a team of 5 people, 4 of which are dedicated investment professionals.

The Investment Manager

Naos commenced trading in January 2005. It is an award winning boutique investment firm that is privately owned. Naos employs a team of individuals who are dedicated investment professionals. The team is currently made up of four investment staff and one member of staff responsible for operations and compliance.

The Investment Advisory Committee, consisting of a combination of external investment professionals and Naos investment executives, together with the Portfolio Manager apply a disciplined investment process combining fundamental research, Security analysis and quantitative input in contributing to the formation of the investment strategy for the Fund.

Prime Broker/Custodian

The Fund has appointed Citigroup Global Markets Limited (“CGML”), a wholly owned indirect subsidiary of Citigroup Inc., as a prime broker under the terms of a Customer Agreement for International Prime Brokerage Services dated 30 December 2009 (the “IPB Agreement”). The services which CGML will provide under the IPB Agreement include various custodial services, clearance and settlement of securities transactions and margin financing. CGML, in its capacity as prime broker, will have no decision-making discretion relating to the investment of the assets of the Fund and will not provide any investment advice in relation to the assets of the Fund.

Under the terms of the IPB Agreement, subject to CGML's right to utilise the same described below, CGML will identify, record on its books and hold on a segregated basis all investments (and collect any dividends and other payments in respect thereto) and other assets of the Fund excluding cash (collectively, the “Assets”) in such manner that the identity and location of the Assets can be readily identified at any time as the property of a customer of CGML and separate from CGML's own property. Accordingly, such Assets which have not been utilised as described below should be unavailable to the creditors of CGML. Certain Assets may be co-mingled with similar assets of other customers of CGML. Accordingly, the Fund may not have the right to the return of specific assets but to their equivalent.

CGML may hold Assets with a sub-custodian, depository or clearing agent (each, a “sub-custodian”) in one or more accounts identified as belonging to customers of CGML. CGML will identify on its books and records all Assets held by a sub-custodian as being held for the Fund. CGML has undertaken to exercise reasonable care, skill and diligence in the selection of any sub-custodian. CGML will make appropriate inquiries periodically to satisfy itself as to the ongoing suitability of such sub-custodian to provide custodial services to the Fund.

The Fund acknowledges that cash received by CGML for credit to the prime brokerage account either from the Fund or on the Fund's behalf will be Collateral for the purpose of securing or otherwise covering the secured liabilities under the IPB Agreement and full ownership in such cash will be absolutely transferred to CGML, and all right, title and interest in and to such cash will pass to CGML outright and absolutely for the purposes of covering those secured liabilities. Upon such transfer CGML will become obliged, subject to and in accordance with the provisions of the IPB Agreement to re-transfer to the Fund an equivalent amount of cash. CGML's obligation will be reduced to the extent that such cash is applied in accordance with the security and/or close-out arrangements provided in the IPB Agreement.

The Fund's obligations to CGML under and in connection with the IPB Agreement will be secured by a first fixed charge over all securities held by CGML as custodian for the Fund and over certain other assets (together the

“Charged Assets”). CGML will be entitled to sell, loan or otherwise use any and all Charged Assets in the form of securities (securities so used being referred to herein as “Collateral”) for its own purposes or the purposes of any third party, and the Fund will have a contractual right against CGML for the return of assets equivalent to the Collateral. Collateral may not, therefore, be recoverable in full in the event of CGML's insolvency.

The IPB Agreement provides that CGML will not be liable for any loss, liability or cost incurred by the Fund as a result of any act or omission of CGML unless such loss, liability or cost is caused by CGML's own fraud, gross negligence, or wilful default. CGML shall not be responsible for the loss, liability or cost which the Fund may suffer or incur arising from the negligence, wilful default or fraud of any third party (including any executing broker, bank, agent, custodian, investment exchange, depository or clearing house, but subject to the obligations concerning the selection of such sub-custodian described above). Neither CGML nor any third party which acts on its behalf, whether an affiliate of CGML or not, nor its directors, officers, servants, agents or representatives, will be liable to the Fund, except in the case of fraud, for any consequential loss, liability or cost which the Fund may suffer or incur arising out of their acts or omissions, howsoever the loss, liability or cost is caused and regardless of whether it was foreseeable or not.

The Fund has agreed to indemnify CGML and any sub-custodian, nominee or agent appointed by it against any loss, liability and expenses (including without limitation the costs of any investigation or legal proceedings) arising out of or in connection with the IPB Agreement except where arising primarily out of its or, as the case may be, such sub-custodians', nominees' or agents' own gross negligence or wilful default, all as more fully detailed in the IPB Agreement.

The IPB Agreement will remain in full force and effect until terminated at any time by either of the parties upon 3 business days' written notice to the other.

CGML is authorised and regulated by the Financial Services Authority. It has financial resources in excess of US\$200 million (or its equivalent in another currency) and its indirect parent company, Citigroup Inc., has, at the date of this PDS, a credit rating of at least A for long term debt from Moody's or Standard & Poor's respectively and a minimum of P-1 or A-1 respectively for short term debt from those same agencies.

CGML is a paid service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for any information in this document.

The Fund reserves the right to change the prime brokerage and custodian arrangements described above by agreement with the Prime Broker and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s).

The Responsible Entity may remove CGML as Prime Broker and Custodian and appoint another Prime Broker and Custodian in their place without notice to Unitholders.

Fund Administrator

Roach and Bruce Consultancy Pty Limited has been appointed as the independent accountant and administrator for the Fund (Administrator). The Administrator provides Naos with fund accounting services, taxation services and monthly unit price reconciliations. The fees for the Administrator are payable out of the ongoing management costs.

The Responsible Entity may remove Roach and Bruce Consultancy Pty Limited and appoint another administrator in its place at any time without notice to Unitholders.

Unit Registry

White Outsourcing Pty Limited has been appointed to provide unit registry services and is responsible for assisting the Responsible Entity to maintain the Fund's register of Unitholders, for arranging the issue and redemption of Units, for the preparation of client statements for the Fund and for providing certain other administrative services in respect of the Fund in accordance with the terms and conditions of the Administration Agreement entered into between White Outsourcing Pty Limited and Naos.

The Responsible Entity may remove White Outsourcing Pty Limited and appoint another unit registry service provider in its place at any time without notice to Unitholders.

Naos Long Short Equity Fund

Fund attributes	<ul style="list-style-type: none"> Long/short fund, with a long bias. Investment universe 85% ASX 300 & 15% EX300(market Cap > \$100m) High concentration conviction portfolio typically holding 20+ securities. Exchange traded derivatives mainly used for hedging the long portfolio. AUD denominated Fund
Investment Strategy	The Fund obtains exposure to Australian listed Companies and has been developed to provide investors with a long/short exposure to large cap investments. The Fund only invests in listed securities or securities that are new issues due for listing. The Fund is designed to generate investment returns (capital growth and dividend income) by event driven activity. The investment strategy relies primarily on fundamental company research, quantitative analysis using a proprietary Price Verification Model and an understanding of the equity markets in which the companies operate.
Investment Process	<p>The investment Manager considers that investment themes and momentum are essential in determining equity market returns in well-researched and efficient security markets (S&P/ASX 300 index). Fundamental company research is also carried out to determine the value drivers of a business and the investment catalysts that drive a stock price towards its intrinsic valuation, or, target valuation.</p> <p>The Investment Manager uses external and internal research sources to identify stocks to include in the long, and a proprietary quantitative software system which identifies stocks that persistently either out-perform or under-perform the Australian equity market on a medium term basis.</p> <p>Combining the above filters, the Investment Manager is able to identify investments for inclusion in the portfolio.</p> <p>The portfolio will always have a long bias so shorting activities are used as an arbitrage tool. Short positions are implemented via an Index approach and the portfolio is subject to strict shorting guidelines and limits.</p>
Investment Guidelines	<p>The Fund aims to achieve its investment objective by investing in a Diversified Portfolio of Long and Short equity Positions. Generally, the Fund will buy Long Positions up to approximately 130% of the Fund's Net Asset Value, primarily in securities that the Investment Manager has identified as undervalued, and sell Short Positions up to approximately 30% of the Fund's Net Asset Value, primarily in securities that the Investment Manager has identified as overvalued. The gross market exposure limits generally target 160% of the net asset value of the Fund, with a maximum cash weighting of 30%.</p> <p>The exposure limits to individual securities is +/- 17% of the Fund's net asset value..</p>
Investment Horizon	The Fund is managed with the intention of generating returns over the medium to long term (five years plus).
Fund Suitability	<p>The Fund is suitable for investors who:</p> <ul style="list-style-type: none"> are primarily seeking capital growth from a portfolio of Australian stocks; are seeking some income via dividends and franking credits; and have a high tolerance to investment risk.
Performance	Regular performance updates and ongoing performance can be monitored via our website at www.naos.com.au
Minimum investment size and redemption amounts	<p>The minimum initial investment in the Fund is \$25,000.</p> <p>The minimum additional investment in the Fund is \$10,000.</p> <p>The minimum redemption from the Fund is \$10,000¹. The minimum investment balance in the Fund is \$25,000.</p>
Fund distributions	Any income received by the Fund will be distributed as at 30 June each year. The income will typically include dividend income, franking credits, interest income and realised capital gains. Naos reserves the right to change the timing and distribution frequency and will provide Unit holders with notice of such change.

1. This is subject to meeting the minimum account balance of the Fund

Labour Standards, Environmental, Social and Ethical Considerations

While the Investment Manager's criteria for the selection, retention or realisation of investments does not explicitly exclude investment on grounds of labour standards or environmental, social or ethical considerations, the Investment Manager take the view that the performance of the Fund may be adversely affected by investment in the shares of companies that fail to adhere to appropriate labour standards or environmental, social or ethical values. Accordingly, where relevant information is available, the Investment Manager takes such standards and values into account to that extent.

Risk Management and Exposure Limits

The volatility of the Fund is medium to high and therefore will not track the Index. The maximum exposure limits to individual securities is +/- 17% of the Fund's net asset value.

Derivatives and EFTs

Derivative transactions include instruments such as exchange traded futures and options. The use of derivatives and exchange traded funds (ETFs) may have a negative impact on the Fund where there is an adverse movement in the underlying asset on which an instrument is based or where a derivative position is difficult or costly to reverse. The Responsible Entity recognises there are significant risks associated with the investment in derivatives that may be undertaken by the Fund. Investment in derivatives and ETFs are primarily undertaken for the purpose of managing risk and to achieve the desired investment exposure to an asset or securities without buying or selling the underlying assets or securities. In all cases there will be cash and/or underlying assets available to meet the exposure positions of the instruments.

How the Fund works

The Fund is a registered managed investment scheme. Investors' funds are pooled and managed in accordance with a set objective and strategy. When you invest in the Fund, you acquire Units. Each Unit entitles the Unitholder (i.e. investor) to a proportionate beneficial interest in the Fund's portfolio of assets.

A Unit does not give you any interest in any underlying asset in the Fund. The potential for financial gain is made through investors receiving distributions, and any increase in capital value of their Units (if the Unit price is higher than the price at which the investor purchased them). Investing in a managed investment scheme can offer a number of benefits, including:

- increasing purchasing power – the size of a managed investment scheme means it can generally buy and sell assets at a lower cost than an individual investing directly;
- investment opportunities – managed investment schemes give you the opportunity to access a range of assets that you may not normally access as an individual investor; and
- professional investment management – your money is managed by a team of professionals who use their resources, experience and specialist skills to make the investment decisions on behalf of all investors in the Fund.

When you buy Units in the Fund, the number of Units you will receive is dependent on the amount of money invested and the Unit price at the date of application.

The value of your investment is calculated by multiplying the number of Units you hold in the Fund by the applicable Unit price at that time.

Senior Investment & Operations Personnel

Craig Hood. M Ec., B.A., B. Sc. Investment Director

Mr. Hood was appointed Investment Director for Naos in 2004. Mr. Hood has over 35 years experience in the funds management and investment industry.

Prior to joining Naos Mr. Hood was a portfolio manager and analyst at Hunter Hall International Limited, responsible for the Australian Value Trust.

Mr. Hood has held the positions of Head of Equities at Aberdeen Asset Management, Investment Director at FAI Life, Head of Equities at BNP Investment Management, Associate Director in charge of the resource portfolios at Rothschild Australia Asset Management and managed Mercantile Mutual capital guaranteed fund. Prior to this Mr. Hood gained extensive research and portfolio management experience at MLC Assurance Company Limited.

Sebastian Evans B. Comm, MAppFin, SA Fin, Portfolio Manager

Sebastian Evans, Portfolio Manager at Naos Asset Management, has a depth of experience across financial modelling, risk management, investment philosophy and portfolio management.

Since joining Naos as an analyst in 2007, Sebastian's investment strategy saw him become the Fund Manager within the year. Leading a dedicated team of highly motivated analysts, he has been able to achieve well above market results in both of Naos' funds despite the global financial crisis and the 2009 calendar year saw the Fund deliver returns of 180%. It was voted the best performing fund in the Asia Pacific region (Bloomberg and Morningstar). In the same year, the Naos [Long/Short Equities] Fund performed well above market with a return of 20%.

Sebastian believes in a complete understanding of a company beyond financial modelling – involving meeting with management and on-site visits before investing in stocks, particularly at the smaller end of the market. This insight has helped Sebastian develop a strong track record in investing in small and micro capitalised stocks over a five-year period.

He has also implemented a unique ideas generation model to alert the Naos investment team to pricing inefficiencies within the stock market.

Prior to his position as the Naos Fund Manager, he worked as an Investment Analyst with Naos and previously worked at Bell Financial Group as well as RBS Morgan's. Sebastian has a Bachelor of Commerce as well as Masters of Applied Finance and he is a Senior Associate Member of the Financial Services Institute of Australia.

Mona Makaj B.Comm, MAppFin, Fellow FANISA, Assoc ACI Director

Mona Makaj is one of the original founders and Director of Naos Asset Management. Mona developed and implemented the operational and compliance infrastructure for the business. A significant function of Mona's role within the organisation is to ensure that the administration and investment management services provided to Naos clients meet all ASIC and AFSL requirements.

Prior to joining Naos, Mona was the Application Development Manager for Commonwealth Investment Management where she was responsible for the strategic business systems development program for the business. Mona has over 18 years of consulting experience in the financial services industry, where she has held a number of senior consulting roles responsible for large scale implementation projects.

Mona holds Bachelor of Commerce and a Master of Applied Finance, she is a Fellow of the Financial Services Institute of Australasia and an Associate of the Australasian Compliance Institute.

Fund Operations

Unit Pricing

Unit prices for the Fund are calculated on each Business Day by dividing the net asset value of the Fund (including net income accrued to date and accrued liabilities) by the number of Units on issue.

The application Unit price is the Unit price plus the 'buy spread' which as at the date of this PDS is .75% and the redemption Unit price is the Unit price less a 'sell spread' which as at the date of this PDS is .75%. (Please refer to page 22 for further information).

The Buy/Sell Spread does not apply to the allocation of units in respect of a distribution reinvestment.

Unit prices are rounded to one hundredth of a cent.

Applications

The minimum initial application amount is \$25,000. An application can be made by sending an application form and accompanying cheque to Naos. Cheques are to be made out to Naos Asset Management Limited ATF Naos Long Short Equity Fund. Investors submitting a completed application form which is received and accepted and funds that are cleared by 3pm (Sydney time) on any given Business Day will be issued with Units at that day's application unit price. Otherwise, applications will be deemed to be received on the next Business Day.

Naos reserves the right to reject an application for Units in whole or in part. Naos may, in its discretion, waive the minimum application amount for Investors.

Additional Investments

The minimum additional investment amount is \$10,000 and must be made on the application form accompanying the current PDS, specifying that the investment is an additional investment as opposed to a new investment.

Please note your Investor ID on the application form. A copy of the PDS can be obtained by calling Naos on (02) 9947 2566. Alternatively, it can be downloaded from our website at www.naos.com.au. Additional applications are subject to the cut-off times referred to under the section entitled 'Applications' above.

Redemptions and Switches

The minimum partial redemption amount is \$10,000 provided the balance in the Fund remains at least \$25,000. The minimum amount for switches to the other funds that Naos offers is \$10,000 provided the account balance in the Fund being switched to and from is at least \$25,000. Please submit your written request for switches and redemptions to Naos before 3pm (Sydney time) on any given Business Day, to receive that day's redemption and application price. Redemptions and switches received after the cut-off time will be processed at the next Business Day's redemption and application price.

Naos will normally remit redemption proceeds within 5 Business Days of the relevant valuation date for the purpose of the redemption amount. In certain limited circumstances, the constitution allows Naos to suspend redemptions for a reasonable period. In the unlikely event that the Fund becomes illiquid (i.e. liquid assets do not account for at least 80% of the value of the assets of the Fund), redemptions may be delayed.

If all withdrawal requests received by Naos on any Business Day exceed 10% of the Units of the Fund, Naos may treat the redemption of Units in excess of 10% as though they were received on the next Business Day (subject to the 10% restriction on that Business Day). The Responsible Entity may in its sole discretion reduce each withdrawal request so that only Units with aggregate value equal to 10% (or such other percentage as the Responsible Entity may determine) of the value of the Fund are redeemed at the relevant valuation time. The unredeemed portion of the relevant withdrawal requests are carried forward to the next Business Day.



Distributions

Naos intends to make annual distributions to Unit holders. Unit holders can choose to have their distributions reinvested in the Fund or deposited into a nominated financial institution account as specified on the initial application form.

Reporting

Investors will be issued a transaction confirmation for each application, withdrawal or switch in accordance with the Corporations Act.

Investors will be provided with clear and detailed monthly reports. The monthly reports will provide information concerning the Fund's performance and risk profile, and an analysis of both stock selection and the impact of specific positions on returns.

Investors will receive a final income and distribution statement at the end of each financial year. Income and distribution statements will be distributed 60 days after the end of the financial year, and will contain a summary of distribution and tax components to assist you to prepare your tax return.

The Fund's annual report is available electronically on the Naos' web site www.naos.com.au 90 days after the end of the financial year. Notification of the availability of annual reports will be sent to investors who provide an email address. If you prefer, you can choose to have a copy of the annual report either emailed to you or posted to you free of charge by contacting our office on 02 9947 2566 or emailing a request through to enquiries@naos.com.au

Risks

An investment in the Fund involves a high degree of risk. Neither the Fund's performance nor the security of your capital is guaranteed. There are a number of risks that may potentially affect the value of your investment and the distributions paid by the Fund. Risks may include possible delays in the payment of withdrawal proceeds, loss of income and capital and volatility of returns. Volatility refers to the degree to which returns may fluctuate around their longer-term average. The following considerations should be carefully evaluated before making an investment in the Fund. We recommend that you talk to an adviser about the risks involved in investing in the Fund and how they might impact on your individual financial circumstances.

The Fund's returns may vary and you could lose money. The Fund is designed for [long-term] investors seeking exposure to primarily an equity portfolio. Equity securities tend to be more volatile than many other investment choices.

Stock Selection Risk

The Investment Manager has extensive investment experience. However, the Investment Manager cannot guarantee the performance of the stocks it selects. Consequently, while every effort is made to enhance the value of investments, the Investment Manager cannot guarantee the performance of the stocks which it selects, or the future performance of the equity market.

Asset Risk

Over short periods, the returns from shares can fluctuate significantly. These fluctuations can be caused by market volatility, interest rates, economic cycles, political events and levels of economic growth, globally and domestically. The objective of the Fund is not to replicate the standard industry benchmarks. As the Fund is constructed on the merits of individual stock selection and holds both "long" and "short" positions, it is likely that the Fund will have return characteristics which differ from the standard industry benchmarks and a traditional share fund.

Custodian/Prime Broker Credit Risk

The Custodian/Prime Broker will have general custody of the Fund's assets. The failure of the Custodian/Prime Broker to secure custody of the Fund's assets may result in adverse consequences to the assets held by the Fund and may in turn have an adverse effect on the net asset value of the Fund.

Leverage Risk

Leverage occurs when the Fund increases its assets available for investment through borrowings, short sales, derivatives or similar transactions. While the use of leverage may increase the returns of the Fund, it may also involve a high degree of risk. The use of leverage may also mean that small changes in the markets can potentially result in a disproportionately large loss to the Fund. Leverage will create an opportunity for greater yield and total return but it will also increase the Fund's exposure to capital risk and interest costs. Short sales involve borrowing securities and then selling them, the Fund's short sales effectively leverage the Fund's assets. The Fund's assets that are used as collateral to secure the short sales may decrease in value while the short positions are outstanding, which may force the Fund to use its other assets to increase the collateral. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs of the Fund's borrowing will cause the Fund's net asset value to increase more rapidly than would otherwise be the case. However, if the interest costs associated with such borrowings are greater than investment income and gains, the Fund's net asset value may decrease more rapidly than would otherwise be the case. Further, depending upon market conditions, there may be difficulty in obtaining sufficient credit such that the Fund may not be able to employ leverage to the extent contemplated by the Fund's investment strategy. There is no assurance that a leveraging strategy will be successful.

Short Positions Risk

The Investment Manager may engage in short sales by borrowing stock from the Prime Broker and selling the security in the market. This borrowing is typically used to reduce equity market risk by reducing long exposure rather than increasing leverage to the market. The stock specific risk of individual securities is however increased or magnified. Establishing a short position in a stock involves a higher level of risk compared with investing in a stock. Unlike stock purchases, selling securities short runs the risk of losing an amount of capital greater than the amount invested. In the case of short positions, there is no limit on the maximum loss because there is no upper limit on the share price. Diversification of the short portfolio minimises the risks involved in short selling securities. A review of any position that has a 10% adverse price movement is carried out by the investment team.

Additionally, the Prime Broker may at any time recall a stock that has been borrowed. Under these circumstances, the Fund will have to source an alternate lender who is willing to lend the stock, or buy the stock on the share market within a short period of time. This may force the Fund to buy the stock at an unfavourable price.

The Fund's investment guidelines impose restrictions on the level of borrowed securities. The net equity exposure (long portfolio less short portfolio) ranges from -30 to 100% of the net asset value of the Fund. The gross equity exposure (long portfolio plus short portfolio) is limited to 160% of the net asset value of the Fund.

Long/Short Risk

The value of the Fund's long portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if the Investment Manager is incorrect about their assessment of a company's intrinsic worth. Regardless of how well individual companies perform, the value of the Fund's long portfolio could also decrease if there are deteriorating economic or market conditions, including, but not limited to, a general decline in prices on the stock markets, a general decline in real estate markets, a decline in commodities prices, or if the market favours different types of securities than the types of securities in which the Fund invests. Conversely, the value of the Fund's short positions may decrease if the value of an individual company or multiple companies in the portfolio increases or if the stock market goes up, regardless of how well the businesses of individual companies in the portfolio perform. If the value of the portfolio decreases, the Fund's net asset value will also decrease, which means if you redeem your units in the Fund, you may lose money.

Company Specific Risk

There may be instances where a company will fall in price (or rise in price) because of company specific factors (for example, where a company's major product is subject to a product recall). The value of investments of the Fund can vary because of changes to management, product distribution, investor confidence, internal operations or the company's business environment.

Small Company Risk

Smaller or newer companies may suffer more significant losses as well as realise more substantial growth than larger or more established issuers because they may lack depth of management, be unable to generate funds necessary for growth or potential development, or be developing or marketing new products or services for which markets are not yet established and may never become established. In addition, such companies may be insignificant factors in their industries and may become subject to intense competition from larger or more established companies. Securities of smaller or newer companies may have more limited trading markets than the markets for securities of larger or more established issuers and may be subject to wide price fluctuations. Investments in such companies tend to be more volatile and somewhat more speculative.

Derivatives Risk

Derivatives may be used in limited circumstances to take investment positions or to hedge the long portfolio of the Fund. Derivatives are securities whose return is linked or derived from changes in the value of an underlying security. The Investment Manager's use of derivatives is limited to those where the associated risks can be understood, measured and adequately controlled.

Implementing investment decisions using derivatives can be associated with large and unexpected fluctuations in market value, which can result in fluctuations in the net asset value of the Fund.

Derivatives may not move perfectly in line with the underlying asset, reference rate or index. Consequently, derivatives cannot be expected to perfectly hedge the risk of the underlying asset, reference rate or index.

Gains or losses from a derivative can be substantially greater than the derivative's original cost, and can therefore involve leverage. Derivatives can be complex instruments and may involve analysis that differs from that required for other investment types used by the Fund. If the value of a derivative does not correlate well with the particular market or other asset class to which the derivative is intended to provide exposure, the derivative may not have the anticipated effect. Derivatives can also reduce the opportunity for gain or result in losses by offsetting positive returns in other investments. Derivatives can be less liquid than other types of investments. Derivatives entail the risk that the counterparty will default on its payment obligations to the Fund. If the counterparty to a derivative transaction defaults, the Fund may be at risk for the loss of the net amount of the payments that it contractually is entitled to receive. The Fund may also be unable to meet its payment obligations as they arise under a derivative transaction. To the extent the Fund enters into short derivative positions, the Fund may be exposed to risks similar to those associated with short sales, including the risk that the Fund's losses are theoretically unlimited.

The Investment Manager does not deal in over the counter options or derivatives or contracts of difference.

Counterparty and Broker Credit Risk

Credit risk is the risk of loss caused by another party defaulting on its financial obligations. The Fund may be subject to a risk of loss on some of their assets on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house. In the case of any such bankruptcy, the Fund might recover on a pro rata basis their share of all property available for distribution to all of the broker's customers. Such an amount may be less than the amounts owed to the Fund. These events would have an adverse effect on the net asset value of the Fund.

A party defaulting on its obligations, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses. The Fund will still be required to fulfil their obligations on any transactions which were to have substantially offset other contracts. It is expected that the Investment Manager will seek to mitigate these risks by reviewing the creditworthiness of all counterparties and only enter into transactions with those counterparties which it believes to be creditworthy.

The Responsible Entity acknowledges that cash received by the Prime Broker for credit to the prime brokerage account from the Fund or on the Fund's behalf will be Collateral (see definition below) for the purpose of securing or otherwise covering the secured liabilities under the Prime Brokerage Agreement and full ownership in such cash will be absolutely transferred to the Prime Broker, and all right, title and interest in and to such cash will pass to the Prime Broker outright and absolutely for the purposes of covering those secured liabilities. Upon such transfer the Prime

Broker will become obliged, subject to and in accordance with the provisions of the Prime Brokerage Agreement to re-transfer to the Fund an equivalent amount of cash. The Prime Broker's obligation will be reduced to the extent that such cash is applied in accordance with the security and/or close-out arrangements provided in the Prime Brokerage Agreement.

The Fund's obligations to the Prime Broker under and in connection with the Prime Brokerage Agreement will be secured by a first fixed charge over all securities held by the Prime Broker as Custodian for the Fund and over certain other assets (together the Charged Assets). The Prime Broker will be entitled to sell, loan or otherwise use any and all Charged Assets in the form of securities (securities so used being referred to herein as Collateral) for its own purposes or the purposes of any third party, and the Fund will have a contractual right against the Prime Broker for the return of assets equivalent to the Collateral. Collateral may not, therefore, be recoverable in full in the event of the Prime Broker's insolvency.

Use of a Single Prime Broker

Where the Fund uses only a single prime broker, this would concentrate credit risk. Were the single prime broker to have financial difficulties, even where the Fund is able to recover all of its capital, its trading could be materially disrupted in the interim, potentially resulting in material losses.

Diversification Risk

The maximum exposure to the securities of any one issuer will be restricted. In the Fund, this will be the greater of $\pm 17\%$ of the net asset value of the Fund. Investing in a fund with a smaller number of investments may lead to more volatile returns than an investment in a fund with a more diversified portfolio. As the Fund's assets are concentrated in a particular asset category (i.e. small cap equities) and trading style, the Fund will then become more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular asset category or trading style.

Market Risk

Changes in legal and economic policy, political events, technology failure, economic cycles, investor sentiment and social climate can all directly or indirectly create an environment that may influence (negatively or positively) the value of your investment in the Fund.

The value of the portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if the Investment Manager's belief about a company's intrinsic worth is incorrect. Regardless of how well individual companies perform, the value of the portfolio could also decrease if there are deteriorating economic or market conditions, including, but not limited to, a general decline in prices on the stock markets, a general decline in real estate markets, a decline in commodities prices, or if the market favours different types of securities than the types of securities in which the Fund invests. If the value of the Fund's portfolio decreases, the Fund's net asset value will also decrease, which means if you redeem your units in the Fund you may lose money.

It is also important to note that recent events in the equity and fixed-income markets have resulted, and may continue to result, in an unusually high degree of volatility in the markets, both domestic and international. These events and the resulting market upheavals may have an adverse effect on the Fund such as a decline in the value and liquidity of many securities held by the Fund, unusually high and unanticipated levels of redemptions, an increase in portfolio turnover, a decrease in net asset value, and an increase in Fund expenses. Because the situation is unprecedented and widespread, it may also be unusually difficult to identify both investment risks and opportunities and could limit or preclude the Fund's ability to achieve its investment objective. The market's behaviour is unpredictable and it is impossible to predict whether or for how long these conditions will continue. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

Interest Rate Risk

Changes in official interest rates can directly and indirectly impact on investment returns. Generally, an increase in interest rates has a contractionary effect on the state of the economy and the valuation of securities. For example, rising interest rates can have a negative impact on a company's value as increased borrowing costs may cause earnings to decline. As a result, the company's share price may fall and accordingly the value of an investment of the Fund may fall.



Liquidity Risk

There may be times when investments may not be readily sold (for example, in a falling market where some companies may become less liquid). Note that the Investment Manager does not guarantee the liquidity of the Fund's investments, nor an investment in the Fund.

Investment Selection Risk

The Investment Manager may make poor investment decisions that may result in the Fund underperforming (for example, the Investment Manager takes a long position and gains exposure to a company that significantly underperforms relative to other companies or a short position and gains negative exposure to a company that outperforms relative to other companies). This risk is mitigated to some extent by the knowledge and experience of the Investment Manager.

Valuation Risk

Where there is no liquid market for investments of the Fund, those investments may be valued by reference to market prices for other assets considered to be appropriate. These prices may not reflect the value at which the investments can be realised, which may be lower or higher than the value reflected in the unit price of the Fund.

Key Personnel Risk

Naos is currently dependent to some extent upon the expertise of its existing management team; consequently, the Fund's performance could be adversely affected if key members of the management team do not continue to provide their services to Naos.

Highly Volatile Markets

The prices of financial instruments in which the Fund may invest can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund is also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearing house.

Fund Risk

As with all managed funds, there are risks particular to the Fund, including that it could terminate, the fees and expenses could change, Naos could be replaced as responsible entity or investment manager. There is also a risk that investing in the Fund may give different results than investing directly in the investments of the Fund because of income or capital gains accrued in the Fund and the effect of withdrawal by other investors.

You should be aware of these risks when investing and should be aware that not all risks can be foreseen. No matter how skilled the Investment Manager, there is always a chance you could receive back less than you invested. The future performance of the Fund is not guaranteed.

Regulatory Risk

This is the risk that domestic or international laws or regulations are changed adversely or that regulatory supervision of transactions and reporting is performed at less than an appropriate standard. This risk may arise, for example, where a ban on short selling of securities is implemented in a jurisdiction in which the Fund intends to take short positions. This will obviously affect the Investment Manager's ability to fully implement its investment strategy. The Investment Manager aims to manage this risk by regularly and closely reviewing changes in the regulatory environment.

There may also be less government supervision of foreign markets. As a result, foreign issuers may not be subject to the uniform accounting, auditing, and financial reporting standards and practices applicable to domestic issuers, and there may be less publicly available information about foreign issuers.

Fees and Other Costs

Did You Know?

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

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

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

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

To Find Out More

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

This table shows the fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in another section of this PDS.

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

Type Of Fee Or Cost	Amount	How And When Paid
Fees when your money moves in or out of the fund		
Establishment fee The fee to open your investment	Nil	No fee is charged
Contribution fee The fee on each amount contributed to your investment	Nil	No fee is charged
Withdrawal fee The fee on each amount you take out of your investment	Nil	No fee is charged
Termination fee The fee to close your investment	Nil	No fee is charged



Management costs¹

The fees and costs for managing your investment ²	Total estimated costs of 3.17875% pa consisting of ongoing management costs of 1.17875% pa plus an estimated performance fee amount of 2.00% pa	<p>The ongoing management costs are calculated and accrued daily based on the net asset value of the Fund and is reflected in the daily unit price. It is paid monthly in arrears from the assets of the Fund.</p> <p>All the Fund's expenses (excluding transaction costs, abnormal expenses and performance fees) are paid from the ongoing management costs.</p> <p>The performance fee amount is calculated on the net asset value of the Fund. It is calculated and accrued daily and paid annually in arrears from the assets of the Fund and is reflected in the daily unit price.</p> <p>Further information on the calculation of the estimated performance fee is provided below in the section entitled 'Performance fees' under the heading 'Additional Explanation of Fees and Costs'.</p>
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Service fees

The fee for changing investment options	Nil	No fee is charged
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¹ Please refer to the explanation of 'Management costs' under the heading 'Additional Explanation of Fees and Costs'. This estimated fee may in some cases be negotiated with certain Investors. For more information please refer to the explanation of 'Differential fees' under the heading 'Additional Explanation of Fees and Costs'. This includes an amount which may be payable by Naos to a financial adviser. See 'Adviser's fees' under the heading 'Additional Explanation of Fees and Costs'.

For Naos Long Short Equity Fund, this includes an estimated performance fee amount of 2.00% pa. The estimate of the performance fee amount is based upon a positive outperformance of 5% p.a. above the hurdle rate for the year for the Fund (please see the section entitled 'Performance fees' under the heading 'Additional Explanation of Fees and Costs'). The use of this estimate is not an indication or guarantee of future performance. The actual performance fee and therefore the management costs will vary, depending on the Fund's actual return. A performance fee will not always be payable.

² All amounts disclosed are net of the effect of GST and input tax credits.

Example of annual fees and costs for the Fund

The following table gives an example of how the fees and costs in the Fund can affect your investment over a 1 year period. You should use this table to compare this Fund with other managed investment products.

Example		<p>Balance Of \$50,000 With A Contribution Of \$5,000 During Year</p>
Contribution Fees	0%	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs*	3.17875% pa	And , for every \$50,000 you have in the fund you will be charged \$1589.38 each year.
EQUALS Cost of Fund	3.17875% pa	<p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: [\$1748.31]**</p> <p>What it costs you will depend on the fees you negotiate with the Fund or financial adviser.</p>

*Note: This estimated management cost includes an estimated performance fee amount of \$512.5 (i.e. 20.5% x 5% x \$50,000) for the Fund. This is based on a positive outperformance of 5% above the hurdle rate for the year for the Fund (please see the section entitled 'Performance fees' under the heading 'Additional Explanation of Fees and Costs'). The use of this estimate is not an indication or guarantee of future performance. The actual performance fee and therefore the management costs will vary, depending on the Fund's actual return. A performance fee will not always be payable.

** Additional fees may apply. Please refer to the section entitled 'Transaction costs and Buy/Sell Spread' under the heading 'Additional Explanation of Fees and Costs'. For illustrative purposes, the above example assumes that management costs were calculated on a balance of \$50,000. It does not take account of estimated management costs that would be charged on the additional \$5,000 contributed during the year.

Additional Explanation of Fees and Costs

Management costs

Ongoing management costs

The ongoing management costs for the Fund is the total of the investment, administration, custody and other costs of establishing or operating the Fund. This amount includes the fees payable to the Responsible Entity and to the service providers to whom the Responsible Entity has outsourced some of its functions (including custody, administration and investment advisory) in accordance with its powers under the constitution for the Fund. The amount also includes an estimate of the ongoing expenses incurred in operating, and the amortised expenses incurred in establishing the Fund.

The ongoing management costs of the Fund (excluding transaction costs, abnormal expenses and performance fees) are capped at 1.17875% pa (inclusive of the net effect of GST) of the net asset value of the Fund, and calculated daily and payable monthly, for the life of this PDS.

Under the constitution of the Fund, the Responsible Entity is entitled to recover all expenses incurred in the proper performance of its duties in respect of the Fund. They may include expenses incurred in the administration, custody, management, compliance and promotion of the Fund.

Performance fees

A performance fee is payable out of the assets of the Fund. The management costs section in the fees and costs table and the example of annual fees and costs includes an estimated performance fee amount.

The performance fee is calculated as 20.5% (inclusive of the net effect of GST) of positive returns in excess of the hurdle rate (including ongoing management costs but excluding the performance fee which is the subject of the calculation and adjusted for distributions, applications and withdrawals) during a performance fee calculation period (generally being each 12 monthly period commencing on 1 July). The hurdle rate is the percentage figure calculated during the period as representing the percentage change in the Benchmark Index.

The performance fee is calculated and accrued daily. The performance fee, if any, is paid annually in arrears.

Where a performance fee is payable, it will be based on net realised and net unrealised gains and losses as at the end of the performance fee calculation period.

The estimated performance fee amount is calculated on the assumption that the annualised performance of the Fund will exceed the hurdle rate by 5% p.a.

Depending on the return of the Fund in relation to the hurdle rate at any time during the calculation period, the daily accrual may be a positive or negative amount. The conditions for payment of the performance fee are as follows:

- The performance fee is not payable unless the return of the Fund is positive for that calculation period.
- If no fee is payable at the end of a calculation period, then the accrued performance fee, negative accrual, will be carried forward into the next calculation period and form part of the performance fee for that year.

The Responsible Entity may if Units on issue decrease due to redemptions extinguish a proportion of any negative performance fee amounts accrued in respect of the redeemed Units.

Example of Performance Fees for the Fund*

Performance Period	Average Assets of Fund	Fund Performance	Benchmark	Outperformance	Performance Fee	Performance Fee in %
1	\$100m	0.5%	2.5%	-2%	NIL	NIL
2	\$100m	12.5%	2.5%	10%	\$1.64m	1.64%
3	\$100m	-5%	-10%	5%	NIL	NIL

* The use of these figures in the examples is not an indication or guarantee of future performance. They are not a forecast of the expected investment return for the Fund and do not include any tax payable on the investment return.

Please note the estimated performance fee for the Fund is only an estimate and is not an indication or guarantee of future performance. The actual performance fee will vary, depending on the Fund's actual return.

IDPS

Investors investing through an IDPS should note that the fees outlined in the table 'Example of annual fees and costs for the Fund' are in addition to any other fees imposed by the IDPS operator.

Transaction costs and Buy/Sell Spread

The Buy/Sell Spread represents a reasonable estimate of the transaction and market impact costs incurred in facilitating the purchase and sale of securities and includes brokerage, government taxes/duties/levies and bank charges and is the difference between the application and redemption unit price. It also protects long-term Investors in the Fund from these additional costs that are being created by Investors who may come and go from the Fund on a more frequent basis.

The Buy/Sell Spread for the Fund as at the date of this PDS is .75% of the application unit price and .75% of the redemption unit price for the Fund, although it may vary depending on the actual transaction costs incurred, particularly in relation to larger inflows or outflows. The dollar value of these costs for the Fund based on an application or redemption of \$25,000 is \$187.5 for each individual transaction. The Buy/Sell spread is an additional cost to Investors intended to recover the transaction costs incurred from transacting Unitholders, rather than non-transacting Unitholders. The transaction costs are paid to the Fund and Naos does not derive a benefit from it. Naos may alter its estimate of the Buy/Sell spread at any time because the costs incurred in facilitating the purchase and sale of securities may change. Further, Naos may, in respect of a particular group of applications or redemptions, determine and apply a reasonable estimate of the actual amount. This may be necessary to avoid an adverse impact on other Unitholders due to the acquisition or disposal of assets carried out because of the relevant applications or redemptions.

A Buy/Sell spread is not applied to Units purchased via a reinvestment of distributions in respect of the Fund.

Differential fees

Naos may rebate or waive a portion of the management costs to certain Investors such as Wholesale Clients subject to compliance with legal requirements and any applicable ASIC relief.

Naos may rebate a significant portion of the management costs in respect of investments made by its employees and those of its related body corporate and may accept investments lower than the minimum contribution limit. These investors will hold a separate class of units.

We cannot negotiate our fees with other Investors.

Payments to IDPS operators

Naos may make payments on an annual basis to some IDPS operators because they offer the Fund on their investment menus (product access payments). We may also make ongoing payments to some IDPS operators (fund manager payments). Fund manager payments are effectively rebates of management costs. The amount of product

access and fund manager payments is negotiated directly with IDPS operators and is based on the volume of business generated by the IDPS operator. Product access and fund manager payments are paid by the Responsible Entity out of our fees and are not an additional cost to the Investor.

Adviser's fees

If a licensed financial adviser introduces you to the Fund and their details appear on your application form, we will pay them a Trailing Commission out of our ongoing management costs of up to 0.4% pa based on the net asset value of your investment, calculated and payable monthly. Where adviser details appear on the application form, we will also supply them with information about your investment on an ongoing basis for the purpose of paying the above fee or commission.

You may also agree to pay your financial planner an additional fee for the services that they provide to you. This fee will be set out in the financial services guide and/or statement of advice that you receive from your financial planner. This is not a fee that we charge but is a separate fee between you and your financial planner.

Changes to the fees and expenses

Subject to the constitution, we may vary the fees specified at any time at our absolute discretion. The constitution of the Fund allows Naos to charge a management fee of up to 3%, an entry fee of up to 5% and an exit fee of up to 5%. These fees may be increased to reflect the net effect of GST. If the variation is an increase in a fee or charge (other than government fees and charges), we will give you 30 days' prior written notice.

Taxation

Please refer to the section entitled 'Taxation Information' below.

Unless otherwise noted, all fees and management costs specified in this PDS are GST inclusive, net of any input tax credits (including reduced input tax credits) available to the Fund.

The Responsible Entity pays all of the Fund's expenses from the ongoing management costs. Services supplied to the Fund are generally taxable supplies for GST purposes and will therefore usually include a GST component (being 1/11 of the total amount of the fees and expenses). Generally, the Fund cannot claim full input tax credits for these services but is usually entitled to reduce input tax credits equal to 75% of the GST payable on those services.

Taxation Information

The taxation information below provides general information that outlines the Australian taxation implications applicable to the Fund and Investors who hold their units on capital account for tax purposes.

The Board of Taxation has performed an Australian Government sponsored review of the taxation of managed investment trusts and issued a comprehensive report in respect of its review to the Australian Government. The Australian Government is currently reviewing the report and will announce its response to the issues raised by the Board of Taxation in the near future.

Given the complex and dynamic nature of the Australian taxation system, and the fact that different taxation circumstances apply to individual Investors, Naos strongly recommends that Investors seek the advice of a professional tax adviser on the tax implications of investing in the Fund.

This summary is based on the Australian tax laws and their interpretation as at the date of this PDS.

Taxation of the Fund

The Fund is resident in Australia for tax purposes. The Fund should not generally be liable for Australian income tax as the Investors are presently entitled to all net income (including net taxable capital gains) of the Fund each income year. If the Fund realises a capital gain on the disposal of its assets which it has held for more than 12 months, the Fund may be entitled to a capital gains tax concession in determining the amount of net capital gain that is included in the Fund's net income.

If the Fund makes a loss for tax purposes, the Fund cannot distribute the loss to Investors. However, the Fund may be able to carry forward its losses and offset them against assessable income in future income years provided certain conditions are met.

Recent changes have been legislated which allow a managed investment trust to make an irrevocable election to apply deemed capital account treatment (referred to as the “capital account election”) for gains and losses on the disposal of certain assets (such as shares in companies and units in unit trusts, rights and options over such assets but excluding assets that are derivatives, foreign exchange or any other investments that are subject to the ‘financial arrangement provisions’). The Fund has made this election.

Applications and redemptions

The application and redemption prices for Units in the Fund are calculated by reference to the net asset value of the Fund, which includes the value of income accumulated since the preceding distribution entitlement date.

If you acquire Units part way through the distribution period, that amount of accumulated income which is included in the application price will be distributed to you as income. Depending on your tax circumstances, this could result in you receiving assessable income, and on disposal of Units, generating a capital loss of a similar amount. However, the capital loss cannot be offset against that income – it can only be offset against your capital gains.

If you redeem Units part way through the Distribution Period, the value of accumulated income is included in your redemption price. Naos has the discretion to advise you that part of the proceeds on redemption reflect your share in the net income of the Fund and therefore is assessable income for tax purposes. The balance reflects the capital proceeds on disposal and may, dependent upon your tax circumstances, be subject to the capital gains tax provisions.

Resident Australian Investors

Distributions received by Australian Investors

To assist Investors with their taxation requirements, Investors will receive a statement summarising their entitlement or share of net income, franking credits and foreign income tax offsets for each income year ending 30 June.

Generally, an Investor’s entitlement or share of the taxable income from the Fund should be included in the Investor’s tax return each income year ended 30 June, even if distributions are reinvested as additional Units in the Fund or distributions that are received in a subsequent year of income.

The distribution from the Fund may comprise the following items:

- Australian sourced interest, dividends (franked and unfranked) and franking credits;
- other Australian sourced income and capital gains (discounted and non-discounted) and
- other non-Australian sourced income, interest, dividends and capital gains (discounted and non-discounted).

Franking credits

The Investor may use franking credits to reduce their tax liability. However, if the Investor sells their units within 45 days of purchase, they may lose the benefit of the franking credits due to the operation of the 45-Day Holding Period Rule. Certain Investors (such as individuals, complying superannuation Fund and life insurance companies) may be entitled to a refund of the excess franking credits where the franking credits exceeds their tax liability.

Discounted capital gains

If an Investor’s share of the net income of the Fund includes an amount that consists of discounted capital gains derived by the Fund, the Investor needs to first “gross up” the discounted capital gain (by the amount of any reduction in the capital gain that the Fund obtained). Investors may be able to offset capital losses against their share of the grossed up capital gains. After offsetting capital losses (if any) against capital gains, Investors (such as, individuals, trusts and complying superannuation funds) may be entitled to a discount (one half for individuals and trusts, or one third for complying superannuation funds) in respect of their capital gains where the Units in the Fund have been held by the Investor for 12 months or more and where other conditions are met.

Foreign source income and foreign tax paid

The Fund may derive foreign source income that is subject to tax overseas. Investors should include their share of both the foreign income and the amount of foreign tax withheld in their assessable income. However, Investors may be entitled to a tax offset for the foreign tax paid subject to certain limits, against the Australian tax payable on the foreign source income. Investors should consult their taxation adviser in respect of their entitlement to a tax offset for the foreign tax paid. Further, any excess foreign income tax offset cannot be carried forward into later income years by the Investor.

Redemption or Switching of Units in the Fund by Australian Investors

If an Investor redeems or switches Units in the Fund, this will constitute a disposal for tax purposes.

Australian Investors must include any realised capital gain or loss on the disposal of their Units in the Fund (together with any capital gains distributed by the Fund) in the calculation of their net capital gain or loss. A net capital gain will be included in the Investor’s assessable income. Any capital losses may be used by the Investor to offset other capital gains. Net capital losses may be carried forward by the Investor to offset against capital gains of subsequent years but may not be offset against ordinary income.

Please refer to the discussion under the ‘Discounted capital gains’ above in respect of the Investors entitlement to the capital gains tax concession.

Tax File Numbers (TFN) and Australian Business Numbers (ABN)

It is not compulsory for an Investor to quote their TFN or ABN. If an Investor is making this investment in the course of a business or enterprise carried on by the investor, the Investor may quote an ABN instead of a TFN. Failure by an Investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity of the Fund to withhold tax at the top marginal rate plus the Medicare levy.

The Investor by quoting their TFN or ABN authorises the Responsible Entity to apply it in respect of all the Investor’s investments with the Responsible Entity. The Investor should advise the Responsible Entity if they do not want to quote their TFN or ABN for some investments.

Non-resident Investors

If an Investor is not an Australian resident for Australian tax purposes, tax may be withheld from any distribution to the Investor of Australian sourced income and certain capital gains at the prescribed rates. Investors may also be subject to tax laws in the country in which they are a tax resident. Naos recommends that Investors should consult a taxation adviser before investing in the Fund.

Distributions of Capital Gains to Non-resident Investors

Non-residents Investors will not be subject to Australian tax on distributions of capital gains derived by the Fund provided they hold less than 10% of all units in the Fund. If the non-resident Investor holds 10% or more of the units in the Fund, a distribution of capital gains derived by the Fund will also not be taxable to a non-resident Investor where:

- the capital gain is derived by the disposal of an asset by the Fund or fixed trust in which the Fund has an interest (direct or indirectly through a chain of fixed trusts); and
- the asset is not taxable Australian property; or
- the asset is an interest in the fixed trust and the interest is taxable Australian property and either of the following conditions are satisfied:
 - less than 10% of the assets of the Fund are taxable Australian property; or
 - less than 10% of the assets of the fixed trust in which the Fund has an interest (either directly or indirectly through a chain of fixed trusts) must be taxable Australian property.

'Australian taxable property' is defined to include:

- a direct interest in Australian real property; or
- an indirect interest in Australian real property, namely where the Fund owns 10% or more of the units in a fixed trust and the fixed trust invests (directly or indirectly) principally (more than 50% of its assets) in Australian real property; or
- an asset used by the Fund at any time to carry on a business through a permanent establishment.

The Fund will advise the non-resident Investor if there are any capital gains distributed which are taxable in Australia.

Redemption or Switching of Units in the Fund by Non-resident Investors

Further, non-resident investors should not be subject to Australian capital gains tax on the redemption or switching of Units in the Fund unless:

- the Units were capital assets held by the Investor in carrying on a business through a permanent establishment in Australia; or
- both of the following conditions are satisfied:
 - the Investor, together with its associates held, or had an option or right to hold, a direct participation interest of 10% or more of the Units in the Fund at the time of the disposal or throughout a 12 month period that begins no earlier than 2 years before the disposal; and
 - more than 50% (by market value) of the Fund's assets are comprised (directly or indirectly) of interests in taxable Australian real property.

GST

The Fund has been registered for GST. GST should not be payable on the issue and redemption of Units in the Fund and the resulting income distributions to you. Fees, charges and commissions payable in respect of the management of the Fund may include a GST component. Generally, the Fund cannot claim full input tax credits in respect of these expenses, but will normally be able to claim reduced input tax credits (currently equal to 75% of the GST) in respect of these expenses.

The government has announced a substantive review into the GST financial services rules. The review may change how funds are taxed for GST purposes in the future and lead to different GST consequences to those set out above.

Additional Information

Constitution

The constitution for the Fund governs the Fund's operations and together with this PDS, the Corporations Act and other laws, regulates the Fund and the various entities' legal relationship with Unitholders.

The constitution for the Fund contains provisions relating to:

- your powers, rights and obligations attached to Units;
- the commencement, duration and termination of the Fund;
- the application, issue and redemption of Units (including suspensions and large redemption provisions);
- our right to issue additional classes of Units in the Fund;
- the unit valuation methods;
- income distributions;
- Unitholder meetings;
- the powers of the Responsible Entity to invest or borrow, limitations on its liability, its rights including the right to charge fees and recover expenses and the right to be indemnified;
- complaints handling; and
- your liability (which is limited by the constitution to the value of your interests or Units but the courts are yet to determine an investor's liability and so no absolute assurance can be given).

The terms and conditions in the constitution may be amended by Naos. If the amendments will adversely affect your rights, Naos must obtain Unitholders' approval as required by the Corporations Act. The constitution of the Fund is available for review by Unitholders at our office on any Business Day free of charge. Alternatively, Unitholders can contact Naos on (02) 9947 2566 to obtain a copy of the Fund's constitution free of charge.

In accordance with ASIC Class Order 05/26, Naos maintains a policy in respect of the exercise of discretions to:

- decide a matter that affects the value of a factor included in the formula for determining the unit prices for the Fund; and
- decide a matter that is an aspect of the method for determining the unit prices for the Fund.

A copy of Naos' description of the formula and method for determining unit prices, the discretions exercised in respect of determining unit prices and its documented policy in respect of such discretions is available from Naos free of charge.

Compliance plans

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

Compliance Committee

A Compliance Committee comprising a majority of external members, as required by the Corporations Act has been established. One of the functions of the Compliance Committee is to monitor the extent to which Naos complies with the Fund's compliance plan. The Compliance Committee must report breaches of the Corporations Act and certain breaches of the constitution to Naos and in some circumstances to ASIC.

Your rights as an investor

The Units that Unitholders hold in the Fund confer a proportional beneficial interest in the Fund. However, Unitholders do not have any entitlement to any particular part of the Fund, the assets of the Fund or the management or operation of the Fund (other than through Unitholder meetings).

Distributions

Naos intends to distribute the net income of the Fund to Unit holders annually. There is no guarantee that distributions will always be available. Net income will be distributed within 60 days after the distribution date (generally 30 June). The net income is determined by reference to the taxable income of the Fund (see the Taxation Information section on page 23 of this PDS). The distribution will be made to Unitholders holding Units at the end of each Distribution Period in proportion to the number of Units held by them at that time.

Unitholders can choose to reinvest distributions instead of receiving them as cash by indicating this on the application form. Unless otherwise indicated on the application form, we will assume that distributions will be reinvested in the Fund. Additional Units will be reinvested using the mid unit price immediately following the distribution (i.e. a Buy/Sell Spread is not applied).

Reporting to Unitholders

Naos will confirm transactions to Unitholders as required under the Corporations Act. Unitholders will be sent a report that includes a summary of the Fund's performance and risk profile, plus highlights of both stock selection and the impact of specific positions on returns, on a monthly basis. Unitholders will receive an income and distribution statement at each distribution. The income and distribution statement which is sent at the end of each financial year-end will contain a summary of the distribution and tax components to assist you to prepare your tax return. After the end of every financial year an annual report for the Fund will be posted on the Naos website.

Continuous disclosure

Once the Fund becomes a disclosing entity under the Corporations Act, it will be subject to regular reporting and continuous disclosure obligations. You also have a right to request a copy of the annual financial report for the Fund most recently lodged with ASIC when it becomes available from Naos. Naos will follow ASIC's good practice guidance for website disclosure for material information as set out in Regulatory Guide 198 and will comply with its continuous disclosure obligations by placing any material information in relation to the Fund in a single place on its website www.naos.com.au. Naos will place such information on its website on a timely basis with a prominent link to the information on its home page.

Facsimile withdrawals

Naos will process facsimile withdrawals in the manner and within the timeframes specified in this PDS. An Investor should retain a copy of the facsimile confirmation sheet as proof that a transmission was successfully completed on the date and time shown. This will be required if an issue arises as to the timing of receipt of a facsimile by Naos.

An Investor who appoints an authorised representative or elects to use the facsimile withdrawal facility (Facility):

- acknowledges that there is a risk that fraudulent facsimile withdrawals may be made by a third party;
- agree that none of the officers, employees or agents of Naos or the Naos Group is responsible for any fraudulently completed communications;
- releases, discharges and agrees to indemnify Naos or any officers, employees or agents of the Naos Group from and against all losses, liabilities, actions, proceedings, accounts, claims and demands arising from instructions Naos receives under a Facility or arising from Naos or any officers, employees or agents of the Naos Group acting on facsimile communications from, or purporting to be from an Investor or authorised representative; and agrees that a payment or purported payments (**Payment**) made in accordance with the conditions of that Facility shall be in complete satisfaction of our obligations or any member of the Naos Group to the Investor for a Payment, notwithstanding it was requested, made or received without the knowledge or authority of the Investor.

Cooling-off rights

A Unitholder who is a retail client as defined in the Corporations Act has the right to a 14-day 'cooling-off period' to withdraw their investment in the Fund. The 14 day period starts on the earlier of when you receive your transaction confirmation or at the end of the fifth day after your Units are issued.

Naos will refund your investment, reduced or increased for various factors including market movements, tax or duty incurred and transaction and administration costs associated with the acquisition and termination of a Unitholder's investment. As a result the amount returned to a Unitholder may be less than their original investment.

Your right to 'cool-off' does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement.

Complaints

A Unitholder who would like to make an enquiry or complaint, may contact the Naos Compliance Officer. Unitholders who require further assistance are requested to direct their written enquiry or complaint to the Naos Compliance Officer at the address listed in this PDS. Alternatively, Unitholders may email the Naos Compliance Officer regarding such matters.

Naos will acknowledge a Unitholders complaint within 4 business days and investigate the complaint promptly, providing a response within 30 days.

If an issue remains unresolved to a Unitholder who is a retail client, they may refer their complaint to the Financial Ombudsman Service (FOS), which is an independent dispute resolution scheme of which Naos is a member. They can contact FOS at www.fos.org.au or by calling (toll free) 1300 780 808.

Privacy

The privacy of Unitholders' personal information is important to Naos. Naos collects personal information so that it may provide Unitholders with the products and services they request as well as information on other products and services offered by Naos.

The law may also require that Naos collect personal information. Naos may disclose personal information to other parties (confidentiality arrangements apply) for certain purposes that Naos outsource, including bulk mailing, market research and information technology support. Naos also seeks expert help from time to time to help improve its systems, products and services. Unitholders' personal information may be disclosed to these third parties in such circumstances. Unitholders' personal information will not be shared with other third parties.

Unitholders who have concerns about the completeness or accuracy of the information Naos has, or if you would like to access or amend such information, simply call Naos on (02) 9947 2566 or send an email to enquiries@naos.com.au.

Unitholders who would like a copy of the Naos Privacy Policy Statement may obtain such information from the Naos website at www.naos.com.au or by calling the above number.

Unitholders will be taken to agree to the collection, use and disclosure of their personal information as set out above when applying to make an investment in the Fund.

Investments through an IDPS

Naos is not responsible for the operation of any IDPS. Indirect investors should note that they are directing the IDPS operator to arrange for their money to be invested in the Fund on their behalf. Indirect investors do not become Unit holders in the Fund or have rights of Unit holders. The IDPS operator becomes the Unit holder in the Fund and acquires these rights. The IDPS operator can exercise or decline to exercise the rights of an investor on their behalf according to the arrangement governing the IDPS.

Indirect investors should read the IDPS guide carefully to understand the structure, fees and communication procedures for the relevant IDPS. Please ask your adviser if you have any questions about investing in the Fund through an IDPS.

Anti-Money Laundering

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) requires the Responsible Entity to adopt and maintain an anti-money laundering and counter-terrorism financing (AML/CTF) compliance program. An integral part of the AML/CTF compliance program is the legal requirement for the Responsible Entity to know its customers. To meet this legal requirement certain identification information, including in some cases documentation, will need to be collected from investors making applications. Applications made without providing this information cannot be processed until all the necessary information has been provided and verified. The AML/CTF compliance program will also include ongoing customer due diligence, which may require the Responsible Entity to collect further information.

Glossary

ABN	Australian Business Number
ARSN	Australian Registered Scheme Number. The ARSN is a unique identifier issued to a managed investment schemes by ASIC.
ASIC	Australian Securities and Investment Commission
ASX	The Australian Stock Exchange
Benchmark Index	S&P/ASX All Ordinaries Accumulation Index
Business Day	A day other than a Saturday, Sunday or public holiday when banks are open for business in Sydney, Australia.
Buy/Sell Spread	A buy-sell spread is the difference between the price of buying Units in the Fund and the price of selling Units in the Fund. A buy-sell spread is maintained because of the transaction costs that are incurred in buying and selling the assets that make up the Fund.
Company	Naos Asset Management Limited ABN 23 107 624 126
Corporations Act	Corporations Act 2001 (Cth)
Distribution Period	The period being twelve months prior to the last day of June or such other day as determined by the Responsible Entity at its discretion.
Fund	Naos Long Short Equity Fund
Naos Group	The Company and its subsidiaries.
GST	Goods or Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999.
Investor or Investors	The Unit holder of the Fund as noted on the Fund's Unit holder register.
Investment Advisory Committee	A committee established for the purpose of reviewing the position and transactions in a Portfolio
Investment Manager	Naos Asset Management Limited
Portfolio	The investment portfolio of the Fund together with any accretions to it which will be managed by Naos.
Responsible Entity	Naos Asset Management Limited
S&P	Standard & Poor's
TFN	Australian Tax File Number
Trailing Commission	A trailing commission is a percentage of the investment that is paid by the Investment Manager to a licensed financial adviser on an ongoing basis out of the ongoing management costs.
Unit	A unit in the Fund.
Unitholder	An Investor who has been allocated Units in the Fund.

How to Invest

Important information

This PDS contains important information about investing in the Fund. To invest in the Fund you should read the PDS in its entirety and complete and sign the application form. If you have any queries about your investment, call us on **(02) 9947 2566** or write to:

PO Box R598
Royal Exchange NSW 1225

Please note the following:

- To complete the application form, complete all details with a **black pen**, where you are given a choice of options, **tick the appropriate box**.
- Applicants must be over 18 years of age.
- You should ensure that your initial investment in the Fund is at least AUD \$25,000 and any subsequent investment is at least AUD \$10,000.
- Your investment for the Naos Long Short Equity Fund is to be paid by cheque made payable to: Naos Asset Management Limited ATF Naos Long Short Equity Fund.
- In relation to trust investors, only the trustee has rights and obligations in respect of the Fund.
- Joint applicants will be assumed to be joint tenants unless otherwise specified.
- If signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of the Power of Attorney. The Power of Attorney, or a certified copy, must be sent to Naos.
- If your application is incomplete, we will retain your application money in a bank account pending receipt of the required information. Any interest earned in this bank account will be credited to you through the issue of additional Units in the Fund once your completed application is accepted by us.
- Naos reserves the right to limit or refuse to accept an investment.
- The application form should only be completed if you have received this PDS in Australia. If you have received this PDS outside of Australia, please contact us.
- If you have any questions relating to the Fund or completing the application form, please contact us during business hours (Sydney time).

Lodging an application form

Investors can lodge a completed application form and cheque at Naos' Sydney office:

PO BOX R598
ROYAL EXCHANGE NSW 1225

or through your financial adviser.

Application type and investor details form

Please indicate whether you are an existing Investor. If so, please provide us with your Investor ID. Let us know whether you would like to add your investment to your existing account with us or whether you would like us to create a new account for you.

Investor details

Indicate what type of investor category applies to you. You should insert the details of each investor in this section. You may provide us with your TFN or TFN exemption. Alternatively, if you are investing in the Fund on behalf of an enterprise, you may quote your enterprise's ABN. It is not compulsory for you to quote a TFN, TFN exemption or ABN, but if you do not do so, then the Fund will be required to withhold tax from any income distribution to you at the highest marginal tax rate plus Medicare levy until your TFN or exemption is quoted. Non-residents will not have to supply a TFN or ABN, but distributions may be subject to withholding tax as discussed on page 24 of this PDS.

Contact details

Please supply the address, telephone number, facsimile number and email of the principal contact person.

Distribution options

Indicate whether you would like the distributions to be reinvested in additional Units in the Fund or returned to you via payment to your nominated account. If you have nominated for distributions to be paid to your nominated account, please provide us with your banking details. If you do not make a nomination, your distributions will automatically be reinvested in additional units in the Fund.

Investment information

Complete the table by indicating how much you wish to invest in the Fund.

Annual report

You can elect to receive a hard or electronic copy of the annual report for the Fund, free of charge by contacting our office on 02 9947 2566 or by emailing a request through to Enquiries@naos.com.au. Where no election is made, a copy of the annual report can be accessed from our website www.naos.com.au 90 days after the end of the financial year of the Fund.

Joint investor written redemption Authorisation

The instructions for signing given on the application form apply to all written changes including:

- changing the account address or bank account details; and
- switching and redemptions.

‘Either to sign’ means only one individual needs to sign written changes including switches and redemptions.

‘Both to sign’ means both joint investors need to sign written changes including switches and redemptions.

Authorised representative

The authorised representatives to your investment are the individuals who signed the initial investment application form and any authorised person that you nominate to transact on your behalf. Only Investors can appoint authorised persons. If you appoint an authorised person, we suggest that you ensure that they cannot appoint another authorised person and the appointment lasts until cancelled by you in writing or cancelled by us.

You can add additional authorised persons or change the authorised person by informing us in writing. Requests must be signed by the existing authorised person and new authorised person.

If an appointment is cancelled, we will not be obliged to act on the instructions of the authorised person. If your instructions are varied, we will act only in accordance with the varied instructions. By completing and lodging the relevant section on ‘Authorised Representatives’ in the application form, you release, discharge and agree to indemnify us from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from us acting on the instructions of your authorised person. You also agree that any instructions of your authorised person to us, which are followed by us, shall be a complete satisfaction of our obligations as a responsible entity, notwithstanding any fact or circumstance, including that the instructions were made without your knowledge or authority. You agree that if the authorised person’s instructions are followed by us, you and any person claiming through or under you shall have no claim against us in relation to the instructions.

An authorised person is permitted to, but is not limited to:

- apply for additional investment Units;
- request that income distribution instructions be altered;
- enquire and obtain copies in relation to the status of your investment.

If a company is appointed as an authorised person, the powers will extend to any director and authorised officer of that company. If a partnership, the powers will extend to all partners.

A person appointed as an authorised person should sign and print their name in this section. The appointment of an authorised person will continue until we receive a written cancellation of the appointment signed by the relevant Investor.

Declaration and applicant signature(s)

If the applicant is a company, the sole director/ secretary or two directors or a director and secretary (or whoever is specified in the constitution of the applicant) should sign and print their names. Other bodies corporate must sign the application form in such a manner as is required to bind the body corporate. (Evidence will be required of authority to sign if the method is not director(s)/secretary signatures). If the applicant is an individual, that applicant must sign and print their name. For joint applications, all parties must sign.

Naos Long Short Equity Fund

This application form is part of the product disclosure statement for the Naos Long Short Equity Fund dated 1 November 2010 (PDS) relating to Units issued by Naos (AFS licence no. 273529). You should read the PDS before applying for Units in the Fund.

Please complete ALL Sections (Sections 1 to 4) of this Application Form in black ink using block letters and supply the relevant documents specified in Section 5.

Section 1 – Investor Details

Are you an existing investor with Naos?

- Yes, my investor ID is _____ in the Naos Long Short Equity Fund
- No – I am not an existing investor with Naos

If you are an existing investor and your details have not changed, please complete Sections 3B, 3C, 3D and Section 4. If your details have changed, please complete all relevant parts of the Application Form.

Section 2 – Which category do you fit into?

Please indicate who is making the investment.

Investor Type	Go to	Page
<input type="checkbox"/> Individual/Joint/Sole Trader	Section 2A	pg 1
<input type="checkbox"/> Company	Section 2B	pg 2
<input type="checkbox"/> Partnership	Section 2C	pg 3
<input type="checkbox"/> Trust/ Super fund with Individual Trustee	Sections 2A and 2D	pg 1 and pg 4
<input type="checkbox"/> Trust/ Super fund with Corporate Trustee	Sections 2B and 2D	pg 2 and pg 4
<input type="checkbox"/> Agent of Investor	Section 2F	pg 4

If you are investing in the Fund through a **Financial Adviser**, your Financial Adviser must also complete **Section 2D**. If you do not fall into any of the above categories, please contact Naos on (02) 9947 2566 for an appropriate form to be sent to you.

Section 2A – individual/joint investors/sole trader/individual trustee

Applicant 1

- Individual
- Sole Trader
- Trustee

Title
 Mr Mrs Miss Ms Other _____

First name

Middle name

Last name

Date of birth (dd/mm/yyyy) _____

Tax file number or exemption code

Country of residence for tax purposes

Residential address (street number & name)

Suburb

State _____ Postcode _____

Country

Sole Trader additional details:

Full business name

ABN

Principal place of business

Applicant 2

- Individual
- Sole Trader
- Trustee

Title
 Mr Mrs Miss Ms Other _____

First name

Middle name

Last name

Date of birth (dd/mm/yyyy) _____

Tax file number or exemption code

Country of residence for tax purposes

Residential address (street number & name)

Suburb

State _____ Postcode _____

Country

Full business name

ABN

Principal place of business

<input type="text"/>	<input type="text"/>
Suburb <input type="text"/>	Suburb <input type="text"/>
State <input type="text"/> Postcode <input type="text"/>	State <input type="text"/> Postcode <input type="text"/>

Joint investors only:

Please indicate who will sign to authorise redemptions on your investment account. If no election is made, 'Either to sign' will be assumed.

Either to sign Both to sign **All Investors – please proceed to Section 3**

Section 2B – company/corporate trustee

Full Company Name

ACN / ARBN (if registered with ASIC) TFN, ABN or exemption code (if any)

Country of formation, incorporation or registration Country of residence for tax purposes

Name of regulator (if licensed by an Australian Commonwealth, State or Territory statutory regulator) Licence details

Registered business address in Australia or country of formation

Suburb State Postcode

Country

Principal place of business (if a local agent is used, please also provide the name of the local agent)

Suburb State Postcode

Country

Registration status with ASIC or in country of formation

Private/Proprietary company – Please list the name of each director of the company:

Director 1

Director 2

Director 3

Director 4

If there are more than 4 directors, please write their full names on a separate page and attach to this Application Form.

Public company Other

Is the company listed on a stock exchange? No Yes

Name of market/exchange

Is the company a majority-owned subsidiary of an Australian listed company? No Yes

Name of Australian listed company

If the company is registered by a foreign registration body, please complete the following:

Name of foreign registration body

Foreign company identification number

For an Australian proprietary company or a foreign company which is not regulated (being a company that is licensed and subject to the oversight by a statutory regulatory (eg. ASIC), please list the name of each individual who owns through one or more shareholdings more than 25% of the company's issued capital:

Shareholder 1 Title	Shareholder 2 Title
<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Ms <input type="checkbox"/> Other <input type="text"/>	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Ms <input type="checkbox"/> Other <input type="text"/>
First name <input type="text"/>	First name <input type="text"/>
Middle name <input type="text"/>	Middle name <input type="text"/>
Last name <input type="text"/>	Last name <input type="text"/>
Date of birth (dd/mm/yyyy) <input type="text"/>	Date of birth (dd/mm/yyyy) <input type="text"/>

Country of residence for tax purposes <input type="text"/>	Country of residence for tax purposes <input type="text"/>
Residential address (street number & name) <input type="text"/>	Residential address (street number & name) <input type="text"/>
Suburb <input type="text"/>	Suburb <input type="text"/>
State <input type="text"/> Postcode <input type="text"/>	State <input type="text"/> Postcode <input type="text"/>
Country <input type="text"/>	Country <input type="text"/>

If there are more than 2 individuals, please provide the details of each additional individual on a separate page and attach it to this form **Please proceed to Section 3.**

Section 2C – Partnership

Full Partnership Name

Registered business name of Partnership (if any)

Country in which the Partnership was established Country of residence for tax purposes

TFN, ABN or exemption code (if any)

Partner Details – please complete Section 2A in respect of one of the partners.

Is the Partnership regulated by a professional association? Yes

Name of Association

Membership details

No – please provide the details below

Partner 1

Full Name

Residential address (not PO Box)

Suburb State Postcode

Country

Partner 2

Full Name

Residential address (not PO Box)

Suburb State Postcode

Country

Partner 3

Full Name

Residential address (not PO Box)

Suburb State Postcode

Country

If there are more than 3 partners, please provide the details of each additional partner on a separate page and attach it to this form.

Please proceed to Section 3.

Section 2D – Trust/Super Fund

Full name of Trust/Super Fund

TFN, ABN or exemption code (if any) Country of establishment

Full business name of Trustee (if any) Country of residence for tax purposes

If Individual Trustees, please complete Section 2A in respect of one of the Trustees. If Corporate Trustees, please complete Section 2B in respect of one of the Corporate Trustees.

Type of Trust

Category A: Regulated managed investment scheme ARSN

Category B: Government Super Fund

Name of legislation establishing the fund

Category C: Regulated trust (eg self-managed super fund)

Name of regulator (eg ASIC, APRA, ATO)

ABN Registration/licensing details

Category D: Foreign Super Fund

Please provide either (i) the full name of each beneficiary in respect of the trust; or (ii) if the terms of the trust identify the beneficiaries by reference to membership of a class, the details of the class. Where there is more than 1 member, please add the details to a separate sheet of paper and attach to this application form.

Category E: Other (eg family, unit, charitable)

Please provide either (i) the full name of each beneficiary in respect of the trust; or (ii) if the terms of the trust identify the beneficiaries by reference to membership of a class, the details of the class. Where there is more than 1 member, please add the details to a separate sheet of paper and attach to this application form.

Please proceed to Section 3.

Section 2E – Financial Advisers

If you use a Financial Adviser, please have your Financial Adviser complete and sign this section.

Full name of financial adviser

Financial adviser's code Licence number/ authorised representative number

Company name of financial adviser

Dealer group Phone

Facsimile Email

Postal address

Suburb Postcode

Please nominate the amount of Trailing Commission that will apply. If no selection is made, a 0% Trailing Commission will be assumed.

0.0% 0.1% 0.2% 0.3% 0.4% Other (please specify)

Adviser's account details

Branch Account name

Branch number (BSB) Account number

AML/CTF Financial Adviser Certification

I confirm I have completed AML/CTF identification and verification requirements for this investor/ joint investors as required by the AML/CTF Act. **(please tick box to confirm)**

Adviser's signature _____ Adviser Stamp

Please proceed to Section 3.

Section 2F – Agent Of Investor

Please complete Part I if investment is made through an individual Authorised Agent (ie if investment instructions provided to Naos are made by the individual Authorised Agent on behalf of the Investor).

For a non-individual investor, please complete Part II if a verifying officer has been appointed to liaise with the Authorised Agent in relation to this Application.

Part I – Individual Authorised Agent appointed

Full name of agent

Company name of agent (if any)

Licence number/authorised representative number

Phone Facsimile

Email

Postal address

Suburb Postcode

Part II – Verifying Officer appointed

It is the Agent's responsibility to notify the investor that the verifying officer has specific obligations under the AML/CTF Act. In completing and signing this Application as Authorised Agent for the Investor, you agree to notify the Investor that the verifying officer is required to:

- (a) collect the following: full name of the agent; position title or role held by the agent in relation to the Investor; a copy of the Agent's signature; and evidence that the Agent is authorised to act for the Investor;
- (b) make a record of the above information; and
- (c) provide Naos with the full name of the Agent and a copy of the Agent's signature if requested to do so.

You also agree to inform the Investor that they must retain the records made by the verifying officer.

Full name of verifying officer

Title (Mr/Mrs/Miss/Ms) Date of Birth (dd/mm/yyyy)

Residential address (street name and number)

Suburb State Postcode

Country

Please proceed to Section 3.

Section 3 – Account Details

Section 3A – Investor Contact Details

Name of contact person

Phone (after hours) Phone (business hours)

Mobile Facsimile

Email – Investor 1

Email – Investor 2

Postal address (c/- if applicable)

Suburb State Postcode

Country

Section 3B – Distribution and Redemption Details

Please select how you would like your distributions to be paid:

Reinvest Pay to my/our nominated account (Complete account details below)

(If no selection is made, reinvestment will be assumed.)

Institution Branch

Account name

Branch number (BSB) Account number

Section 3C – Investment Details

The minimum initial investment is \$25,000. The minimum additional investment amount is \$10,000. Completed application forms and cheques must be sent to or lodged at Naos' Sydney Office: **Naos Asset Management Limited, PO Box R598, Royal Exchange, NSW 1225**

Your investment may be made by cheque made payable to:

Fund	Investment amount	Separate cheque made payable to:
Naos Long Short Equity Fund	\$	Naos ATF Naos Long Short Equity Fund

Section 3D – Annual Report

You can view an electronic copy of the latest annual report on Naos's website at www.naos.com.au. Alternatively, you may elect to receive a copy of the Fund's annual report by post or e-mail free of charge by contacting our office on 02 9947 2566 or emailing a request through to enquiries@naos.com.au.

Section 4 – Declaration & Applicant Signature(s)

I/We declare that all the details in this application are true and correct.

I/We have read the accompanying Product Disclosure Statement (PDS) dated 1 November 2010 and agree to be bound by the provisions of the Fund constitution (as amended) and any other additional restrictions contained in this PDS.

I/We have read the information on privacy and personal information contained in this PDS and unless I/we inform Naos otherwise, consent to my personal information being used and disclosed as set out in this PDS.

If I/we have provided an email address, I/we consent to receive ongoing investor information including PDS information, confirmations of transactions and additional information as applicable, via that method of delivery.

If I/we have received this PDS from the internet or other electronic means, I/we declare that I/we have read and received it personally, or a printout of it, accompanied by or attached to the application form before making an application for Units in the relevant Fund.

I/We received and accepted this offer in Australia.

I/We agree to the anti-money laundering and counter-terrorism financing statements contained in this PDS.

I/We have legal power to invest in accordance with this application. Sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company. If investing as trustee, on behalf of a superannuation fund or trust, I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed. In the case of superannuation Fund, I/we also confirm that it is a complying fund under the Superannuation Industry (Superannuation) Act 1993.

I/We acknowledge that Naos does not guarantee the repayment of capital or the performance of the Fund or any particular rate of return from the Fund.

Signature _____ Date
 Capacity (Company investments only) Sole Director Director Secretary

Signature _____ Date
 Capacity (Company investments only) Director Secretary

Section 5 – What forms of Identification do you need to provide to establish your investment?

To comply with our obligations under anti-money laundering and counter-terrorism financing legislation, we must collect certain information, supported by original or certified copies* of relevant documents**, about each investor. Documents written in a language other than English must be accompanied by an English translation prepared by an accredited translator.

If you are an existing investor with Naos, you are not required to provide us with the information below. If you are a new investor with Naos, please complete the section relevant to you as indicated by the table below.

Investor Type	Go to	Page
<input type="checkbox"/> Individual/Joint/Sole Trader	Section 5A	pg 8
<input type="checkbox"/> Company	Section 5B	pg 9
<input type="checkbox"/> Partnership	Section 5C	pg 9
<input type="checkbox"/> Trust/Super fund	Section 5D	pg 9
<input type="checkbox"/> Agent of Investor	Section 5E	pg 9

*Please refer to Section 6 on pg 8 for details about obtaining certified copies.

**Any original or certified documents submitted to Naos will not be returned.

Section 5A – Individual/Joint Investors/ Sole Trader/Individual Trustee*/Agent of investor

Please provide us with an original or certified copy of a document from Part I, or if you do not own a document from Part I, original or certified copies of documents from either Part II or III.

*You only need to provide the relevant documents set out in this Section 5A if you are required to complete Section 2A.

PART I

Provide **ONE** document from this Part I

- Current Australian driver's licence containing your photograph and date of birth;
- Australian passport (a passport that has expired within the past 2 years is acceptable);
- Foreign passport or similar travel document containing your photograph and signature; or
- Current Card issued by an Australian State or Territory for the purpose of proving your age containing your photograph and date of birth.

PART II (should only be provided if you do not own a document from Part I)

Provide **ONE** document from the following:

- Australian birth certificate;
- Australian citizenship certificate;
- Pension card issued by Centrelink; or
- Health card issued by Centrelink.

AND **ONE** document from the following:

- An original or certified copy of a notice, showing your name and residential address, issued by the Commonwealth or a State or Territory within the past 12 months that records the provision of financial benefits to you;
- An original or certified copy of a notice, showing your name and residential address, issued by the Australian Taxation Office within the past 12 months that records a debt payable by you;
- An original or certified copy of a notice, showing your name and residential address, issued by a local government body or utilities provider (eg rates notice or electricity bill) within the past 3 months which records the provision of services to you; or
- If you are under age 18: a notice, showing your name and your residential address, issued by a school principal within the past 3 months which records the period of time that you attended at that school.

PART III (should only be provided if you do not own a document from Part I)

Provide **BOTH** document from the following:

- Foreign driver's licence containing your photograph and date of birth; and
- National ID card issued by a foreign government containing your photograph and signature

Section 5B – Company/Corporate Trustee*

Please provide us with an original or certified copy of a document from the following:

*You only need to provide the relevant documents set out in this Section 5B if you are required to complete Section 2B.

Provide **ONE** document from the following:

- Certificate of registration or incorporation issued by ASIC; or
- Certificate of registration or incorporation issued by the relevant foreign registration body.

AND **ONE** document from the following (if applicable):

- **If a listed company:** a search of the relevant financial market.
- **If a regulated company:** a search of the licence or other records of the relevant Commonwealth, State or Territory statutory regulator.
- **If not regulated and is a private/proprietary company:** full name and residential address for each individual who owns, through one or more shareholdings, more than 25% of the company's issued capital.

Section 5C – Partnership

Please provide us with an original or certified copy of a document from the following:

*You only need to provide the relevant documents set out in this Section 5C if you are required to complete Section 2C.

Provide **ONE** document from the following:

- Partnership agreement;
- Minutes of a partnership meeting;
- membership details independently sourced from the relevant professional association;
- A notice issued to the Partnership by the Australian Taxation Office within the past 12 months; or
- Certificate of registration of business name issued by a government or government agency in Australia

AND:

- The relevant documents set out in Section 5A for the Partner who has completed Section 2A.

AND (if regulated by a professional membership) **ONE** document from the following:

- Current membership certificate (or equivalent) of a professional association.
- membership details independently sourced from the relevant professional association.

Section 5C – Trust/Super Fund

Registered Management Investment Scheme/ Regulated Trust/Government Super Fund

- Screen print from the relevant regulator's website showing the full name of the Trust, and that the trust is a registered scheme, regulated trust or government super fund.

Foreign Super Fund/Other Trusts

Provide **ONE** document from the following:

- An original or certified copy or certified extract of the Trust Deed;
- A notice issued to the Trust by the Australian Taxation Office within the past 12 months; or
- Letter from a solicitor or qualified accountant verifying the name of the Trust.

AND **ALL** documents from the following:

- Full name and residential/ registered office address of all Individual and Corporate Trustees;
- The relevant documents set out in Section 5A or 5B for the Individual or Corporate Trustee who has completed Section 2A or 2B respectively; and
- Full name of each beneficiary in respect of the trust or if the terms of the trust identify the beneficiaries by reference to membership of a class – details of the class.

Section 5D – Trust/Super Fund

Registered Management Investment Scheme/ Regulated Trust/Government Super Fund

- Screen print from the relevant regulator's website showing the full name of the Trust, and that the trust is a registered scheme, regulated trust or government super fund.

Foreign Super Fund/Other Trusts

Provide **ONE** document from the following:

- An original or certified copy or certified extract of the Trust Deed;
- A notice issued to the Trust by the Australian Taxation Office within the past 12 months; or
- Letter from a solicitor or qualified accountant verifying the name of the Trust.

AND **ALL** documents from the following:

- Full name and residential/ registered office address of all Individual and Corporate Trustees;
- The relevant documents set out in Section 5A or 5B for the Individual or Corporate Trustee who has completed Section 2A or 2B respectively; and
- Full name of each beneficiary in respect of the trust or if the terms of the trust identify the beneficiaries by reference to membership of a class – details of the class.

Section 5E – Agent of Customers

Provide **BOTH** documents from the following:

- Evidence of the Agent's authority to act on behalf of the Investor (eg signed letter, power of attorney); and
- The relevant documents set out in Section 5A in respect of the Agent (if individual agent appointed) or in respect of the verifying officer (if verifying officer appointed).

AND the following if verifying officer appointed:

- Written evidence of the Investor's authorisation of the verifying officer to act as a verifying officer.

Section 6 – What is a Certified Copy of an Original Document

Certified copy means a document that has been certified as a true copy of an original document.

Certified extract means an extract that has been certified as a true copy of some of the information contained in a complete original document by one of the persons described in the sub-paragraphs below.

People who can certify documents or extracts are:

- a **lawyer**– a person who is enrolled on the roll of the Supreme Court of a State or Territory, or High Court of Australia, as a legal practitioner (however described);
- a **judge** of a court;
- a **magistrate**;
- a **chief executive officer** of a Commonwealth court;
- a **registrar** or **deputy registrar** of a court;
- a **Justice of Peace**;
- a **notary public** (for the purposes of the Statutory Declaration Regulations 1993);
- a **police officer**;
- a **postal agent** – an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- the **post office** – a **permanent employee** of The Australian Postal Corporation with 2 or more years of continuous service who is employed in an office supplying postal services to the public;
- an **Australian consular officer** or an **Australian diplomatic officer** (within the meaning of the Consular Fees Act 1955);
- an **officer** with 2 or more continuous years of service with one or more **financial institutions** (for the purposes of the Statutory Declaration Regulations 1993);
- a **finance company officer** with 2 or more continuous years of service with one or more financial companies (for the purposes of the Statutory Declaration Regulations 1993);
- an **officer** with or **authorised representative** of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees; and
- an **accountant** – a member of the institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership.

Please call us for a full list of persons who can certify documents or extracts.

Directory

Responsible Entity

Naos Asset Management Limited

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Telephone: (02) 9947 2566
Facsimile: (02) 8215 0037
Email: enquiries@naos.com.au
Website: www.naos.com.au

Custodian/Prime Broker

Citigroup Global Markets Limited

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB England

Administrator

Roach and Bruce Consulting Pty Limited

175 Macquarie Street
Sydney NSW 2000

Unit Registry

White Outsourcing Pty Limited

Level 7, 20 Hunter Street
Sydney NSW 2000

Auditor

Allworts Chartered Accountants

St Martins Tower
31 Market Street
Sydney NSW 2000

Legal Advisers

DLA Phillips Fox

201 Elizabeth Street
Sydney NSW 2000



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