

TAILORED  
INVESTMENT  
SOLUTIONS



**Tailored Investment Solutions  
Global Credit and  
Absolute Return Units  
Series 1**

**Supplementary Product Disclosure Statement**

**Dated 21st June, 2018**

# ABOUT THIS SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

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This Supplementary Product Disclosure Statement is issued by Tailored Investment Solutions Pty Ltd (ACN 169 320 905) (**Issuer**) and arranged by Theta Asset Management Limited (ABN 37 071 807 684, AFSL 230920). This Supplementary Product Disclosure Statement (the **SPDS**) supplements the Product Disclosure Statement (the **PDS**) dated 1 May 2018 issued in respect of the Tailored Investment Solutions Global Credit and Absolute Return Units Series 1 (**Units**).

The purpose of the amendments contained in this SPDS are to amend the structure of the Units to remove any foreign exchange exposure, provide additional clarification in respect of the structure of the Units, provide updated information relating to the Issuer's hedging arrangements in respect of the Units, amend the definition of Adjustment Event (and other definitions as required in respect of the updates made by this SPDS), and update various dates associated with the Units.

Details of the amendments to the PDS are set out below under the following headings:

- A. Removal of Foreign Exchange Exposure;
- B. Structure Clarification and Amendments;
- C. Updated Hedging Arrangements;
- D. Definitions; and
- E. Dates

Please read this SPDS together with the PDS and retain this document with the PDS. You should read all parts of the PDS and SPDS.

Capitalised words and phrases used in the following section of this SPDS have the meaning given to them in the PDS.

# AMENDMENTS TO THE PDS

## A) REMOVAL OF FOREIGN EXCHANGE EXPOSURE

The Issuer has entered into new arrangements in respect of the Units under which the Units will no longer have any foreign exchange exposure. The economic performance structure of the Units is otherwise unchanged. Accordingly, all references to the following are removed from the PDS:

- (a) exposure of the Units to the AUD/USD exchange rate;
- (b) the Final Value and Coupons being subject to foreign exchange risk, including deletion of the subsection titled “Foreign exchange rate” in section 8 “Risks”;
- (c) statements that the value of the Final Value and any Coupon is dependent upon foreign exchange movements; and
- (d) variables relating to the Series Spot Rate in Final Value and Coupon formulae (including in Section 7 “Worked Examples”).

The sensitivity analysis calculations under Section 5.1.1 which include the impact of exchange rate fluctuations are deleted.

The Issuer notes that the examples provided in Section 7 “Worked Examples” include an assumption of an exchange rate fixed at 1.0, and therefore the results of the worked examples provided in Section 7.4 remain unchanged.

Any statements referring to the Reference Basket Value, Final Value and Coupons being denominated in USD are amended to refer to the Reference Basket Value, Final Value and Coupons being denominated in AUD.

The formulae for the Coupons are amended to remove any foreign exchange component and are replaced with the following:

First Coupon =  $90\% \times \text{Notional Exposure} \times [\text{Min}(10\%, 100\% \times (\text{Reference Basket Value}_{v_1} / \text{Initial Reference Basket Value} - 1))]$

Second Coupon =  $90\% \times \text{Notional Exposure} \times [\text{Min}(10\%, 100\% \times ((\text{Reference Basket Value}_{v_2} / \text{Initial Reference Basket Value} - 1) - \text{Gross First Coupon}))]$

The formula for the Final Value is replaced with the following:

Final Value =  $90\% \times [\text{Max}(0, (\text{Notional Exposure} \times (\text{Final Reference Basket Value} / \text{Initial Reference Basket Value} - 1) - \text{Gross First Coupon} - \text{Gross Second Coupon}))]$

The formula for the Performance Fee is replaced with the following:

Performance Fee on the coupons =  $10\% \times \text{Notional Exposure} \times [\text{Min}(10\%, 100\% \times ((\text{Reference Basket Value} / \text{Initial Reference Basket Value} - 1) - \text{Gross Coupons}))]$

## B) STRUCTURE CLARIFICATION AND AMENDMENTS

The issuer provides the following additional information in respect of clarifying the structure of the Units:

- (a) **Euro Share Classes:** descriptions of the Global Funds comprising the Reference Basket are amended to clarify that the PDS refers to the euro denominated share classes of those Global Funds. This applies to all Global Funds. This means that the Reference Basket and Reference Basket value are denominated in euros, however, this currency exposure is fully hedged and in no circumstances will the Final Value or any Coupons be subject to any exchange rate fluctuations;
- (b) **Offsetting of performance of Global Funds:** as the Reference Basket comprises the four Global Funds, the Issuer wishes to make it clear that the value of the Reference Basket takes into account the performance of each underlying Global Fund, and a gain in one Global Fund may be offset by a loss in one or more of the other Global Funds.
- (c) **Buy-Back Price and Termination Value:** under Section 4.7 of the PDS “What is the Unit value during the Investment Term?” and any other section of the PDS that refers to the Buy-Back Price and Termination Value, or otherwise refers to the value of the Units prior to Maturity, the Issuer wishes to clarify that the value of the Hedge Agreement prior to maturity depends in part on the difference between Australian dollar and Euro interest rates, and a relative increase in Australian interest rates (or a relative fall in Euro interest rates) will reduce the value of the Hedge Agreement prior to maturity and therefore reduce the Buy-Back Price and/or Termination Value of the Units prior to maturity. Investors who do not hold their Units to maturity therefore have an exposure to this interest rate differential. For the avoidance of doubt, this interest rate exposure is only relevant if the Units are subject to any form of Early Maturity.

The Issuer replaces the formula for Reference Basket Value, and descriptions for Initial Reference Basket Value and Final Reference Basket Value as follows below. Additionally, all references to Reference Basket Closing Price are removed from the PDS due to this term being superseded by the inclusion of the below new Reference Basket Value formula, and Section 4.2 “Reference Basket Value” is deleted.

**Initial Reference Basket Value** The arithmetic average of the Reference Basket Values Closing Price on each of the three Initial Averaging Dates, as determined by TIS.

**Final Reference Basket Value** The arithmetic average of the Reference Basket Closing Price on each of the three Maturity Averaging Dates, as determined by TIS.

**Reference Basket Value** The Reference Basket Value will be calculated as follows on each Scheduled Business Day t:

$$\text{Reference Basket Value}_t = \text{Reference Basket Value}_0 \times \left( \sum_{k=1}^4 W_k \frac{\text{Global Fund}_{k,t}}{\text{Global Fund}_{k,0}} \right)$$

“ $W_k$ ” means, the Weight of the Global Fund<sub>k</sub>

“Global Fund<sub>k,t</sub>” means, the NAV of Global Fund<sub>k</sub> as of Scheduled Business Day t

“Global Fund<sub>k,0</sub>” means, the NAV of Global Fund<sub>k</sub> as of the first Initial Averaging Date

“Reference Basket Value<sub>t</sub>” means, the Reference Basket Value as of Scheduled Business Day t, where

“Reference Basket Value<sub>0</sub>” = 100

“Scheduled Business Day t” means, the particular Scheduled Business Day on which the Reference Basket Value is to be calculated.

k	Global Fund <sub>k</sub>	Bloomberg Code	Weight (W <sub>k</sub> )
1	PIMCO Funds Global Investors Series plc – Income Fund	PINEEHA ID Equity	25.00%
2	Old Mutual Dublin Funds Plc – Old Mutual Global Equity Absolute Return Fund	OMEAEHA ID Equity	25.00%
3	Jupiter JGF – Dynamic Bond	JUPLEUR LX Equity	25.00%
4	GAM Star PLC – Credit Opportunities EUR	GAMSCOE ID Equity	25.00%

Section 7.3 “How is the Reference Basket Value Calculated” is replaced with the following:

The Reference Basket Value is calculated using the formula provided in Section 3.2 “Key Information. The below is a worked example of this calculation based on the following theoretical values for the NAV of each Global Fund and an initial Reference Basket Value of 100. These theoretical values are not a forecast of the performance of the Global Funds and are in no way reflective of any actual or anticipated performance of the Global Funds.

k	Global Fund <sub>k</sub>	NAV (as at the first Initial Averaging Date)	NAV (as at Scheduled Business Day t)	Weight (W <sub>k</sub> )
1	PIMCO Funds Global Investors Series plc – Income Fund	12.75	12.7	25.00%
2	Old Mutual Dublin Funds Plc – Old Mutual Global Equity Absolute Return Fund	1.4	1.44	25.00%
3	Jupiter JGF – Dynamic Bond	11.43	11.6	25.00%
4	GAM Star PLC – Credit Opportunities EUR	18.14	18.35	25.00%

Reference Basket Value as at Scheduled Business Day t:

$$\text{Reference Basket Value}_0 \times \left( \sum_{k=1}^4 W_k \frac{\text{Global Fund}_{k,t}}{\text{Global Fund}_{k,0}} \right) = \text{Reference Basket Value}_t$$

Based on the above assumptions, the Reference Basket Value as at Scheduled Business Day t is equal to:

$$100 \times \left[ \left( 25\% \times \frac{12.70}{12.75} \right) + \left( 25\% \times \frac{1.44}{1.40} \right) + \left( 25\% \times \frac{11.60}{11.43} \right) + \left( 25\% \times \frac{18.35}{18.14} \right) \right] = 101.277491$$

(rounded to 6 decimal places)

## C) UPDATED HEDGING ARRANGEMENTS

The PDS currently specifies that the Issuer will use an ISDA Master Agreement as the Hedge Agreement for the Units. The Issuer will no longer be using an ISDA Master Agreement to hedge its obligations under the Units and will instead be using a wholesale DPA issued by the Hedge Counterparty. The economic effects of the Issuer's hedging arrangements remain unchanged.

In respect of this, all references (of any form) to an ISDA Master Agreement are removed from the PDS and under section 8 "Risks", the subsection titled "Cross-liability risks" is amended to read as follows below to reflect a reduction in the cross-liability attributable to the Units as a result of not using an ISDA Master Agreement:

### **"Cross-liability risks**

As noted above there are some circumstances in which events in relation to one Series will impact on other Series. An event of default relating to the Issuer under the Hedge Agreement of one Series may be of a type that triggers an event of default or potential event of default relating to the Issuer under another Hedge Agreement and some events of default and potential events of default relating to the Issuer may be of a type that affects more than one Hedge Agreement, where this occurs, the Hedge Counterparty may be entitled to suspend its obligations under more than one Hedge Agreement with the Issuer.

The Hedge Agreement of this Series is one under which the Issuer can not default, however, the Hedge Agreement may be subject to an early maturity in the event of the insolvency of the Issuer. A default under Hedge Agreements for other Series entered into by the Issuer may result in a suspension of the obligations of a Hedge Counterparty as described above and this could still potentially materially adversely affect Investors in this current Series by way of causing the insolvency of the Issuer as a result of the Issuer being unable to meet its obligations in respect of a separate Series. Investors could lose their Total Investment Amount."

The PDS also currently specifies that the Issuer gains exposure to the Reference Basket through the use of derivatives. Given the new form of the Hedging Agreement this will no longer be the case as a DPA is not a derivative. Accordingly, references to gaining exposure to the Reference Basket through the use of derivatives are amended throughout the PDS to read that the Issuer gains exposure to the Reference Basket through the use of financial instruments which aim to track the exposure of the Reference Basket.

The risk disclosure in the PDS relating to the Issuer defaulting under the Hedge Agreement is removed. The Issuer can not default under the new Hedge Agreement (however the Hedge Agreement may be subject to an early maturity in the event of the insolvency of the Issuer).

The risk disclosure in the PDS relating to derivatives is removed. The Issuer will not perform any derivatives transactions in relation to the Units.

## D) DEFINITIONS

The following definitions are deleted from the PDS as they are no longer relevant under the new arrangements (due to the changing of the hedging arrangements or otherwise being superseded by the amendments made under this SPDS):

- (a) Affected Party;
- (b) Bankruptcy Event of Default;
- (c) Close Out Amount;
- (d) Default under Specified Transaction;
- (e) Reference Basket Closing Price;
- (f) Specified Transaction; and
- (g) Termination Event.

The following definitions are amended/inserted as follows:

- (a) the definition of Adjustment Event is amended by adding the following after part (p) of the definition of Adjustment Event:
  - (q) any of the following occurs in respect of one or more of the Global Funds:
    - (i) A material violation or change of any material terms of a Global Fund's offer documents or other constitutional documents;
    - (ii) A change in the main investment objective of a Global Fund;
    - (iii) Any change in the currency of denomination of the NAV of the relevant class of shares/units of a Global Fund;
    - (iv) Any event, which prevents, hinders or materially impairs the Hedge Counterparty's ability to conduct its hedging activities in relation to its exposure under the Hedge Agreement;
    - (v) The NAV of a Global Fund, as calculated by its administrator, is not calculated or announced for any Fund Business Day within the time period when TIS would ordinarily expect such NAV to be calculated or announced;
    - (vi) A material change in the investment strategy or the risk/return profile of a Global Fund;
    - (vii) Any restriction or limitation or suspension or deferral of, redemptions of or subscription for shares/units in a Global Fund affecting the Hedge Agreement (whether directly or indirectly) (including, but not limited to, the introduction or increase of any associated fee, cost or expense, the introduction or use of gates or side pockets, or any restructure, reorganisation or action that has a similar impact to a gate or side pocket), or any mandatory redemption of shares/units of a Global Fund;
    - (viii) A change in the tax or regulatory environment of TIS, a Global Fund, the Hedge Counterparty or of the manager,

investment manager or investment advisor (each a “Manager”) of a Global Fund which has a material adverse impact on the ability of TIS to perform its obligations in respect of the Units;

- (ix) Any review or investigation of the activities of a Global Fund or any of its Managers, by a relevant regulator, in connection with suspected or alleged wrongdoing or breach of any rule or regulation, or other similar reason, or any disciplinary action taken by such regulator in consequence thereof;
  - (x) the Hedge Counterparty is or becomes the beneficial owner of 5% or more of the shares/units of a Global Fund or a relevant class of a Global Fund;
  - (xi) Any winding-up, liquidation of, or any termination or any loss of regulatory approval, license or registration of, a Global Fund’s Manager, or any merger, de-merger, winding-up or liquidation of or affecting a Global Fund;
  - (xii) Any arrangement between the Hedge Counterparty and a Global Fund and/or one or more of its Managers, including arrangements relating to subscriptions and redemptions, being changed or terminated;
  - (r) Any other event TIS reasonably declares to be an Adjustment Event;
- (b) part (q) of the definition of Adjustment Event in the PDS is amended to be a new part (s), and to read “any actual or proposed event that in the Issuer’s reasonable opinion be expected to lead to any of the events referred to in paragraphs (a) to (r) above occurring;
- (c) The definition of Event of Default is amended by removing the words “as defined in the Hedge”;
- (d) Insert the following definition of NAV after the definition of Minimum Total Subscription:

**NAV** means, in respect of each Global Fund comprising the Reference Basket, the net asset value of the Global Fund as published by or on behalf of the Global Fund (or its manager or administrator); provided that for the purposes of determining the Reference Basket Value:

- a. on each Initial Averaging Date, “NAV” shall mean the subscription price per share/unit that a notional investor would actually pay, if that notional investor had, at its election and by giving the appropriate notice, requested subscription of such Global Fund shares/units as of the relevant Initial Averaging Date; and
- b. on the First Coupon Determination Date, the Second Coupon Determination Date or any Maturity Averaging Date, “NAV” shall mean the liquidation proceeds that a notional investor in the shares/units in the Global Fund (as of the relevant Coupon Determination Date or Maturity Averaging Date) would actually receive, if that notional investor had, at its election and by giving the appropriate notice, requested redemption of such Global Fund shares/units as of the relevant First Coupon Determination Date, Second Coupon Determination Date or Maturity Averaging Date.

If a day on or in respect of which the NAV of a Global Fund is to be observed for the purpose of performing a calculation under this PDS is not a Fund Business Day for that Global Fund, the observation will be taken on the immediately following Fund Business Day, subject to the consequences of any Adjustment Event.

For the avoidance of doubt, in respect of other Global Funds in the Reference Basket where the original scheduled observation date is a Fund Business Day for such Global Fund, the observation of the NAV of such Global Fund will be taken on the original scheduled date.

Subject to the consequences of any Adjustment Event, calculation of the Reference Basket Value on an Initial Averaging Date, a Maturity Averaging Date, the First Coupon Determination Date and Second Coupon Determination Date will not be completed until all of the NAVs of the Global Funds are observed.

- (e) Insert the following definition of Fund Business Day after the definition of Fund:
- Fund Business Day** means, in respect of each Global Fund, a day (excluding Saturday and Sunday) on which the following conditions are met: (i) the manager or administrator of the Global Fund calculates and publishes the NAV of that Global Fund and (ii) a notional investor in the shares/units in the Global Fund could subscribe for and redeem shares/units in the Global Fund.
- (f) Replace the definition of Scheduled Business Day as follows:

**Scheduled Business Day** means:

- a. in respect of the Reference Basket, any day which is a Fund Business Day for all of the Global Funds in the Reference Basket; and
- b. in respect of the Delivery Asset, any day on which the Relevant Exchange is scheduled to be open for trading for its regular trading sessions.

## E) DATES

The following dates which are listed in section 3.1 of the PDS “Timeline” are amended as follows:

Issue Closing Date	3 July 2018
Final Application Payment Date	3 July 2018
Commencement Date	5 July 2018
Initial Averaging Dates	5 July 2018, 13 July 2018, 17 August 2018
Maturity Averaging Dates	15 April 2021, 14 May 2021, 15 June 2021