

Specialist Income Fund ARSN 097 160 748



Product Disclosure Statement (PDS)

Mosaic Portfolio Advisers Limited • ABN 13 108 747 637

Australian Financial Services Licence No: 275101 • Date of Product Disclosure Statement: **25 March 2014**

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Important Information

This PDS is a summary of significant information about the Specialist Income Fund (**Fund**) ARSN 097 160 748. It also contains references to important additional information, marked with an "!", which form part of this PDS. You should consider that information before making a decision about the Fund. This PDS has been prepared in accordance with Subdivision 4.2C of Division 4 of Part 7.9 Corporations Regulations.

The information in this PDS is general information only and does not take account of your personal financial situation or needs. You should consult a licensed financial adviser to obtain financial advice tailored to suit your personal circumstances.

Contact details

If you have any questions or would like more information about the Fund, including hard copies of this PDS and any incorporated materials, please contact Investor Services on:

Phone: 1300 693 464

Address: Level 18, 50 Bridge Street, Sydney NSW 2000

Updated information

Information in this PDS may change. If a change will not be materially adverse to investors, then updated information will be made available on Mosaic's website at www.mosaicpa.com.au and Mosaic will provide investors with a paper copy of new information upon request at no charge. Updated information may be obtained by contacting Mosaic using the contact details above.

1. About Mosaic Portfolio Advisers Limited

The responsible entity for the Fund, and the issuer of this PDS is Mosaic Portfolio Advisers Limited, ABN 13 108 747 637, Australian financial services licence number 275 101 (**Mosaic**). Mosaic is referred to as Mosaic, we, us, our, the Responsible Entity or the RE in this PDS.

Mosaic is a wholly owned subsidiary of SFG Australia Limited (ABN 81 006 490 259). As the responsible entity, we're responsible for ensuring that the Fund complies with its constitution and the law. Our responsibilities include establishing, implementing and monitoring the Fund's investment objectives and strategies.

2. How the Fund works

The Fund is a registered managed investment scheme structured as an unlisted, open-ended unit trust. When you invest your money in the Fund, your money is pooled together with other people's money and is used to buy investments. We manage the investments on behalf of all Fund members.

So that you know what your share of the Fund is worth, the total value of the assets in the Fund is divided into "units". We will quote you a price for each unit and will keep a record of the number of units you have bought. The price of units will change from time to time as the market value of assets in the Fund rises or falls. We will be able to provide you with information about the current unit price to help you decide whether to sell your units or buy more. The price of buying and selling units will vary due to the costs of buying and selling the underlying assets in the Fund.

The minimum initial investment is \$1,000,000 and the minimum additional investment is \$10,000 (although Mosaic may, at its discretion, accept lower amounts). These minimum amounts do not apply if you are investing indirectly, for example through an investor directed portfolio service.

You can increase your investment at any time by buying more units in the Fund. Generally, you can decrease your investment by redeeming some of your units, although in certain circumstances (such as a freeze on withdrawals) you may have to wait a period of time before you can reduce your investment.

The Fund may distribute income, if any, on a quarterly basis in respect of the distribution periods ending each 30 June, 30 September, 31 December and 31 March. Distributions will be paid within 30 days after the end of the relevant distribution period, the period required by the Fund's constitution for the payment of distributions. Income distributions for the Fund are based on the distributable amount per unit determined by Mosaic at the end of the distribution period multiplied by the number of units held on the last day of the distribution period.

! For more detailed information on the acquisition and disposal of interests in the Fund, go to section 1 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The more detailed information on the acquisition and disposal of interests in the Fund may change between the time when you read this PDS and the day when you sign the application form.

3. Features and benefits of investing in the Fund

The Fund invests in a diversified portfolio of Australian and international fixed interest and money market securities. The Fund has a goal of achieving capital appreciation and income.

Investing in the Fund offers you a range of benefits, including:

- access to a professionally managed investment portfolio;
- exposure to assets and strategies that would ordinarily be difficult for an individual to invest into; and
- access to regular information on your investment from our website www.mosaicpa.com.au and regular investment statements and an annual tax statement.

! For more detailed information on the features and benefits of the Fund, go to sections 2, 3 & 4 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The more detailed information on the features and benefits of the Fund may change between the time when you read this PDS and the day when you sign the application form.



4. Risks of managed investment schemes

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

It is also important for investors to consider their individual risk parameters and investment time frame. For assistance with such decisions, it is recommended that investors seek the advice of a licensed financial adviser.

A key risk of investing in the Fund is market risk which is the increase or decrease in market valuations stemming from factors external to the Fund which affect investment performance, for example economic cycles, financial market conditions, inflation, and business confidence in Australia and in overseas countries where the Fund has an investment exposure.

The significant Fund risks are as follows:

4.1 Security specific risk

This is the risk of change in the value of a security caused by factors that are specific to a company or security. For example, changes to a company's operations or management, its business environment or financial position, or market sentiment.

4.2 Interest rate risk

Changes in interest rates may affect the value and returns on investments.

4.3 Credit risk

The market value of securities could fall if the issuer or guarantor of a fixed interest security defaults or delays on principal repayments and/or interest payments, or is otherwise unable to honour its obligations.

4.4 Term risk

Many factors can affect the value of fixed interest securities, including changes in real interest rates, inflation, supply and demand, early repayment and risk aversion. In general, the longer the duration of a bond, the more sensitive it may be to these factors.

4.5 Liquidity risk

Liquidity risk arises from the absence of an established market or a shortage of buyers for a security (including a derivative) resulting in an inability to sell that security at the current valuation in a timely fashion. Under abnormal or difficult market conditions, some normally liquid securities may become illiquid.

4.6 International investment risk

Investing in international markets exposes a Fund to additional risks associated with currency movements, differing tax structures, accounting, auditing and financial reporting standards, and social, economic and political factors that affect a country or region.

4.7 Derivatives risk

Derivatives are contracts between two parties that usually derive their value from the amount or value of an underlying asset, rate or index. Derivatives may be used by a Fund to gain, reduce or modify exposure to a particular asset class or currency. Risks associated with using these tools might include the values of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract).

While risks can be managed, they cannot be eliminated. It is important to understand that:

- the value of investments will vary;
- the level of returns will vary, and future returns may differ from past returns;
- returns are not guaranteed, and members may lose some of their money; and
- laws affecting registered managed investment schemes may change in the future.

The appropriate level of risk for you will depend on a range of factors, including your age, investment time frame, where other parts of your wealth are invested and your risk tolerance.

! For additional information about the risks relating to registered managed investment schemes go to section 5 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The additional information about the Fund may change between the time when you read this PDS and the day when you sign the application form.

5. How we invest your money

Set out below is a summary of the key features of the Fund. You should consider the likely investment return, the risk and your investment timeframe when choosing to invest in the Fund.

Objective	To provide a level of investment return that is reasonable when compared to both the medium term investment horizon of the Fund (see below) and the medium level of investment risk.										
Current Investment Manager	Mosaic (Specialist Manager(s) may be appointed to manage all or a portion of the Fund).										
Principal investment exposure¹	Diversified portfolio of cash, liquid securities, fixed interest securities and investments including global investment products.										
Asset Allocation ranges²	<table> <tr> <td>Cash and liquid securities</td> <td>0% - 100%</td> </tr> <tr> <td>Fixed interest securities</td> <td>0% - 100%</td> </tr> <tr> <td>Hybrid securities</td> <td>0% - 30%</td> </tr> <tr> <td>Currency (non AUD)</td> <td>0% - 20%</td> </tr> <tr> <td>Alternatives</td> <td>0% - 30%</td> </tr> </table>	Cash and liquid securities	0% - 100%	Fixed interest securities	0% - 100%	Hybrid securities	0% - 30%	Currency (non AUD)	0% - 20%	Alternatives	0% - 30%
Cash and liquid securities	0% - 100%										
Fixed interest securities	0% - 100%										
Hybrid securities	0% - 30%										
Currency (non AUD)	0% - 20%										
Alternatives	0% - 30%										
Geographic coverage	International, including Australia										
Currency hedging	The Fund will generally hedge foreign currency exposure to the Australian dollar but it may choose not to hedge some or all of its exposure. Underlying Fund(s) that the Fund invests in may hedge some or all foreign currency exposure to the Australian dollar.										
Risk profile³	Medium										
Recommended timeframe³	3+ years										
Significant risks	Security specific risk Interest rate risk Credit risk Term risk Liquidity risk International investment risk Derivatives risk										
Changes to the Fund	We may make changes to the Fund from time to time, including adding or removing a Specialist Manager, amending the principal investment exposure, target asset allocation and/or geographic coverage of the Fund. We will notify you of any material changes that are made to the Fund.										
Labour standards or environmental, social or ethical considerations	While Mosaic intends to conduct its affairs in an ethical and sound manner, the investment criteria of the Fund do not include giving additional weight to labour standards, environmental, social or ethical considerations when making or realising an investment of the Fund.										

- 1 To achieve its objective, the Fund may gain some or all of its investment exposure by investing in Underlying Funds managed by the RE or other fund manager(s) where allowed by applicable laws and regulations.
- 2 The asset allocation ranges take into account the asset allocation in any Underlying Funds into which the Fund invests. Mosaic reserves the right to vary the Fund's asset allocation from time to time between these (and other) types of investments and to amend these ranges from time to time to take into account changes in market and general economic conditions. Mosaic will regularly publish investment updates on the Fund on its website at www.mosaiccpa.com.au
- 3 The risk profile and recommended timeframe for investors are a guide only and not a recommendation. Each prospective investor should discuss their investment in the Fund with their financial adviser to ensure it is a suitable investment given their individual objectives, financial situation and needs.

! For additional information about the Fund, go to section 2 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaiccpa.com.au

You should read this important information before making a decision. The additional information about the Fund may change between the time when you read this PDS and the day when you sign the application form.



6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your 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 fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website www.moneysmart.gov.au has a managed investment fee calculator to help you check out different fee options. The calculator can also be used to calculate the effects of fees and costs on your investment.

6.1 Fees and other costs table

This section provides a summary of the main fees and costs that you may be charged in relation to an investment in the Fund. Information in the fee table can be used to compare costs between different simple managed investment schemes.

The fees and costs charged by the Fund may be paid directly from your account, deducted from investment returns or from the Fund assets as a whole. It is our intention to pay such amounts from the Fund's assets.

TYPE OF FEE OR COST	AMOUNT ¹
Fees when your money moves in or out of the Fund²	
<i>Establishment Fee</i>	Nil.
<i>Contribution Fee</i>	Nil.
<i>Withdrawal Fee</i>	Nil.
<i>Termination Fee</i>	Nil.
Management costs³	
The fees and costs for managing your investment	Estimated to be 0.62% p.a. of the Fund's net assets per annum (excluding any abnormal or extraordinary expenses), or \$6,200 each year for every \$1,000,000 you have in the Fund.

Footnotes

- 1 Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST (i.e. inclusive of 10% GST, less any estimated reduced input tax credits or (RITCs) available to the Fund).
- 2 The Fund also has a Transaction Cost Allowance. While not strictly a fee, this is a cost that is passed on to you when you acquire or dispose of units in the Fund.
- 3 Further details of management costs are set out below. In addition, the amount of this fee may be negotiated.

6.2 Example of annual fees and costs for the Fund

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

EXAMPLE		BALANCE OF \$1,000,000 WITH A CONTRIBUTION OF \$10,000 DURING THE YEAR
Contribution fees	Nil.	For every additional \$10,000 you invest, you will be charged \$0.
Plus Management costs	0.62% ¹	And for every \$1,000,000 you have in the Fund, you will be charged \$6,200 each year ³ .
Equals Cost of fund		If you had an investment of \$1,000,000 at the beginning of the year and you put in an additional \$10,000 during that year, you would be charged fees of \$6,200 ² What it costs you will depend on the fees you negotiate with your fund or your financial adviser.

1. The management costs figure has been calculated by reference to:
 - a. the management fee of 0.21%,
 - b. expense recoveries of 0.10%, and
 - c. Specialist Manager fee of 0.31%
2. We have assumed that the \$10,000 contribution occurs on the last day of the year.
3. In this example, the amount held in the Fund has not been adjusted to take account of variable unit pricing of the Fund. Investors should note that their investment balance and the value of the Fund will vary daily, and that the actual fees charged will be based on the value of the Fund, and will vary as the value of the Fund changes.

Important notes for investors:

All costs above are:

- (a) inclusive of the net effect of GST, if applicable (i.e. inclusive of 10% GST, less any estimated reduced input tax credits or (RITCs));
- (b) calculated by reference to the net asset value of the Fund; and
- (c) rounded to two decimal places.

6.3 Additional information about fees and costs

Fee changes

Under the Fund's constitution, Mosaic has the power to waive, defer or reduce fees at its discretion without notice, but importantly is not able to increase fees beyond the maximum amount provided in the Fund's constitution without seeking approval of investors by special resolution at a meeting. Mosaic will provide 30 days' notice of any future fee increases.

Financial adviser fees

Additional fees may also be payable to your financial advisor if consulted. Such fees will be set out in the Statement of Advice that they provide to you.

Differential fee arrangements

We may charge, rebate or waive management fees to certain Professional Investors, sophisticated investors or wholesale clients on a basis that differs from that applying to other unit holders, based on individual negotiations with those investors, in accordance with ASIC policy. These arrangements do not involve any extra cost to the Fund.

! For more detailed information about fees and costs, go to section 6 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The more detailed information about fees and costs may change between the time when you read this PDS and the day when you sign the application form.



7. How managed investment schemes are taxed

Your investment in a managed investment scheme is likely to have tax consequences, which in general will occur on an annual basis even if you do not change your investment. Managed investment schemes do not pay tax on behalf of members, and as a member you will be assessed for tax on any income and capital gains generated by the scheme. As tax matters for managed investment schemes are complicated, you are strongly advised to seek your own professional tax advice.

! For additional information about taxation matters relating to registered managed investment schemes go to section 7 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The additional information about taxation matters may change between the time when you read this PDS and the day when you sign the application form.

8. How to apply

1. Read this PDS together with the additional information referred to throughout.
2. Direct investors (those not applying through an investor directed portfolio service or other such service) should complete the application form accompanying this PDS.

Retail investors can request in writing to have their investment in the Fund cancelled within the 14-day cooling off period under the Corporations Act. The cooling-off period begins when you receive a transaction confirmation or five days after the units are issued, whichever is earlier. If you cancel your investment, you may not receive the same amount that was invested due to negative market movements and applicable transaction costs. There is no cooling-off period with respect to units issued under the distribution reinvestment plan.

If you feel we are not dealing with you as you would like, you can make a complaint to us. Our mailing address is on the front cover.

Persons investing through an Administration Service should consult the operator of that Administration Service regarding applications and the cooling-off rights (if any) that may apply to their investment through the Administration Service.

! For more detailed information about complaints and dispute resolution, go to section 2 of the "Specialist Funds Additional Information Booklet" dated 25 March 2014 at www.mosaicpa.com.au

You should read this important information before making a decision. The more detailed information about complaints and dispute resolution may change between the time when you read this PDS and the day when you sign the application form.