



# Kwala Fund

## INVESTMENT OPTIONS LIST

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## Important Information

This investment options list (**Investment Options List**) is issued by Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289) (**MSC or the Trustee**). It forms part of, and should be read in conjunction with, the primary Product Disclosure Statement for the Fund (available at [kwa.la/PDS.pdf](http://kwa.la/PDS.pdf)). You should also read the additional information document (available at [kwa.la/AID.pdf](http://kwa.la/AID.pdf)) which also forms part of the PDS. In this Investment Options List, the term PDS refers to the primary Product Disclosure Statement.

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

Information in this Investment Options List may change from time to time. Where a change is not materially adverse to investors, it may be updated via a notification at [kwa.la](http://kwa.la)

You can ask Kwala to provide a digital copy of any updated information, free of charge, at [hello@kwalainvest.com](mailto:hello@kwalainvest.com).

## Investment Options

### INVESTMENT OPTIONS

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This document describes the Investment Options that may be available to investors from time to time. There is currently a single Investment Option available, although additional Investment Options may be added in the future. Investors will not necessarily always have access to all of the Investment Options. Additional Investment Options may be made available in the future. To see which Investment Options are currently available for investment, please see the App. The App is not incorporated by reference into, and otherwise does not form part of, this document or the PDS.

## 1. Investment Options

The Fund currently offers a single Investment Option called the Kwala One Fund. More Investment Options may be added in the future.

The Kwala One Fund will invest in a portfolio of listed shares, exchange traded funds (ETFs), unlisted shares and managed funds through managed accounts in accordance with the investment objective of the Kwala One Fund Investment Option. The securities will either be listed or quoted securities on major global exchanges or be unlisted securities domiciled in Australia, New Zealand, United States or developed European nations. Cash will also be held for liquidity.

The Kwala One Fund Investment Option is structured to achieve a total return through various combinations of capital growth and income over the long term. Kwala considers that this will not only allow the Investment Option to generate returns over time but also allow it to recover in the event of market deterioration.

Kwala takes environmental, social, ethical and governance standards into account, and prefers growth companies challenging incumbents that offer new goods and services. Consideration will also be given to the purpose of the underlying company, the company's role in transforming an industry and how the company engages in sustainability innovations.

Positive screens are used to specifically **include** a company into the universe of investible securities if it carries on business in industries that satisfy one or more of the following criteria:

- (1) Healthcare, health technology and medical technology
- (2) Sustainable agriculture and agricultural technology
- (3) Renewable energy, energy storage, renewable energy technology
- (4) Education
- (5) Artificial intelligence and robotics
- (6) Information technology

- (7) Global carbon assets
- (8) Creative financial services
- (9) Mining necessary for the renewable energy transition

At the same time, negative screens are used to **exclude** a company from the universe of investible securities if they carry on business in an industry that falls into any one of the following criteria:

- (1) Alcohol
- (2) Gambling
- (3) Adult entertainment
- (4) Tobacco
- (5) Harmful media [1]
- (6) Animal cruelty
- (7) Fossil fuel mining, production and intensive usage
- (8) Nuclear energy
- (9) Deforestation
- (10) Ocean exploitation
- (11) Controversial weapons [2]

The screens used for ETFs or managed funds and single stock selection will not be the same as it is acknowledged that due to the diverse underlying holdings of an ETF or managed fund, it may not always be possible for an ETF or managed fund to satisfy all the screening requirements due to their diverse underlying holdings. In instances where an ETF or managed fund fails to satisfy the screening requirements because of a select few underlying holdings, but is otherwise considered to be an appropriate fit for the Kwala One Fund, the ETF or managed fund will be further assessed to determine whether the benefits of inclusion

[1] This includes any media which Kwala considers does not respect or protect individual privacy rights and/or exposes minors to harmful media content.

[2] Kwala assesses the 'controversial weapons' negative screen generally with reference to activities prohibited under international treaties and conventions being: Treaty on the Non-Proliferation of Nuclear Weapons (1968), Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972), Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993), Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997), and Convention on Cluster Munitions (2008).

outweigh the benefits of exclusion. The following will be considered in the assessment:

- (1) Overall benefit of the inclusion of the ETF or managed fund in the portfolio.
- (2) Total weight allocated to securities that fail to satisfy all the screens.
- (3) Screens that are breached and the level of the breach.

In addition, all security holdings must positively contribute to one or more of the 17 UN Sustainable Development Goals (UNSDG) and have as low a negative contribution to the UNSDGs as possible. Kwala considers all contributions to society, knowing that there is no single or simple answer to improving inequality, pollution, climate change and the well-being of all.

In addition, Kwala recognises that some companies are genuinely trying to transition from their past to be more positive contributors to tomorrow's society. Kwala will actively seek to identify and avoid companies that engage in greenwashing.

Compliance against the universe of investible securities will be reviewed at the end of each quarter. Where Kwala identifies that any investment no longer falls within the investible universe, these assets will be sold in the following quarter.

Note that actual returns and volatility of the Investment Option may differ from expectations and may deviate from return objectives over short periods of time. As such, performance will be measured over longer investment cycles.

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

## KWALA ONE FUND – Product Information

### Product Summary

This Investment Option provides exposure to a portfolio of securities that are focused on environmental, social and corporate governance (ESG) centric themes. In accordance with the ESG centric themes, the portfolio will consist of listed shares, exchange traded funds (ETFs), unlisted shares and managed funds through managed accounts. The securities will either be listed or quoted securities on major global exchanges or be unlisted securities domiciled in Australia, New Zealand, USA or developed European nations. Cash will also be held for liquidity.

### Investment return objective

To achieve returns exceeding the MSCI World Total Returns Index after fees and expenses in Australian dollars.

### Investor profile

For investors that seek to achieve a total return over the longer term, which may allow for a recovery in the event of market deterioration, through investments in securities that have been screened and selected based on a set of ESG criteria.

### Investment strategy

The shares, unlisted managed funds and ETFs will be selected in accordance with ESG centric themes. Positive screens will be used to include companies into the universe of investible securities, whilst negative screens will be used to exclude companies from the universe of investible securities. Where an ETF or unlisted managed fund fails to satisfy the screening requirements, but is otherwise considered to be an appropriate fit, there will be a further assessment on whether to include the ETF or unlisted managed fund through comparing benefits and risks. Security holdings must also contribute positively to UNSDGs.

### Minimum suggested investment time frame

7 years

### Risk Level\*

High risk

\* For information about risk levels, please go to section 2 of the AID ('Additional risks'). For more information about fees and costs, please go to section 4 of the AID ('Fees and costs').

## KWALA ONE FUND – Asset allocation (% of the gross value of the Investment Option)

Asset Allocation	Exposure Type	Exposure Allocation (%)
Australian Equities	ETFs Listed single stocks Unlisted single stocks Unlisted managed funds	98% (80 – 100%)
International Equities	ETFs Listed single stocks Unlisted single stocks	
Cash	Cash or cash equivalent (all currencies)	2% (0% – 20%)

## KWALA ONE FUND – Estimated costs

<b>Indirect Costs</b>	0.29% p.a. of the net trust value of the Fund
<b>Recoverable expenses</b>	0
<b>Buy/sell spread*</b>	±0.25%

\* This sets out the estimated buy/sell spread incurred in relation to the relevant Investment Option. For the amounts recovered from investors as the buy/sell spread on unit prices, see below.

## 2. Transaction costs

	Gross transaction costs*	Buy/sell spread recovery*	Net transaction costs*
<b>Kwala One Fund</b>	0.18%	0.14%	0.04%

\* All figures are expressed as a percentage of the net trust value of the Fund. For more information about fees and costs, please go to section 4 of the AID ('Fees and costs').