

20 September 2024

Dear investors,

## Notice of Meeting and Explanatory Memorandum

Equity Trustees Limited ACN 004 031 298 as Responsible Entity of Fat Prophets Global High Conviction Hedge Fund ('Scheme') (ASX: FATP) is writing to advise of a meeting of members for the Scheme scheduled for 11:00 am AEDT on Monday 21 October 2024.

The following document is attached:

1. Notice of Meeting and Explanatory Memorandum

Please contact Equity Trustees on 03 8623 5000 if you have any queries.

Yours sincerely

Andrew Godfrey  
Director

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Equity Trustees was established in 1888 to provide independent and impartial trustee and executor services to help families throughout Australia protect their wealth. As Australia's leading specialist trustee company, Equity Trustees offers a diverse range of services to individuals, families and corporate clients including asset management, estate planning, philanthropic services and responsible entity services for external fund managers. Equity Trustees is the brand name of EQT Holdings Limited (ABN 22 607 797 615) and its subsidiary companies. EQT Holdings Limited is listed on the Australian Securities Exchange (ASX: EQT).

# Fat Prophets Global High Conviction Hedge Fund

## Notice of Meeting and Explanatory Memorandum

Friday, 20 September 2024

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## Important notice

This document is issued by Equity Trustees Limited (ABN 46 004 031 298, AFSL 240 975) (**Equity Trustees or Responsible Entity**) in its capacity as responsible entity of the Fat Prophets Global High Conviction Hedge Fund (ASX:FATP, ARSN 649 028 722) (**Fund**).

## Purpose of this Explanatory Memorandum

This Explanatory Memorandum provides you with information about the proposed resolution contained in the separate Notice of Meeting sent to unitholders of the Fund (**Unitholders**) (see **Appendix 1**) regarding the proposed change of the Fund's responsible entity to K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (**K2**) (**Proposal**). Following the change of responsible entity, Fat Prophets Funds Management Pty Ltd (ABN 92 615 545 536, CAR 001252826) (**Investment Manager**) will continue to act as the investment manager and will appoint Savana Asset Management Pty Ltd (ABN 79 662 088 904, CAR 1308949) (**Investment Advisor or Savana**) to act as an Investment Advisor to assist in managing the Fund in accordance with a new investment strategy. K2 will subsequently rebrand the Fund as 'Savana US Small Caps Active ETF' (proposed ASX ticker code SVNP) and issue a new product disclosure statement outlining the terms of investment in the Fund going forward.

Equity Trustees recommends that you read the Explanatory Memorandum and the Notice of Meeting in full and seek advice from a licensed financial adviser or other professional adviser before you determine how to exercise your vote on the resolution set out in the Notice of Meeting. This Explanatory Memorandum provides information about the objectives of the Proposal and the benefits and risks of the Proposal to the Unitholders in the Fund.

## Forward Looking Statements

To the extent that this Explanatory Memorandum contains any statements which may be considered to be forward-looking, those statements reflect the reasonably held and current expectations of the Investment Manager and/or Investment Advisor concerning future results and events as at the date of this Explanatory Memorandum. Forward looking statements involve subjective judgment and analysis and are subject to uncertainties, risks, and contingencies, many of which are outside the control of, and are unknown to, the Investment Manager, the Investment Advisor and Equity Trustees (and its officers, employees, agents, or associates). Unforeseen or unpredictable events and various risks could affect future results of the Fund following the implementation of the Proposal, causing results to differ from those which are expressed, implied, or projected in any forward-looking statements. Any forward-looking statements are provided for information purposes only in order to assist Unitholders to make decisions about whether to vote in favour of the Resolution set out in the relevant Notice of Meeting. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

## Disclaimer

The information in this Explanatory Memorandum does not take into account your investment objectives, financial situation, tax position or needs. It also does not analyse the implications of the Proposal on "foreign persons" under the *Foreign Acquisitions and Takeovers Act 1975* (Cth). It is important that you read the Explanatory Memorandum before making any voting decision. In particular, it is important that you consider the advantages and disadvantages of the Proposal (see Section 2 of this Explanatory Memorandum). If you would like to refer to current information about the Fund, the units on issue, monthly redemptions, quarterly portfolio disclosure, and monthly prime brokerage disclosure are available from the Fund's website, <https://www.fatprophets.com.au/fatp/>. To the maximum extent permitted by law, neither Equity Trustees nor any of its directors, officers, employees, agents, or advisers accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it. The information in this Explanatory Memorandum remains subject to change. Equity Trustees may vary the timetable for

implementing the Proposal. We will notify you of any material changes in relation to this Explanatory Memorandum via the ASX announcements platform and on the Fund's website: <https://www.fatprophets.com.au/fatp/>.

The information in this Explanatory Memorandum is current as at Friday, 20 September 2024 unless otherwise stated.

The figures used throughout this Explanatory Memorandum are as of Friday, 20 September 2024.

### **Privacy**

Equity Trustees or their agents may collect personal information in the process of convening the meeting and implementing the Proposal. Such information may include the names, contact details and Unit holdings of Unitholders and the names of persons appointed to act as a proxy, corporate representative, or attorney at the meeting. The primary purpose of the collection of personal information is to assist Equity Trustees to conduct the meeting and implement the Proposal. Personal information of the type described above may be disclosed to the print and mail service providers, registry service providers and related bodies corporate of Equity Trustees. Unitholders have a right to access their personal information and should contact the Responsible Entity in office at the time if they wish to access their personal information. Unitholders who appoint a named person to act as their proxy, corporate representative or attorney should ensure they inform that person of these matters.

For further information on Equity Trustees' privacy policy, please visit <https://www.eqt.com.au/global/privacystatement>.

### **Additional Information**

If after reading this Explanatory Memorandum you have any further questions, please contact your financial adviser or Fat Prophets on 1300 881 177.

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**Key dates for the proposal**

Event	Date
Explanatory Memorandum and Notice of Meeting issue date	Friday, 20 September 2024
Deadline for voting / proxy forms for the Meeting	11:00 am on Thursday, 17 October 2024
Record date for voting	4:00 pm on Thursday, 17 October 2024
Meeting of Unitholders	11:00 am on Monday, 21 October 2024
<b>If the Proposed Resolution is approved by Unitholders at the Meeting, the following key dates apply.</b>	
Effective date of change in RE	Wednesday, 23 October 2024
Issue of updated PDS for the Fund	Wednesday, 23 October 2024

All dates following the issue date of this Explanatory Memorandum are indicative only and may be subject to change. The Responsible Entity will notify Unitholders of any change to this timetable via the ASX announcements platform and the Fund's website at <https://www.fatprophets.com.au/fatp/>. All times refer to Sydney time unless indicated otherwise.

## 1. Letter from the Responsible Entity

Dear Unitholder,

Equity Trustees Limited in its capacity as Responsible Entity of the Fund, hereby provides you with the Proposal to change the responsible entity of the Fund to K2 which will facilitate a change to the Fund's investment strategy.

### The Proposal

If the Proposed Resolution (as defined in the Notice of Meeting) is approved by Unitholders, Equity Trustees will retire as the Fund's responsible entity and K2 will be appointed to the role.

Fat Prophets will continue to act as the investment manager and will appoint Savana to act as an Investment Advisor to assist in managing the Fund in accordance with a new investment strategy. Investment in the Fund will be offered and governed by a new product disclosure document (**PDS**) to be issued by K2. The Fund will be renamed to 'Savana US Small Caps Active ETF' (proposed ticker code SVNP). There will be no change to the status of the Fund as an exchange traded fund quoted on the ASX.

Further information about the Proposal is provided in Section 2 of the Explanatory Memorandum, information about K2 and the change in investment strategy is provided in Sections 3 and 4.

The costs to implement the Proposal will be borne by the Investment Manager.

### Reasons for the Proposal

Equity Trustees are seeking to retire as responsible entity for the Fund pursuant to a request from the Investment Manager and seeking to appoint a replacement.

The Proposal to appoint K2 as the replacement responsible entity is intended to provide Unitholders with the following:

- K2 will continue to operate the Fund with the current service providers (excluding the custodian) and Investment Manager;
- K2 holds the requisite licencing and resources to service the Fund and maintain operation of the Fund in accordance with the compliance plan lodged with ASIC;
- No increase in responsible entity fees being charged to the Fund; and
- Facilitation of the new investment strategy by K2.

### Factors in Deciding How to Vote

This Explanatory Memorandum is intended to assist Unitholders in considering all aspects of the Proposal and to decide whether to vote for or against the Proposal at the meeting of Unitholders to be held on Monday, 21 October 2024. For further information on the reasons for and against the Proposal see Sections 2.3 and 2.4 of the Explanatory Memorandum respectively. In this document you will find information concerning the Proposal including:

- Information about K2;
- An overview of the change in the Fund's investment strategy; and
- A summary of general tax considerations relevant to the Proposal.

### Voting on the Resolution

The Meeting will be held at 11:00 am on Monday, 21 October 2024 at the Investment Manager's offices located at Level 3, 22 Market Street, Sydney NSW 2000. Unitholders can vote by submitting a voting form, by proxy or in person. Further details are set out in the documents accompanying this Explanatory Memorandum.

We encourage you to read the attached Explanatory Memorandum and Notice of Meeting in Appendix 1 carefully. If you have any questions, please contact your financial adviser or Fat Prophets on 1300 881 177.

Kind regards,

Andrew Godfrey  
Director



## 2. Overview of the Proposal

### 2.1 Background to the Proposal

If the Proposed Resolution (as defined in the Notice of Meeting) is approved by Unitholders, Equity Trustees will retire as the Fund's responsible entity and K2 will be appointed to the role when ASIC updates its records to reflect the change in responsible entity.

Fat Prophets will continue to act as the investment manager and will appoint Savana to act as an Investment Advisor to assist in managing the Fund in accordance with a new investment strategy. Investment in the Fund will be offered and governed by a new product disclosure document (**PDS**) to be issued by K2. The Fund will be renamed to 'Savana US Small Caps Active ETF' (proposed ticker code SVNP). There will be no change to the status of the Fund as an exchange traded fund quoted on the ASX.

### 2.2 Proposed Resolution

To implement the Proposal, the Fund is seeking to change the responsible entity to K2. For Equity Trustees to retire as responsible entity of the Fund under section 601FL(1) of the *Corporations Act 2001*, Equity Trustees must call a meeting of Unitholders to explain its reason for wanting to retire and to enable the Unitholders to vote for the new responsible entity, K2, by extraordinary resolution.

In accordance with this provision, an extraordinary resolution of the Unitholders must be passed to approve the retirement of Equity Trustees and appointment of K2 as the new responsible entity.

If Unitholders approve the Proposed Resolution, K2 will implement the Proposal by issuing a new PDS outlining the new investment strategy and terms of investment. If Unitholders do not approve the Proposed Resolution, EQT will remain as responsible entity of the Fund. If EQT remains as responsible entity of the Fund it will need to consider if it is in the best interests of Unitholders to close the Fund given the current scale of the Fund.

The Proposed Resolution can only be passed if at least 50% of the total votes that may be cast by Unitholders entitled to vote either in-person or by proxy are in favour of the Proposed Resolution. If the Proposed Resolution is passed, the Proposal will proceed even if some Unitholders have not voted in favour of it or if some Unitholders have not cast a vote.

### 2.3 Reasons you should vote in favour of the Proposal

Some factors which may lead you to vote in favour of the change in the Fund's responsible entity to K2 and the change in the Fund's investment strategy include those listed below.

Reasons to vote for the proposal	Description
Maintenance of current arrangements	K2 will continue to operate the Fund with the current service providers (excluding the custodian) and Investment Manager
No increase in responsible entity fees	There will be no increase in responsible entity fees being charged by K2 for the provision of its services to the Fund.
Facilitation of the new investment strategy of the Fund	K2 will facilitate the new investment strategy of the Fund.

### 2.4 Reasons you might choose to vote against the Proposal

Some factors which may lead you to vote against the change in the Fund's responsible entity to K2 and the change in the Fund's investment strategy include those listed below.

Reasons to vote against the proposal	Description
Preference for existing responsible entity, investment strategy, and fee structure	Investors may prefer the existing governance arrangements and services provided by Equity Trustees, as well as the current investment strategy and fee structure.
Minor disruption in operations	The change of responsible entity to K2 is expected to have no impact on Unitholders' investments in the Fund. There may be potential for some minor disruption to the operation of the Fund arising from the implementation of the transition. This may be in relation to service providers, provision of undated signatory lists, or portal access. These are standard disruptions with any responsible entity transition.
Cash holding	To implement the new investment strategy, the current investments in the Trust will be realised for cash. As such, the Fund may only hold cash for a period of 1-2 weeks after the effective date of change in responsible entity and before Savana is able to implement the new strategy.

## 2.5 Tax considerations

Under the Proposal, the legal title to the assets of the Fund will be transferred from Equity Trustees to K2 as the new responsible entity. However, the beneficial interests in the assets of the Fund will not change. The current constitution of the Fund allows for the change in responsible entity and the Proposal will be implemented in accordance with the constitution.

Transfers arising from the change in trustee are exempt from duty under the Duties regimes of most States. It is not anticipated that duty will be payable as, at the time of the change of responsible entity, the Fund will not directly hold land, invest in private equities, or hold more than 90% of the interests in a publicly listed entity that holds dutiable property in any non-exempt State.

No capital gains tax (CGT) event will be triggered as a result of any trust resettlement due to the change in responsible entity, however, a CGT event may occur when the Fund's current investments are realised for the purpose of implementing the new investment strategy. This will depend on the performance of the underlying investments to date. Otherwise, the tax profile of the Fund will remain the same.

The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ. This summary is based on the Australian taxation laws in effect as at the date of this Explanatory Memorandum.

Unitholders should seek advice from their own professional taxation adviser having regard to their particular circumstances.

## 2.6 Steps to implement the Proposal

If the Proposed Resolution is passed by the requisite majority of Unitholders, Equity Trustees and K2 will enter into a deed of retirement and appointment (**DORA**) whereby each party will undertake to each other to provide all reasonable assistance required by the other party in order to implement the change in responsible entity.

K2 will also prepare and issue a new PDS under the new name of the Fund, 'Savana US Small Caps Active ETF' which will describe the new investment strategy and outline the terms governing investments in the Fund going forward.

## 2.7 What you need to do

### Voting

The Notice of Meeting, voting form, and proxy form are attached as Appendix 1 to this Explanatory Memorandum. Please refer to the Notice of Meeting for information on how to vote. The Record Date for voting is 4:00 pm, Thursday, 17 October 2024. If Unitholders do not wish to vote in-person at the Meeting, the deadline for the submission of voting forms or proxy forms prior to the meeting is 11:00 am, Thursday, 17 October 2024. All proxy forms must be received by this time in order to be cast at the Meeting. The Meeting will be held at 11:00 am, Monday, 21 October 2024.

The Meeting will be held at the Investment Manager's offices located at Level 3, 22 Market Street, Sydney NSW 2000. Unitholders can vote by proxy or in person. Further details are set out in the documents accompanying this Explanatory Memorandum.

If it becomes necessary to make further alternative arrangements for the Meeting, we will ensure Unitholders are given as much notice as possible.

Please refer to the Notice of Meeting for information on how to vote.

### After the meeting

If the Proposed Resolution is passed by the requisite majority, the change in responsible entity to K2 and change in the Fund's investment strategy will proceed.

Unitholders will be notified via the ASX announcements platform of:

- the results of the Meeting;
- the effective date of change of the responsible entity; and
- the new PDS to be issued by K2, providing information on the new name of the Fund, new ASX ticker code, and the new investment strategy.

### 3. About K2 Asset Management

#### 3.1 History & Expertise

*Equity Trustees has received the information in this Section from K2. While Equity Trustees is not in a position to verify the information provided by K2, it has no reason to believe that the information is inaccurate or incomplete. Equity Trustees has performed due diligence on K2 and believes that there is nothing to suggest that its retirement and subsequent appointment of K2 would materially or adversely affect members.*

*K2 has provided the following information in this Section 3 about itself as a professional trustee and its key personnel for inclusion in this notice.*

K2 is a wholly owned subsidiary of K2 Asset Management Holdings Limited ABN 59 124 636 782, a public company listed on the Australian Securities Exchange (ASX: KAM). K2 provides diversified financial services to the Australian market with three core pillars:

1. Responsible Entity & Trustee Services;
2. Funds Management; and
3. Exchange Traded Funds (ETFs).

Since inception in 1999 K2 has gained extensive expertise in the launch and management of investment products across various asset classes and jurisdictions. Supporting products that are investor focused and relevant to the market is an internal driver of K2. In addition, K2 has extensive knowledge across various global equity funds which will be utilised to its fullest capacity to support the proposed transition.

The funds for which K2 currently act as responsible entity/trustee are broad and diverse, ranging from traditional equities and property to new and upcoming asset classes, both listed and unlisted. As of 31 July 2024, K2 had over A\$4 billion of funds under management and advice.

As an Australian Financial Services License (AFSL) holder and responsible entity, K2 must comply with the requirements of ASIC Regulatory Guide 166, which, amongst an array of requirements, means that K2 must have available adequate financial resources to provide the financial services covered by its AFSL, provide the financial services efficiently, honestly and fairly, have adequate risk management systems and comply with all licence conditions. The financial resources requirements of the AFSL means that K2 maintains a strong balance sheet with sufficient capital to ensure that it meets the financial resources requirements of its licence. Currently K2 has circa AUD 8.5 million in cash on deposit, well above the AFSL licensing requirement and high when compared to many of its RE/trustee peers. In addition, this cash balance can support significant increases in funds under management within the RE pillar.

K2 has all the necessary authorisations under its AFSL to operate the Fund and the K2 Executive Team are highly experienced professionals who are Responsible Managers under its AFSL.

The K2 board and executive team are supported by an independent compliance committee who have expertise in compliance and risk in a range of financial services sectors. This committee oversee the compliance plans of the funds and governance procedures of K2. K2 also have a risk committee to support the Board and assist in ongoing decision making. Detailed corporate governance policies, charters and codes are available at [www.k2am.com.au](http://www.k2am.com.au) under Shareholders, Corporate Governance. As part of its governance framework and to ensure continuous improvement, the K2 board and management routinely review all policies and procedures.

## 3.2 Key personnel

K2's Executive Team are highly experienced professionals that are able to meet the requirements of the Fund and its Unitholders:

### DIRECTORS OF K2 Asset Management Limited – New Responsible Entity

#### 1. HOLLIE WIGHT, BBus (Acc)(Hons), CPA

Executive Director and Head of Responsible Entity & Trustee Services

Joined 2000

Ms Wight has over 20 years' experience in financial services spanning across fund valuations and operations, ETFs, managed investment schemes and responsible entity/trustee roles. Furthermore, Ms Wight has been Chief Executive Officer of K2 since 2005 when she was appointed as director of the K2 Board of Directors.

Ms Wight leads K2's Responsible Entity & Trustee Services and ETF businesses, launching and managing all operational functions for the investment products onboarded to the K2 platform. Both these business pillars have been pivotal in K2's business strategy.

Ms Wight's roles prior to joining K2 in 2000 include assurance and business advisory roles at PricewaterhouseCoopers. Ms Wight holds a Bachelor of Business (Accounting: Hons) from the Royal Melbourne Institute of Technology and has CPA status under the Accountancy CPA Program. She is a member of the K2 Risk Committee.

#### 2. GEORGE BOUBOURAS, BEcon (Hons)

Executive Director

Joined 2020

Mr Boubouras brings to K2 over 30 years' experience in funds management and financial services. Mr Boubouras is an Executive Director and Head of Research at K2. Mr Boubouras is also currently a director (trustee) and Investment Committee (CIO) member at Salter Brothers Asset Management (SBAM, formerly MAP Capital) where he is currently trustee for an additional A\$3 billion funds under management and advice across direct property, venture capital, private equity and debt. Mr Boubouras is on the Investment Committee for Paua Wealth Management (Auckland, New Zealand), an ESG wealth management group; chair of the International Centre for Financial Services (ICFS) and a part-time lecturer in finance at the University of Adelaide Business School.

Mr Boubouras' prior roles have included Chief Investment Officer at SBAM, Managing Director and Chief Investment Officer at Contango Asset Management, Executive Director and Head of Investment Strategy & Consulting at UBS, Chief Investment Officer and Head of Asset Management at Equity Trustees, Senior Investment Manager at HSBC Asset Management, Investment Strategist at Macquarie Group, Economist at Westpac and NSW Treasury. Mr Boubouras was also a director of the Blues Foundation at the Carlton Football Club and a director of the Women in Banking and Finance.

Mr Boubouras holds a Bachelor of Economics (Hons) from Flinders University, Portfolio Management Executive Certificate from the AGSM at the University of New South Wales, Executive Certificate in Management & Leadership from the Massachusetts Institute of Technology (MIT) Sloan School of Management, Investment Decisions & Behavioural Finance Program at Harvard University Kennedy School of Government, and the Securities & Derivatives Industry Association (SDIA) Accreditation (PS146).

### **3. CAMPBELL NEAL, BSc and LLB**

Executive Director

Joined in 1999

Mr Neal is the co-founder and Executive Director of K2 and has over 30 years' experience in investment management. In conjunction with his role as Chairman, Mr Neal is a Senior Portfolio Manager in the K2 Australian and international investment team with extensive knowledge of global equity markets.

Following the completion of his Bachelor of Law and Science at Monash University, Mr Neal commenced his career as a barrister and solicitor of the Supreme Court of Victoria before moving to financial services in 1986 when he became an institutional equities dealer at Citicorp Scrimgeour Vickers.

Mr Neal was an Executive Vice President of Bankers Trust Australia. He was also the Head of the Australian Equities Dealing and Distribution (Melbourne and Asia). In these capacities, Mr Neal was responsible for dealing, coordinating and administering initial public offerings and equity research. Mr Neal was a member of the Equities Management Committee, Melbourne Investment Bank Management Committee and Recommendation Committee during his tenure at Bankers Trust Australia.

### **4. Neil Sheather MBA, Dip App Fin and Financial Markets**

Non-Executive Director

Joined in 2023

With finance Industry Experience of 27 years, Neil was appointed as a non-executive director of the K2 entities in July 2023. Neil is currently the managing director of Finexia Financial group Ltd (ASX: FNX), a position he has held for over a decade. Neil's financial services experience spans across Australia and Asia.

## 4. About the new investment strategy

### 4.1 Summary

Feature	Current description	New description
<b>Name</b>	Fat Prophets Global High Conviction Hedge Fund	Savana US Small Caps Active ETF
<b>Ticker</b>	FATP	SVNP
<b>Investment objective</b>	The current objectives are to maximise total returns on behalf of Unitholders over time, while remaining mindful of managing risk and reducing portfolio volatility.	The new objective is to outperform the S&P SmallCap 600 Total Return Index in AUD ( <b>S&amp;P 600</b> ), after fees, over a medium to long term investment horizon.
<b>Investment strategy</b>	The investment process combines top down fundamental qualitative and quantitative research with company valuations based on an analysis of forecast future cash flows.	Long only bottom up with a focus on US small caps
<b>Asset allocation</b>	<ul style="list-style-type: none"> <li>• International and Australian listed equities</li> <li>• Australian government and corporate bonds (up to 30%)</li> <li>• International Government bonds (up to 30%)</li> <li>• Exchange-traded derivatives</li> <li>• OTC derivatives</li> <li>• Cash equivalent investments</li> <li>• Exchange traded funds</li> <li>• Exchange traded futures and options</li> <li>• Commodities through exchange traded futures (up to 30%)</li> <li>• Fixed interest securities (up to 30%)</li> <li>• Cash</li> </ul>	<ul style="list-style-type: none"> <li>• US Small Cap equities between 30 to 50 shareholdings (0-100%)</li> <li>• Cash and cash equivalents (0-100%)</li> </ul> <p>Generally under normal market conditions, there will be no prolonged periods where the Fund more than 10% in cash.</p>
<b>Derivatives</b>	The Fund invests in both exchange-traded derivatives and OTC derivatives.	The Fund will not invest in derivatives.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Global geographic exposure to high growth companies</li> <li>• Access to stocks not traditionally offered to Australian investors</li> </ul>	<ul style="list-style-type: none"> <li>• Geographic exposure to the US market and its robust economy</li> <li>• Access to stocks not traditionally offered to Australian investors</li> </ul>

Feature	Current description	New description
	<ul style="list-style-type: none"> <li>• Exposure to a basket of undervalued global shares</li> <li>• Operates a global thematic strategy to capitalise on opportunities with disruptive companies</li> <li>• Contrarian opportunities within industries that may have been in a lengthy downturn and approaching a key inflection point</li> <li>• Competitive fee structure where the manager is aligned with the Fund's performance</li> <li>• Strong geographical and sectoral diversification to lower concentration risk</li> </ul>	<ul style="list-style-type: none"> <li>• Exposure to a basket of undervalued US Small Caps, a segment that traditionally has higher growth expectations due to a small stock risk premium</li> <li>• Competitive fee structure where the manager is aligned with outperforming the benchmark and recouping any losses before performance fees</li> <li>• Diversification due to the nature of the strategy and the manager's philosophy                             <ul style="list-style-type: none"> <li>○ Contrarian, value style with distinctive stock picks</li> <li>○ Proprietary algorithms ensure a disciplined investment process and a behavioural advantage</li> <li>○ Equal weighted portfolio enhances value and small-stock styles</li> </ul> </li> </ul>
<b>Distributions</b>	Annual	Semi-annual
<b>Buying and selling units</b>	Units can bought or sold on the ASX or directly with the administrator. A buy & sell-spread of 0.25% will be applied to purchases or sales of Units directly with the administrator.	Units can bought or sold on the ASX or directly with the administrator. A buy & sell-spread of 0.30% will be applied to purchases or sales of Units directly with the administrator.
<b>Risks</b>	<p><b>Leverage risk:</b> Debt is used to increase the scale of the portfolio and the use of derivatives and short selling may have similar effects. These risks give rise to the possibility that positions may have to be liquidated at a loss and not a time of the manager's choosing.</p> <p><b>Short selling risk:</b> Risks associated with short selling include: (a) short squeezes driven by a surge in the underlying value of the security; (b) a "buy in", which occurs when a broker-dealer closes out short positions in a difficult-to-borrow stock because its lenders are demanding it back; (c) intervention by market regulators such as the imposition of bands on short sales in a specific sector or even in the</p>	<p><b>Liquidity Risk:</b> Small-cap stocks are generally less liquid than large-cap stocks, meaning they can be harder to buy and sell without affecting the price. This can lead to higher transaction costs and difficulty exiting positions during market downturns.</p> <p><b>Volatility:</b> Small-cap stocks tend to be more volatile than their large-cap counterparts. They can experience larger price swings, which can be challenging for investors, especially during periods of market instability.</p> <p><b>Economic Sensitivity:</b> Small-cap companies are often more sensitive to economic cycles. They may underperform during economic downturns or recessions due to their</p>

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Feature	Current description	New description
	<p>broad market to avoid panic and unwarranted selling pressure.</p> <p><b>Counterparty risk:</b> The Fund uses the service of a prime broker to facilitate the lending of securities to short-sell. Until the Fund returns a borrowed security, it will be required to maintain assets with the prime broker as collateral. As such, the Fund may be exposed to certain risks in respect of that collateral.</p> <p><b>Limited diversification:</b> While the manager seeks to diversify the portfolio by asset classes, securities and industries, there will be a concentration of exposure in individual asset classes, securities or industries. The manager has flexibility to take significant positions in individual investments and the portfolio may be less diversified than those of other managers.</p>	<p>limited resources and higher vulnerability to market conditions.</p> <p><b>Access to Capital:</b> Smaller companies typically have less access to capital compared to larger firms. This can make it difficult for them to finance growth or navigate through tough economic periods.</p> <p><b>Higher Leverage:</b> Small-cap companies often have higher levels of debt relative to their size, which can increase their risk, especially in a rising interest rate environment.</p> <p><b>Quality and Stability:</b> There is a higher proportion of lower-quality companies within the small-cap spectrum. These companies may have less stable business models and can be more susceptible to adverse developments.</p>
<b>Risk level</b>	High	High
<b>Hedge fund</b>	Yes – the Fund is a 'hedge fund' for the purposes of ASIC Regulatory Guide 240 (RG 240).	No – the Fund will not be a 'hedge fund' for the purposes of RG 240.

#### 4.2 Further information on the investment strategy

Savana’s investment philosophy is to be continually invested in an equally weighted portfolio of 30-50 of the most undervalued stocks in the US. It is Savana’s belief that, in common with most investment strategies, undervalued stocks offer the highest investment returns while also providing downside mitigation, and investing in these stocks will generate superior risk adjusted returns, over the medium term, particularly when compared to other active managers and benchmarks.

For example, it allocates to the most undervalued stocks in the US as selected by Savana’s proprietary error minimizing valuation algorithms. These algorithms can be applied across geopolitical jurisdiction, investment thematic, or investment styles to minimize the error of not selecting the most genuinely undervalued stocks from the universe of candidates, subject to market capitalisation of at least US\$500m, liquidity, and exposure limit criteria.

The algorithm that Savana employs ingests large amounts of current and historical financial data which it analyses and applies a proprietary Collective Intelligence filter involving the Diversity Prediction Theorem from Complex Systems science. These portfolios of undervalued stocks are rebalanced periodically (usually bimonthly) utilising Savana’s technology while also incorporating high level human oversight for obvious valuation aberrations, data errors, geopolitical events, and financial announcements that may not be incorporated into commercial data sets. Importantly, stock selection is not exposed to human behavioural biases and key man risk.

The Fund does not currently track its performance against a benchmark. As the investment strategy changes from a global contrarian strategy to a US small cap strategy, performance of the Fund will

be measured against the S&P 600. The S&P 600 best describes the investment universe Savana targets and is therefore most appropriate. For example, the S&P 600 market cap range is US\$1 billion to \$6.7 billion, Savana's minimum market cap rule is US\$0.5 billion, resulting in our portfolio's median market cap at \$1.30 billion and average market cap at \$2.37 billion. Furthermore, the S&P 600 incorporates quality control procedures similar to Savana such as minimum liquidity rules, float rules and certain profitability criteria creating a compelling benchmark to measure Savana's performance against.

#### **4.3 About the Investment Advisor Savana**

Savana is an active asset manager that invests in listed equities. It has developed an AI based technology solution to support a global Exchange Traded Funds management business. Leveraging over a decade of dedicated research and development, as well as expertise in advanced finance and collective intelligence applications derived from complex systems research, Savana has changed the way complex stock valuation and analysis is conducted.

#### **4.4 Fees of the new investment strategy**

The new investment management fee will be 1% p.a. of the net asset value (excl. GST) calculated and accrued daily and payable monthly in arrears, which is lower than the current investment management fee. The new performance fee will be 15%, of the outperformance of the new benchmark, subject to a high watermark, which should not represent an increase from the current performance fee.

## **5. Additional information**

### **5.1 Investment management**

If the Proposed Resolution is passed, Fat Prophets will continue to be the Investment Manager of the Fund, however, the investment management roles and responsibilities will largely be delegated to the Investment Advisor Savana.

### **5.2 Name of the Fund**

The name of the Fund and ticker will also change to reflect the change in investment strategy and Savana's involvement. The new name of the Fund will be 'Savana US Small Caps Active ETF' and the proposed ASX ticker code is 'SVNP'.

### **5.3 Other service providers**

The current custodian, BNP Paribas, has requested to cease providing custodial services to the Fund as part of a broader change in its service offerings. Apex Fund Services, the current administrator of the Fund, will replace BNP Paribas and will also take on the role of custodian of the Fund. All other service providers of the Fund, including the administrator, unit registry, and market making agent, will not change as part of the Proposal.

## Appendix 1

### Notice of Meeting

Pursuant to section 252A of the *Corporations Act 2001* (Cth) (**Corporations Act**), notice is hereby given by Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) (**Equity Trustees or Responsible Entity**) in its capacity as responsible entity of the Fat Prophets Global High Conviction Hedge Fund (ASX:FATP, ARSN 649 028 722) (**Fund**) that a meeting of the Unitholders of the Fund will be held at 11:00 am (Sydney time) on Monday, 21 October 2024.

The Meeting will be held at Level 3, 22 Market Street, Sydney NSW 2000. Unitholders can vote by submitting a voting form, by proxy or in person. Further details are set out in the documents accompanying this Explanatory Memorandum.

This Notice of Meeting is dated Friday, 20 September 2024.

#### IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. The Explanatory Memorandum has been prepared to assist Unitholders in determining whether or not to vote in favour of the Resolution set out in this Notice of Meeting. This Notice of Meeting and Explanatory Memorandum have been prepared without taking into account your particular investment objectives, financial situation, and particular needs. You should assess whether the information contained in this Notice of Meeting and Explanatory Memorandum is appropriate with respect to your own circumstances before making a decision to vote.

The Explanatory Memorandum should be read in conjunction with this Notice of Meeting. Unitholders are encouraged to vote by proxy prior to the Meeting and lodge questions prior to the Meeting.

### Business

The business of the meeting is to consider, and if thought fit, to pass the following proposed resolution (**Proposed Resolution**):

*An **extraordinary resolution** that Equity Trustees Limited (ABN 46 004 031 298, AFSL 240 975) retire as responsible entity for the Fat Prophets Global High Conviction Hedge Fund (ASX:FATP, ARSN 649 028 722) and K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (**K2**) be appointed as the new responsible entity pursuant to section 601FL(1) of the Corporations Act.*

### Voting on the resolution

The Proposed Resolution will be decided on a poll. The Proposed Resolution can only be passed if at least 50% of the total votes that may be cast by Unitholders entitled to vote either in-person or by proxy are in favour of each Proposed Resolution.

On a poll, each Unitholder has one vote for each of their Units in the Fund. You need not exercise all of your votes in the same way, nor need you cast all of your votes.

### Voting exclusions

The Responsible Entity will disregard any votes cast by a person who is not entitled to vote because of section 253E of the Corporations Act. This section provides that the Responsible Entity and its

associates are not entitled to vote their interest on a resolution at a meeting of the Unitholders if they have an interest in the resolution or matter other than as a Unitholder.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - i. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - ii. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### **How to vote**

#### **Entitlement to Vote**

The Responsible Entity has determined that, for the purposes of the Meeting, Units in the Fund will be taken to be held by Unitholders who are the registered holders as at 4:00 pm on Thursday, 17 October 2024.

Accordingly, transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If your Units in the Fund are jointly held, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held Units, only the vote of the person named first in the register of Unitholders counts.

#### **How to exercise your right to vote**

Unitholders entitled to vote at the Meeting may vote:

- (a) at the Meeting;
- (b) by submitting the voting form accompany this Notice;
- (c) by appointing a proxy to participate and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or body corporate; and
- (d) by appointing an attorney to participate in the Meeting and vote on their behalf or, in the case of corporate Unitholders or proxies, a corporate representative to participate at the Meeting and vote on its behalf.

If it becomes necessary to make further alternative arrangements for the Meeting, Unitholders will be provided with as much notice as possible. Further information will be made available on the Fund's website at <https://www.fatprophets.com.au/fatp/>.

### **Proxies**

If Unitholders are unable to vote during the Meeting, they may appoint a proxy to participate and vote on their behalf at the Meeting. Any Unitholder entitled to participate and vote at the Meeting is entitled to appoint not more than two proxies to participate and vote in their stead.

A proxy need not be a Unitholder of the Fund. If a Unitholder appoints two proxies, that Unitholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceeds that which a Unitholder is entitled to, each proxy may exercise half of that Unitholder's votes. Any fractions of votes brought about by the appointment of votes to a proxy will be disregarded.

To appoint a proxy, a Unitholder must complete and sign the proxy form, which must be completed, scanned and emailed to [reservices@k2am.com.au](mailto:reservices@k2am.com.au) by 11:00 am (Sydney time) on Thursday, 17 October 2024 for a Unitholder's proxy appointment to be valid. Notices received after this time will not be accepted.

A proxy form is provided with this Notice of Meeting.

### **Attorneys**

Any Unitholder entitled to participate and vote at the Meeting is entitled to appoint an attorney to participate and vote in their stead.

An attorney need not be a Unitholder of the Fund.

The power of attorney appointing the attorney must be duly signed and specify the name of each of the Unitholder, the Fund, and the attorney, and also specify the Meetings at which the appointment may be used. The appointment may be a standing one. To be effective, the power of attorney must also be returned in the same manner (other than online), and by the same time, as outlined above for the proxy form.

### **Corporate representatives**

A Unitholder, or proxy, that is a corporation and entitled to participate and vote at the Meeting may appoint an individual to act as its corporate representative. Evidence of the appointment of a corporate representative must be in accordance with section 253B of the Corporations Act.

To be effective, the appointment must also be lodged in the same manner (other than online), and by the same time, as outlined above for the proxy form.

### **The Chair Acting as proxy**

The chair of the Meeting is deemed to be appointed as a Unitholder's proxy where a proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent from the Meeting.

For proxies without voting instructions that are exercisable by the chair, the chair intends to vote undirected proxies in favour of the resolution.

### **Chair**

In accordance with section 252S(1) of the Corporations Act and clause 17.7 of the Fund's constitution, the Responsible Entity intends to nominate Alan Darwin (Partner at Baker McKenzie), to act as chair of the Meeting, but may appoint another person if he is unable to attend the Meeting for any reason.

### **Quorum**

In accordance with clause 17.5 of the Fund's constitution, the quorum requirement for the Meeting is two Unitholders present in person or by proxy together holding at least 5% of all Units in the Fund.

If a quorum is not present within 15 minutes of the scheduled time for the Meeting, the Meeting will be adjourned to such place and time as the Responsible Entity decides.

**Submitting questions prior to the meeting**

Unitholders, proxyholders, attorneys, and corporate representatives may also submit questions in advance of the meeting by emailing to [reservices@k2am.com.au](mailto:reservices@k2am.com.au) by no later than 11:00 am (Sydney time) on Thursday, 17 October 2024.

Unitholders should note that it may not be possible to respond to all questions.



**Andrew Godfrey - Director**

**20 September 2024**

For personal use only



# VOTING FORM

**Fat Prophets Global High Conviction Hedge Fund ("Fund")**  
**ARSN 649 028 020**

Please complete steps 1, 2, and 3

**STEP 1:**  
**VOTING DIRECTIONS**

Please mark 'X' in the box to indicate your direction

The unitholder instructs its vote as follows on the extraordinary resolution.

"An extraordinary resolution that Equity Trustees Limited (ABN 46 004 031 298, AFSL 240 975) retire as responsible entity for the Fat Prophets Global High Conviction Hedge Fund (ASX:FATP, ARSN 649 028 722) and K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (K2) be appointed as the new responsible entity pursuant to section 601FL(1) of the Corporations Act."

**FOR**

**AGAINST**

**ABSTAIN**

**STEP 2:**  
**SIGN AND DATE**

The form **must** be signed as follows:

**Individual:** This form is to be signed by the unitholder.

**Joint Holding:** where the holding is in more than one name, only the person named first in the register should sign.

**Power of Attorney:** to sign under a power of attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the power of attorney to this form when you return it.

**Companies:** this form must be signed by a director jointly with either another director or a company secretary. Where the company has a Sole Director, this form should be signed by that person. Please indicate the office held by signing in the appropriate place.

SIGNED on behalf of \_\_\_\_\_ by:

*Insert unitholder details*

Individual or Sole Director

Sign:

**OR**

Director 1

Sign:

Director 2 or Secretary

Sign:

Print name:

Date:

Print name:

Date:

Print name:

Date:

If this document is signed by an attorney, please state that this is the case and provide the authority under which this document is signed or a certified copy of the authority.

**STEP 3:**  
**RETURN YOUR FORM**

This form must be sent to the below email before **11:00 am on Thursday 17 October 2024:**

Scan and email to: [reservices@k2am.com.au](mailto:reservices@k2am.com.au)





# PROXY FORM

**Fat Prophets Global High Conviction Hedge Fund ("Fund")**  
**ARSN 649 028 020**

Please complete steps 1, 2, 3 and 4

**STEP 1:**  
**APPOINT YOUR PROXY**

Please fill in your details and details of your proxy

\_\_\_\_\_ of \_\_\_\_\_  
*Insert unitholder details* *Insert address*

being a unitholder of the Fund, appoints the below proxy, or failing that person, the Chair of the meeting, to vote on its behalf at the meeting of unitholders of the Fund to be held at Level 3, 22 Market Street, Sydney NSW 2000 at 11:00 am on Monday, 21 October 2024 and any adjournment of that meeting:

the Chair of the meeting  
(mark with an X)

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the name or office of your proxy.

IMPORTANT: If two proxies are being appointed please photocopy this form to appoint your second proxy, or Equity Trustees will supply an additional form on request. Please specify what portion of voting rights is being apportioned to this proxy \_\_\_\_%. If you do not specify a proportion each proxy may exercise half the votes. Fractions of votes are disregarded.

**STEP 2:**  
**INSTRUCT PROXY HOW TO VOTE**

Please mark 'X' in the box to indicate your direction

The unitholder instructs its proxy to vote as follows on the extraordinary resolution.

"An extraordinary resolution that Equity Trustees Limited (ABN 46 004 031 298, AFSL 240 975) retire as responsible entity for the Fat Prophets Global High Conviction Hedge Fund (ASX:FATP, ARSN 649 028 722) and K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (K2) be appointed as the new responsible entity pursuant to section 601FL(1) of the Corporations Act."

**FOR**

**AGAINST**

**ABSTAIN**

IMPORTANT: In the absence of any instruction, the proxy (if the proxy is someone other than the Chair) may exercise discretion to vote for or against the resolution. If the Chair of the meeting is your proxy and you do not direct how your proxy is to vote, you will be taken to have directed the Chair to vote in favour of the resolution and the Chair will exercise your votes in favour of the resolution.

**STEP 3:**  
**SIGN AND DATE**

The form **must** be signed as follows:

**Individual:** This form is to be signed by the unitholder.

**Joint Holding:** where the holding is in more than one name, only the person named first in the register should sign.

**Power of Attorney:** to sign under a power of attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the power of attorney to this form when you return it.

**Companies:** this form must be signed by a director jointly with either another director or a company secretary. Where the company has a Sole Director, this form should be signed by that person. Please indicate the office held by signing in the appropriate place.

SIGNED on behalf of \_\_\_\_\_ by:

*Insert unitholder details*

Individual or Sole Director

Sign:

OR

Director 1

Sign:

Director 2 or Secretary

Sign:

Print name:

Date:

Print name:

Date:

Print name:

Date:

If this document is signed by an attorney, please state that this is the case and provide the authority under which this document is signed or a certified copy of the authority.

**STEP 4:  
RETURN YOUR FORM**

**This form must be sent to the below email before 11:00 am on Thursday 17 October 2024:**

Scan and email to: [reservices@k2am.com.au](mailto:reservices@k2am.com.au)

For personal use only