

3.1 Key Features

Table 2 provides a summary of the key features of the Offer. You should still read this IM in its entirety and seek professional advice if necessary, before making a decision to invest.

Table 2: Key Features Summary

FEATURE	OVERVIEW
Investment Assets	Australian Water Entitlements and Water Allocations, cash and cash-like instruments.
Investment Vehicle	KWF is an open-ended Australian unregistered, unlisted unit trust.
Trustee	Kilter Investments Pty Ltd (ACN 152 558 113 AFSL 414142)
Investment Manager	Kilter Pty Ltd (ACN 111 305 349)
Custodian	Sandhurst Trustees Limited (ACN 004 030 737 AFSL 237906)
Fund Auditor	Ernst & Young
Valuation	Water Entitlements are independently valued monthly by Aither Pty Ltd (ACN 155 726 417) using a variety of information sources including the median price recorded in state water registers on a monthly basis and direct enquiry of water market intermediaries.
Target return	Total returns of 10% per annum over a three year rolling term are targeted (after fees, other than any performance fees, and before tax) including a distribution yield target of 5% per annum. This is a target return and not a forecast of the Fund's future performance.
Unit price	The price for Units is based on the Fund's net asset value (NAV). The Unit price is updated monthly. The current Unit price can be obtained by contacting the Trustee.
Minimum investment amount	\$25,000 and then in increments of \$10,000 or as otherwise determined by the Trustee.
Fund capital	KWF is an 'open fund' and thus does not have an upper limit on Fund capital.
Capital deployment	The Fund will seek to prudently deploy available capital as quickly as possible following its receipt whilst adhering to the Fund strategy.
Current portfolio	The Fund's current portfolio was most recently valued at \$10.5 million at 31 January 2019.
Redemptions	Unitholders will have the ability to request a redemption following a two year lock-up period and subject to six months' notice to the Trustee. The Trustee will meet redemption requests on a reasonable endeavours basis.
Buy/Sell Spread	<ul style="list-style-type: none"> Buy 0.5% Sell 0.5% These fees are payable to the Fund to cover transaction costs associated with the purchase and sale of Fund assets.
Eligible investors	Participation in the Fund is limited to Wholesale Clients and Sophisticated Investors.
Distributions	Distributions will be paid annually by the end of the first month following the end of the financial year.
Borrowings	The Fund may incur borrowings provided they do not exceed 25% of the gross asset value of the Fund at the time the borrowings are incurred.
Management Fee	The management fee is payable by the Fund. This fee is 1% per annum of the gross value of the Fund's assets and is paid monthly in arrears. Out of this fee, the Trustee pays Kilter Rural an investment management fee of 0.85% for managing the Fund's assets.



FEATURE	OVERVIEW
Performance Fee	A performance fee is payable by the Fund upon the achievement of a hurdle rate of investment return. The fee is calculated at 15% of pre-tax returns (net of management fees and costs) above a performance hurdle of 8%, subject to a High Water Mark (HWM).
Recoverable Fund expenses	Fund expenses are payable by the Fund. These include but are not limited to all administration, accounting and audit, valuation and custodial costs.
Taxation	The Fund will distribute any taxable income annually to be taxed in the hands of Investors.
Risks	The Fund will be exposed to risks which could adversely impact income and/or capital. See section 10 for further information.
SMSF and superannuation funds	Self-managed super funds and complying superannuation funds are able to invest in the Fund, subject to their own investment criteria.

3.2 Current Portfolio

The Fund is currently invested in nearly all of the major classes of Water Entitlement on issue in the sMDB. Figures 1 and 2 below provide a breakdown of the current portfolio by geographic location and security type respectively.

Figure 1: Portfolio Breakdown by State

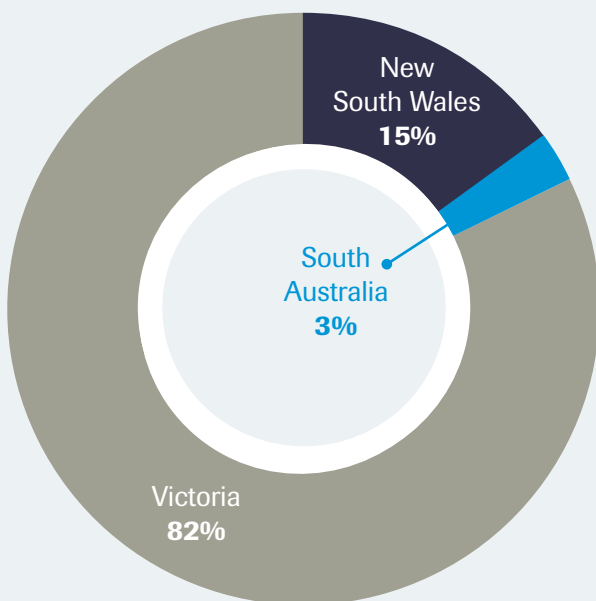


Figure 2: Portfolio Breakdown by Class of Security

