

Excellence through specialisation



# Mellon Global Bond Alpha Trust

**Information memorandum**  
**ARSN 106 779 480**

Dated 9 June 2006  
Mellon Global Investments Australia Limited  
ABN: 56 102 482 815  
AFS Licence No. 227865



**Mellon**

**Mellon Global Investments**

**Important Notes**

Mellon Global Investments Australia Limited ABN 56 102 482 815 ('Mellon Global Investments Australia' or the 'Responsible Entity' or the 'Manager') has authorised and caused the issue of this Information Memorandum.

Neither the performance of the Mellon Global Bond Alpha Trust ("Mellon Global Bond Alpha Trust" or the "Trust"), nor the payment of any income return or the return of any capital is guaranteed by the Manager, the Mellon Financial Corporation or any related corporate body, or JP Morgan Chase Bank, N.A. ("JP Morgan"). The holding of units in the Trust (the "Units") is subject to investment and other risks. As a result, unit prices may fluctuate markedly and losses as well as gains may occur.

This Information Memorandum is dated 9 June 2006.

The offer or invitation to which this Information Memorandum relates is only available to eligible Investors (see "Eligible Investors" on page 9 for more information).

This Information Memorandum has been prepared without taking into account your investment objectives, financial objectives or particular needs. Before making an investment decision, you should read this Information Memorandum carefully and consider, with or without the assistance of a financial adviser, whether such an investment is appropriate in light of your particular investment objectives, financial objectives and needs.

This Information Memorandum contains a summary of certain features of the Trust. The full rights and obligations of applicants for Units and of unit holders, and the duties and responsibilities of the Manager, are set out in the Scheme Constitution governing the Trust (the "Constitution") (see "The Constitution" on page 16 for more information). This Information Memorandum is subject to the terms of the Constitution. Applicants should read the Constitution carefully in order to assess the Trust as an investment. A copy of the Constitution is available from the Manager.

The Constitution for the Trust is subject to Chapter 5C of the Corporations Act 2001, which imposes a number of obligations on the Manager (whether or not they are included in the Constitution). The Constitution should therefore be read in conjunction with the Corporations Act 2001.

The Manager has not authorised any person to give any information or to make any representation relating to the Trust. Therefore, any information or representation in relation to the Trust received by a person other than the Manager must not be relied upon unless authorised in writing by the Manager.

Unless otherwise stated, all amounts referred to in this Information Memorandum are in Australian dollars.

Mellon Global Investments Australia acts as the responsible entity of the Trust (the "Responsible Entity"). This means that Mellon Global Investments Australia is responsible for the Trust's investment decisions as well as its management and promotion.

Mellon Global Investments Australia holds an Australian Financial Services Licence (No. 227865), which authorises it to deal in certain classes of financial products, to provide general financial product advice and to operate as the Responsible Entity for certain types of managed investment schemes.

The custodian and administrator of the Trust is JPMorgan Chase Bank, N.A. ABN 43 074 112 011 ('JPMorgan'). JPMorgan is a national banking association organised under the laws of the United States, acting through its Sydney Branch.

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## Mellon Global Investments Australia Limited

Mellon Global Investments Australia provides Australian investors access to the full range of Mellon Financial Corporation's ('Mellon') asset management services.

Mellon is a global financial services company in its third century of business and has over A\$ 1.1 trillion (as at 31 March 2006) in assets under management.

Mellon's asset management model is unique: it comprises independent investment companies which are free to act as autonomous entities with their own distinct, disciplined investment process. This independence encourages an entrepreneurial, focused approach to the business of delivering superior returns for our clients.

Mellon's asset managers include global alpha and quantitative experts Mellon Capital Management, global thematic specialist Newton Investment Management, fundamental global equity specialist The Boston Company Asset Management, diversified global fixed income manager Standish Mellon Asset Management and fund of hedge fund manager EACM Advisors.

### **Mellon Global Investments Australia as 'Manager'**

Mellon Global Investments Australia, located at Level 7, 2 Bulletin Place, Sydney Australia, is the Responsible Entity of the Trust.

The Directors of the Manager are Jonathan Little, Greg Brisk, Steven O'Connell and James Gruver.

### **Investment Manager - Mellon Capital Management Corporation ('Mellon Capital')**

Mellon Global Investments Australia has appointed Mellon Capital Management Corporation ('Mellon Capital') to manage the assets of the Mellon Global Bond Alpha Trust (although as responsible entity of the Trust, Mellon Global Investments Australia maintains overall responsibility for the investment decision making for the Trust) through an Investment Management Agreement with Mellon Capital

Mellon Capital was founded in 1983 by William Fouse and Tom Loeb. Fouse and Loeb pioneered the practical application of modern portfolio and capital market theory to the investment process, and are recognised as the originators of value-based tactical asset allocation and index fund management. Mellon Capital manages over A\$198 billion (including overlays and securities lending pools) as at 31 March 2006 in a range of indexing, enhanced indexing, asset allocation, and alternative strategies. Mellon Capital employs a systematic investment approach based on sound financial theory and classical valuation methods. Mellon Capital's approach removes sentiment, allowing research-driven processes to capture value for its clients and reinforces the solid theoretical foundation that is key to the integrity of Mellon Capital's product design process.

### **Administration of the Trust**

JPMorgan has been appointed by the Manager to act as administrator, registrar and transfer agent of the Mellon Global Investments Australia unit trusts, pursuant to an Accounting and Related Services Agreement. Under the terms of that agreement, and subject to the supervision of the Manager, JPMorgan will administer, pursuant to the general or specific instructions of the Manager, the unit trust affairs, maintain the unit trust accounting records, calculate the net asset value of each of the unit trusts and serve as registrar in respect of the registered units.

### **Custodian**

JPMorgan has also been appointed by the Manager to act as custodian to all of the Mellon Global Investments Australia unit trusts, pursuant to a Global Custody Agreement.

JPMorgan provides safe custody for the Trust's assets.

## Mellon Global Bond Alpha Trust

### Investment Objective

The Mellon Global Bond Alpha Trust actively invests in global fixed income, cash and currency markets with the aim of constructing a diversified global portfolio that targets the outperformance of the UBS Australia Bank Bill Index by approximately 4% per annum over the medium to long term, with an active risk of approximately 4% per annum.

### Investment Strategy

The Global Bond Alpha Trust is managed by Mellon Capital so as to bring a disciplined approach to global bond and currency allocation and management. This provides investors with an opportunity to benefit from relative misvaluations that exist in global fixed income and currency markets.

The investment strategy for the Global Bond Alpha Trust embodies Mellon Capital's Global Bond Model. This Model applies sound economic theory, classical valuation methods, and cost-effective implementation to the asset management process. The results are efficient, risk-controlled portfolios that seek to achieve broad diversification and value-added returns relative to their designated benchmark.

Amongst countries and currencies, relative valuations occasionally diverge from equilibrium levels and create exploitable investment opportunities. Mellon Capital's proprietary Global Bond Model evaluates the expected returns, risks and correlations to the major global bond and currency markets and based on this evaluation actively allocates assets across the major developed fixed income, currency and cash markets of the US, UK, Japan, Germany (Euro), Switzerland, Australia, and Canada. In addition to these major developed countries, Mellon Capital also invests in currency markets of Norway, New Zealand, Sweden and Denmark. Mellon Capital may invest in additional countries and currencies from time to time as opportunities arise.

### Investment Guidelines

Mellon Capital's strategy primarily uses derivatives in each country and market to gain the desired exposure in bonds and currency, while leaving the underlying securities of a client's portfolio intact. Over-the-counter foreign currency forward contracts are typically used to implement our currency decisions while exchanged traded futures contracts are typically used to implement our global bond decisions. To achieve the desired risk and return profile for the Mellon Global Bond Alpha Trust, long and short positions in futures and forwards will be implemented.

<b>Asset Class</b>	<b>Benchmark</b>	<b>Minimum</b>	<b>Maximum</b>
Bonds	0%	-200%	+200%
Cash	100%	-200%	+200%
Currency	0%	-200%	+200%

Total asset class exposure is the sum of constituent country exposures

The current benchmark index for the Global Bond Alpha Trust is the UBS Australia Bank Bill Index

The core exposure of the global bond strategy is fully hedged to AUD to manage unintended risk associated with currency exchange movement.

**Country and Currency Exposure:**

- ◆ Bond exposure is permitted in, but not limited to, countries included in the Citigroup World Government Bond Index ("WGBI"). Currency exposure is also permitted in, but not limited to, any of the countries included in the MSCI World and WGBI Indices.
- ◆ Country and currency allocations are major factors in the investment process
- ◆ Allocations at any one time may vary widely within the above minimum and maximum ranges.

**Eligible Instruments:**

- ◆ Cash, cash equivalents and money market instruments
- ◆ Fixed income securities
- ◆ Investment vehicles such as cash management trusts

**The Manager can enter into long and/or short positions using any of the following derivatives:**

- ◆ Exchange traded global fixed income and currency futures contracts.
- ◆ Over-the-counter forward foreign exchange contracts
- ◆ Over-the-counter swap contracts
- ◆ Exchange traded and over-the-counter options on bonds, currencies and derivatives

**Volatility/Risk Profile**

All forms of investment involve some level of risk which may arise out of domestic or international, economic or political factors. There is no guarantee that an investment in the Trust will increase in value over time or that any historical pattern of performance will be repeated in the future.

The Mellon Global Bond Alpha Trust is a potentially volatile fund, due to its leveraged positions. It has an expected active risk of approximately 4% per annum.

The Trust will engage in transactions involving the use of derivatives and other investments which may have leveraging effects on the Trust. Such trading normally requires low margin deposits (or no margin deposits in the case of notional contracts) and would permit an extremely high degree of leverage. Margin requirements for futures trading are in some cases as little as 1% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Trust.

The following are some of the risk factors relevant to investment in the Trust:

- ◆ The inherent risk of adverse movements in markets (including asset prices, derivatives, volatility or other market variables);
- ◆ The risk of investing in another country (potential adverse political economic and social conditions impacting on returns);
- ◆ The risk of inflation eroding the real value of the Trust's assets;
- ◆ The risk that a counterparty will not or cannot meet its obligations;
- ◆ Liquidity risk;
- ◆ The risk of deficient, ineffective or inaccurate information systems or internal controls resulting in material loss.
- ◆ The risk that the value of the Australian dollar will change up or down, relative to the value of the currencies in which the Trust is invested.
- ◆ The risk involved in the Trust's investment strategy being inherently leveraged. Leveraging will exaggerate the effect on the Trust's net asset value of any increase or decrease in the market value of the Trust. The Trust's losses could be unlimited as a result of leverage in the Trust's portfolio, and investing in derivatives.
- ◆ The risk of investing in derivatives. Derivatives markets can be highly volatile. Because of the low margin deposits normally required in futures and options on futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract or an option on a futures contract may result in substantial gains or losses to the Trust.

### **Risk Management Techniques**

Techniques used to manage the risk associated with investment in the Trust include:

- ◆ using a broad diversification across the asset classes and countries;
- ◆ active management of the assets of the Trust in response to changing valuation insights;
- ◆ assessing counterparties as to their creditworthiness, financial strength, ownership, market share and management quality with credit limits being established and subject to ongoing review; and
- ◆ monitoring external factors in Australian and international economies which may impact on the performance of the Trust.

Mellon Capital has control procedures that are designed to ensure that internal reviews on portfolio assets and client investment guidelines are conducted in compliance with the US Office of the Comptroller of the Currency regulations. Upon the acceptance of a portfolio account, a prompt review of the portfolio assets is conducted to evaluate the appropriateness of the portfolio. Additionally, at least once every calendar year, the assets of each portfolio are evaluated to determine the appropriateness of the investments for the portfolio, having regard to the investment guidelines. The portfolio reviews are conducted by the appropriate portfolio manager(s) and the Compliance Department and are approved by an Account Review Committee (“ARC”) member who also serves as a Mellon Capital Officer. The process is monitored to ensure completion in a timely manner. The number of portfolios reviewed by each portfolio manager will depend upon the complexity of the investment guidelines, as well as the nature and complexity of each portfolio.

### **Investment Process**

Mellon Capital’s proprietary Global Bond Model involves an active allocation of assets across the major developed fixed income, currency, and cash markets of the US, UK, Japan, Germany (Euro), Switzerland, Australia, and Canada. In addition to these countries, Mellon Capital also invests in the currency markets of Norway, New Zealand, Sweden, and Denmark. Mellon Capital may add additional countries and currencies from time to time without notice as opportunities arise.

Mellon Capital seeks to add value and minimize trading costs through efficient trading, as it has the flexibility to move in and out of the developed markets cost effectively with minimal market impact. In addition, the lack of integration and efficiency in the global capital markets may cause exploitable relative misvaluation opportunities across countries. Mellon Capital’s Global Bond Model aims to identify these opportunities when and where they occur.

The Global Bond Model also involves an analysis of expected returns for fixed income securities in each country market, while simultaneously evaluating cash returns and relative currency valuations to determine a recommended global bond and currency allocation.

On a daily basis the expected returns, risks, and correlation of each asset class are evaluated to ascertain the most efficient allocation of bonds, currency and cash within and across the markets of US, Japan, UK, Germany (Euro), Australia, Canada, Switzerland, Norway, New Zealand, Sweden and Denmark. Model recommendations are only implemented if the expected benefit, in terms of risk and reward, of the new portfolio mix outweighs the cost of its implementation.

The above process uses consensus analyst expectations and Mellon Capital explicitly forecasts the risks associated with investing in each country. This enables Mellon Capital to determine when tactical opportunities exist to attempt to exploit valuation inefficiencies between countries and currencies.

Discipline is a key component of Mellon Capital’s process. It is unlikely that subjective judgment would override the Global Bond Model recommendations. However, it is possible that exceptional circumstances may occur, such as major political upheaval, where model recommendations may require review. Under these circumstances, the Model inputs would be thoroughly reviewed to help ensure reasonableness.

**Investor Profile**

It is envisaged that the Mellon Global Bond Alpha Trust will appeal to investors with a medium to long-term time horizon, who understand the fluctuations of global markets, and who fully understand the risks involved in a leveraged Global Bond investment strategy.

**Trust Performance**

Given that the initial offering of units in the Mellon Global Bond Alpha Trust will be pursuant to this Information Memorandum, the Trust itself has no historical performance information.

Neither the performance of the Trust, nor the payment of any income return or the return of any capital is guaranteed by the Manager, the Mellon Financial Corporation or any related body corporate or JPMorgan. The holding of units in the Trust is subject to investment risks and other risks. As a result, unit prices may fluctuate markedly and losses as well as gains may occur.

## How to Invest

To become an investor of the Trust you will need to complete the attached application form in accordance with the procedures set out in the attached application form.

Completed application forms should be forwarded to:

Mellon Global Investments Australia Limited  
Level 7  
2 Bulletin Place  
SYDNEY NSW 2000

Fax: 02- 9087 7601

### **If payment is made by Austraclear**

Funds should be transferred to Austraclear code ANZB3A. The Applicant must ensure that they quote their Austraclear number on the "Application for Units".

### **If payment is made by Electronic Funds Transfer (Real Time Gross Settlement)**

To use this facility the transferring bank must use a Real Time Gross Settlement compliant system. Applications using this facility are subject to confirmation (to the custodian of the Trust) of receipt of funds, which is subject to a minimum 24-hour delay. Applications made using this facility typically receive the applicable application price on the next business day.

### **Electronic Funds Transfer details via Real Time Gross Settlement is:**

Bank: ANZ Melbourne  
Swift BIC: ANZBAU3M  
Favour of: JP Morgan Chase Bank, N.A., London  
Account: 218032/00001

## Eligible Investors

Units in the Trust will not be issued pursuant to this Information Memorandum in circumstances where a Product Disclosure Statement is needed in relation to an offer of units in the Trust under Part 7.9 of the Corporations Act 2001. As a consequence, units in the Trust will only be issued to certain eligible investors.

An applicant for Units in the Trust will not be issued Units unless the applicant:

- a) is a trustee of a regulated superannuation fund, approved deposit fund, pooled superannuation trust or public sector superannuation scheme that has net assets of at least A\$10,000,000; or
- b) has, according to a certificate given by a qualified accountant not more than 2 years before the date of the application (a copy of the certificate must accompany the application):
  - i) net assets of at least A\$2.5 million; or
  - ii) a gross income for each of the last 2 financial years of at least A\$250,000 a year; or
- c) has or controls gross assets of not less than A\$10,000,000, being an amount that includes any assets held by an associate of the applicant or under a trust that the applicant manages;
- d) is a body registered under the Life Insurance Act 1995 or an Australian Authorised Deposit Taking Institution; or
- e) is a related body corporate of an entity which satisfies any of paragraphs a) to d).

Applicants who do not satisfy at least one of the eligibility criteria set out above will generally not be permitted to take up units in the Trust.

## Disclaimers/Disclosures

The fees set out below are, subject to the comments below, the current fees payable by investors in the Mellon Global Bond Alpha Trust. Except in situations where there is a change to the taxation legislation or legislative requirements that would result in an additional expense to the Manager, the Manager will give at least 30 days prior notice before increasing the fees. The maximum amount that can be charged for each fee is set out in the Constitution.

In the event that the Manager is not entitled to an input tax credit in respect of the amount of any GST charged or recovered, or payable by the Manager under or in connection with the Trust, the Manager is entitled to recover from the Trust the full amount of the GST.

Please note that the Manager has the power under the Constitution to redeem some or all of the Units held by a unitholder to satisfy any amount of money due to it by the unit holder.

Mellon Capital acts as the investment manager for the Trust. JPMorgan acts solely in the capacity of administrator and custodian. JPMorgan Chase Bank, N.A. has not independently verified the information contained in this Information Memorandum and, accordingly, accepts no responsibility for the accuracy or completeness of this Information Memorandum.

## Fees and Expenses

While, under the Constitution, the Manager is entitled to a range of fees, the table below outlines the current fees and costs payable by investors in the Mellon Global Bond Alpha Trust. The maximum amount of fees permitted to be charged under the Constitution may be higher than those outlined below.

<b>Management Fee:</b>	0.33% p.a. (GST Inclusive <sup>1</sup> )
<b>Responsible Entity Fee:</b>	0.044% p.a. (GST Inclusive <sup>1</sup> )
<b>Custodian &amp; Administration Expense:</b>	Expected to be approximately 0.11% (GST Inclusive <sup>1</sup> ) plus transaction costs
<b>Management Expense Ratio (MER)<sup>2</sup>:</b>	Excluding Performance Fees (see below), the MER is expected to be approximately 0.49%
<b>Buy/Sell Spread:</b>	0.25% charged on transactions in and out of the Trust (which may change from time to time or become nil)

### Performance Fee

In addition to the fees referred to above, a separate performance fee may be payable based on out performance of the Trust relative to its benchmark, UBS Australia Bank Bill Index. This performance fee equates to 22% (GST Inclusive) of out-performance over the relevant benchmark of the Trust during a quarter.

### General Fee and Expense Information

A Management Fee based on the NAV of the Trust and calculated at the rate shown in the above table is accrued daily and reflected in the calculation of the unit prices of the Trust. The Base Management Fee is payable to Mellon Global Investments Australia monthly, while the Performance Fee is calculated and payable quarterly, subject to achieving a performance "high watermark". The Performance Fee is invoiced to the investor directly and is not deducted from the Trust's assets. The investor should consult its taxation advisors as to the GST and other tax consequences of the payment of the Performance Fees.

The Custodian & Administration Expense is calculated based on the total of all domestic assets of the Trust where JPMorgan acts as Custodian. It is accrued daily and reflected in the calculation of the unit prices of the Trust.

The Responsible Entity Fee is based on the Net Asset Value ('NAV') of the Trust and is accrued daily and payable to Mellon Global Investments Australia monthly. (The Constitution permits the Manager to charge a Responsible Entity Fee (plus GST) of up to 0.12% p.a. of the NAV of the Trust).

There are no entry or exit fees applied to investment in the Trust, however transaction costs are taken into account in calculating Entry and Exit prices as shown in the Buy / Sell Spread above.

At its sole discretion, the Manager may negotiate with certain institutional investors an alternative fee arrangement that differs from the fee levels as set out in this Information Memorandum.

In addition to the fees referred to above, certain other charges are borne by the Trust, including (without limitation) taxes (which may include any amount charged by a supplier of goods or services or

<sup>1</sup> Please note that the Trust may be eligible for a Reduced Input Tax Credit (RITC) of 75% of any GST payable in relation to these fees and expenses.

<sup>2</sup> The Management Expense Ratio ("MER") measures the total fees and expenses charged annually to the Trust excluding transaction costs. It is calculated as the total of the Management, Responsible Entity and Custody fees and other expenses divided by the average Trust size. The ratio is calculated in accordance with the Investment and Financial Services Association Limited (IFSA) Guideline No. 18.00 (Management Expense Ratio).

both to the Manager by way of or as a reimbursement for GST), financial institution fees, costs of convening and holding unitholders' meetings, costs associated with amending the Constitution, costs of engaging auditors and other advisers, costs connected with promoting the Trust, costs connected with the compliance committee (including any fees paid to, insurance premiums in respect of or fees or expenses incurred at the request of compliance committee members), costs connected with the compliance plan including auditing the plan, and the Trust's administrative costs generally.

#### **Fees Charged by Scheme Investments**

The Manager from time to time invest in vehicles such as cash management trusts. These vehicles may impose fees in relation to those investments which are additional to the fees and costs outlined above and which will be reflected in the returns of the Scheme.

#### **Differential Fees**

From time to time we may negotiate management fees that may vary from those stated above, with what are called 'sophisticated' or 'professional' investors. This is generally because they invest very large amounts of money in the Trust. The Australian Securities and Investments Commission (ASIC) has issued Class Order CO 03/217 that enables us to individually negotiate fees with these investors.

#### **Investment Manager Service Fees**

Investment management services are provided to us by Mellon Capital, for which fees are charged. We pay these fees from our own resources, they are not charged to the Trust. Brokerage services may be provided by entities related to the Manager or JPMorgan, for which fees are charged. Such brokerage services will only be used at arm's length where the fees are at, or more favourable than, the prevailing market pricing for such services.

#### **GST**

The Management Fee, Performance Fee, the Responsible Entity Fee and the Custody & Administration Expense specified in this Information Memorandum are disclosed on a GST inclusive basis.

As a general matter, if the Manager becomes liable to pay GST in respect of any supply under the Constitution governing the Trust, this Information Memorandum or the Application for Units form (the "Agreement"), then in addition to any fees or other expenses payable under the Agreement, the Manager reserves the right to be paid an additional amount equal to the amount of the GST.

## Administration and Custody

Mellon Global Investments Australia has appointed JPMorgan as the Administrator and Custodian for the Trust.

As Custodian of the Trust, JPMorgan's responsibilities include holding the assets of the Trust and settlement of transactions. All assets of the Trust will be held in the name of JPMorgan (or a sub-custodian appointed by JPMorgan). The role of JPMorgan is restricted to holding and dealing with Trust assets at our direction. JPMorgan does not oversee the management of the Trust, and is not responsible for protecting the rights and interests of unitholders. Mellon Global Investments Australia can terminate JPMorgan's appointment as custodian in the circumstances specified under the Global Custody Agreement with JPMorgan.

In addition to its duties as Custodian, JPMorgan has been appointed as Administrator to undertake the following administrative functions on behalf of the Trust:

- ◆ Calculate the value of the Trust, together with Unit Pricing Calculations;
- ◆ Receipt of Application Monies, Payment of Redemptions and disbursement of fees of the Trust;
- ◆ Distribution Calculations and payment;
- ◆ Unit Registry;
- ◆ Income Tax Return of the Trust;
- ◆ Regulatory Reporting (including Income Tax, GST and AIIR Reporting)
- ◆ Other administrative and reporting functions as directed by the Manager
- ◆ Performance Calculations
- ◆ Transfer Agent
- ◆ Maintain unit trust accounting records

### Minimum Investment

Mellon Global Investments Australia has set a minimum initial application amount and minimum account balance of A\$ 1.0 million. The minimum amount for subsequent transactions (applications or redemptions) is set at A\$ 200,000. The Manager will give at least 30 days prior notice before increasing the minimum limit for additional transaction. Further, under the Trust's Constitution, the Manager has the discretion to waive these minimum amounts.

### Unit Pricing

The Net Asset Price will be calculated based on the Net Asset Value of the Trust divided by the total Trust units on issue. A forward pricing approach to the valuation of the Trust will require that all Applications and Redemptions received by 11am EST on Trade Date (T), will be given the unit price effective valuation close of business on T, which is issued on the afternoon of T+1. All Applications and Redemptions received after 11:00am EST on T will be given a unit price effective valuation close of business on T+1.

The Manager may postpone calculating Entry and Exit Prices if it is desirable for the protection of the Trust or in the interests of unitholders to do so.

Entry and Exit prices are calculated by applying a buy/sell spread to the Net Asset Value ("NAV") price. The spread covers transactional costs, such as brokerage, in acquiring and disposing of assets of the Trust. As a result of the spread, the Entry Price is higher than the Net Asset Price and the Exit Price is lower than the Net Asset Price.

### Redemptions / Withdrawals

Proceeds from the redemption of units are normally payable within 10 business days. The Constitution allows the Manager up to 30 business days to pay the redemption proceeds in normal circumstances (which may be extended in unusual circumstances such as when the Manager is unable to satisfy a redemption request due to suspended trading in the market for an asset). Redemptions are met out of the assets of the Trust, and the Manager is not obliged to pay any part of the Exit Price out of its own funds. Where redemption requests are not for a specific number of units, whole units (and fractional units) will be redeemed rounded to three decimal places (or such other number of decimal places as the Manager determines). If a unitholder requests the redemption of more than 10% of the units in issue in the Trust on a business day, the Manager may in some circumstances treat the request as five

separate requests, each for 1/5th of the original request, received on five successive business days commencing on the business day the original request was received. If a unitholder requests the repurchase of more than 20% of the number of units in issue in the Trust on five consecutive business days, the Manager may pay the redemption proceeds on the excess over the 20% within 45 business days of the original requests.

Redemption proceeds may be paid to unitholders by cheque or Austraclear (subject to all relevant details forwarded to JPMorgan with the redemption request). In the absence of any payment instruction, JPMorgan will forward a cheque to the unitholder for redemption proceeds.

Under the Corporations Act 2001, the Trust is only liquid if liquid assets account for at least 80% of the value of Trust assets. If the Trust becomes illiquid, the Corporations Act 2001 provides that investors do not have an automatic right to withdraw from the Trust but Mellon Global Investments Australia may make withdrawal offers to investors. Given the investment strategy of the Trust, Mellon Global Investments Australia does not expect the Trust to become illiquid, although there may be circumstances where the Trust is illiquid.

Under normal circumstances, the redemption amount paid to a unitholder consists of return on capital only. However, in the event of a significant redemption from the Trust, the Constitution grants the Manager certain discretionary powers to ensure equity among unitholders. Essentially, if a significant redemption causes the realisation of a large amount of capital gains within the Trust, the Manager has discretion to declare a special distribution payable to the redeeming unitholder. In this instance, some or all of the redemption amount may consist of the special distribution (comprising capital gains realised within the Trust). This protects ongoing unitholders from the actions of a redeeming unitholder, as the redeeming unitholder may then become liable for tax on the capital gains realised within the Trust to pay the redemption amount. The discretionary distribution of capital gains to a redeeming unitholder may have adverse taxation consequences for that unitholder, and all investors should seek independent, professional taxation advice before investing in, or redeeming from, this Trust.

### **Distributions**

Net income will normally be distributed within 45 days after each Distribution Calculation Date (generally each 31 December and 30 June) or, if the audit of the Trust for the financial period is not completed by the end of that 45 day period, as soon as possible after completion of the audit. The net income is determined by reference to the taxable income of the Trust. The distribution will be made to unitholders holding units at each Distribution Calculation Date in proportion to the number of units held by them at that time. There is no guarantee that distributions will be payable at each Distribution Calculation Date.

Net income distributed may include:

- ◆ Realised gains on disposal of investments;
- ◆ Dividends; and
- ◆ Interest.

Net income available for distribution may be reduced by:

- ◆ Losses incurred on the disposal of investments; and
- ◆ Expenses charged to the Trust.

You can choose to re-invest your distributions instead of receiving them as cash by indicating this on the Application for Units. An election to re-invest must be made in writing to JPMorgan or Mellon Global Investments Australia at least thirty (30) days before the end of the Distribution Period (being a six month period ending on each 31 December and each 30 June).

If reinvestment applies, the Manager is deemed to have received and accepted an application to reinvest on the first day after the end of the Distribution Period to which the distribution relates.

## Taxation

Unitholders holding units during the year are presently entitled to a proportion of the net income of the Trust. Net income for the year ended 30 June is determined by reference to the taxable income of the Trust.

The Trust will issue a distribution statement following the Trust's year-end (30 June), detailing the distribution paid (and re-invested) and any relevant tax information to assist unitholders in preparing their income tax return.

Your share of the taxable income of the Trust should be included in your assessable income in the year in which the entitlement arises. Unitholders may be entitled to benefit from foreign tax credits or rebates arising from any dividends and interest received by the Trust.

A disposal of a unit may result in an amount being included in the assessable income of a unitholder. The tax consequences of investing in the Trust will vary between unitholders, in particular unitholders who are not residents of Australia.

### **Withholding Tax**

If a unit holder is not an Australian resident taxpayer, withholding tax maybe deducted from the Australian sourced component of the unit holder's taxable income.

Each investor should seek professional income tax advice, specific to their own circumstances, prior to making an investment in the Trust.

It is not compulsory for an investor to quote their Tax File Number ("TFN") or Australian Business Number ("ABN"). However, failure by an investor to quote an ABN or TFN or claim an exemption may cause Mellon Global Investments Australia to withhold tax at the top marginal rate including Medicare Levy, on distributions to the investor.

### **Closely Held Trusts**

A manager of a closely held trust has an obligation to provide the Australian Taxation Office (ATO) with details of the ultimate beneficial owners of any income distribution from a close held trust. This does not apply to trustees of complying superannuation funds or widely held trusts.

A closely held trust is one where the top 20 Unit Holders have between them 75% or more of the issued units. Failure of the Manager of a closely held trust to disclose such information to the ATO will result in the imposition of tax at 47% (plus the medicare levy) on the relevant Unit Holder's share of the net income to which they are presently entitled.

The Trust may, at times, be a closely held trust. Accordingly, prospective Unit Holders will be required to indicate whether or not they are acting as trustee of another trust and, if so, to provide details of the ultimate beneficial owners.

The Manager, under the Trust Constitution, is entitled to be indemnified from a Unit Holder or former Unit Holder, to the extent that the Manager incurs any liability for taxes as a result of the Unit Holder's action or inaction, or as a result of an act or omission requested by the Unit Holder or former Unit Holder. The payment of such amount may be deducted:

- a) by the Manager from any amount payable or distributable to a Unit Holder; and
- b) by the Manager from redemption proceeds owed to the Unit Holder.

The Manager may also cause the redemption of any Units to satisfy payment of such amount.

## The Constitution

The Trust operates under a Constitution dated 31 May 2006. This Information Memorandum summarises the major provisions of the Constitution but is qualified in its entirety by reference to the actual provisions of the Constitution.

A copy of the Scheme Constitution is available from Mellon Global Investments Australia Limited, Level 7, 2 Bulletin Place, Sydney, during business hours at no cost. The Constitution is incorporated by reference into this Information Memorandum, and persons contemplating investing in the Trust will be taken to have read and understood the Constitution prior to completing their Application Form.

The Constitution provides the framework for the operation of the Trust. Together with the Corporations Act 2001 and other legislation, they also set out our relationship with you. In endeavouring to explain the operation of the Trust in general terms we have summarised and paraphrased some important provisions of the Constitution.

The Constitution may be varied or amended by the Responsible Entity without the prior approval of unitholders where we reasonably consider that the change will not adversely affect unitholders' rights.

The Constitution binds all investors in the Trust.

## Privacy – for individual investors

Mellon Global Investments Australia may collect and maintain personal information about you for the purposes of establishing and administering your investment in the Trust. There are also a number of other purposes for which your personal information will be collected and these are:

- ◆ to process your application,
- ◆ manage your investment,
- ◆ monitor the quality of services provided to you,
- ◆ offer you further services which may include using your information for marketing purposes and comply with the regulatory or legal requirements including Australian transaction laws, the Corporations Act 2001 and other laws and regulations.

If you do not provide Mellon Global Investments Australia with your contact details and other information we may not be able to process your application, establish and administer or manage your investment, or tell you about other investment opportunities in which you may be interested or comply with applicable laws and regulations.

This information may also be disclosed to certain organisations. The types of organisations or persons to whom the information provided by investors is usually disclosed include:

- ◆ the Australian Taxation Office and other government regulatory bodies;
- ◆ your adviser or adviser dealer group and their service providers;
- ◆ organisations involved in providing, administering or managing the Trust such as any third party engaged by Mellon Global Investments Australia to provide custodial services (including JPMorgan).

If you have any questions about the personal information collected you should contact the Client Services Manager, Mellon Global Investments Australia Limited, Ph 02- 9087 7600 or e-mail [mgiaustralia@mellon.com](mailto:mgiaustralia@mellon.com).

You can also access your personal information held by us by contacting the Client Services Manager

## Complaints

The Constitution provides that if the Manager receives a written complaint from a unitholder it must acknowledge it in writing, ensure it receives proper consideration and communicate our decision to the unitholder within 45 days of receiving the complaint.

The Constitution also requires the Manager to provide the complainant with information regarding any further avenue for complaint.

The Manager has joined the Financial Industry Complaints Service (“FICS”), which is an independent body set up specifically to resolve complaints from investors. If you are not satisfied with our response to your complaint you may contact FICS on 1800 335 405.

## Compliance Committee

The Manager has established a Compliance Committee. The function of the Committee is to monitor the extent to which we comply with the Trust’s Compliance Plan. The Committee must report breaches of the Corporations Act 2001 and certain breaches of the Constitution to the Manager, and in some circumstances to ASIC. The Committee must meet at least half yearly, but is expected to meet at least quarterly. At the date of issue of this document, the Compliance Committee had a majority of independent, external members.

## Application Instructions

Mellon Global Investments Australia may, at its discretion, accept applications for units if the applicant has:

- ◆ lodged a completed Application for Units form (attached); and
- ◆ paid to JPMorgan the application monies in cleared funds.

Applications need not be for a specific number of units. Where applications are not for a specific number of units, application monies are used to buy whole units (and fractional units) rounded to three decimal places (or such other number of decimal places as the Manager determines).

### Payment

See “How to Invest” for full details of payment instructions.

### Signing of Application for Units

Applicants need to sign the Application for Units form attached. The application must be signed by the applicant or by the applicant’s authorised attorney. If made under power of attorney, the donee must certify that the donee has received no notice of revocation of the power of attorney.

In the case of joint applications, all parties must sign and full names must be shown in the places provided. An application from a company must be signed in accordance with the Corporations Act 2001 or its constitution. An application by a trustee must be made in the name of, and signed by, the trustee. The Manager will not recognise any interest in units other than that of the trustee whose name will be entered in the register of unitholders and who will be treated as the absolute owners of the units. If the signatory to the application is not the applicant, sufficient documentary proof of the signatory’s right to sign on behalf of the applicant should accompany the application.

### Future Dealings in Relation to Unitholding

If an applicant wishes to specify individuals who have authority to act on their behalf in relation to their investment in the Trust, the applicant may do so by completion of the Authorised Signatories form (attached). This form should be signed by the same person or persons who sign the Application for Units form.

## Application Form

To: Mellon Global Investments Australia Limited (A.B.N. 56 102 482 815)  
(the 'Responsible Entity')

Investor: \_\_\_\_\_  
(the 'Applicant')

Investor Number: \_\_\_\_\_  
(unless initial application, please ensure this section is complete)

Mailing Address: \_\_\_\_\_  
(for confirmation)

Contact Person: \_\_\_\_\_ E-mail: \_\_\_\_\_

Telephone: ( ) \_\_\_\_\_ Facsimile: ( ) \_\_\_\_\_

Amount Invested (A\$): \$ \_\_\_\_\_

The Applicant hereby applies for units in the Mellon Global Bond Alpha Trust ('the Trust') and:

- I/We have read the Information Memorandum dated 9 June 2006 for the Trust and I/we agree to be bound by the provisions of the Constitution dated 31 May 2006 as may be amended from time to time. I/We confirm that the Investor qualifies for admission to the Trust as described in this Information Memorandum. I/We agree that the Responsible Entity will be entitled to deduct from the money payable to me/us on redemption of any or all of my/our units all taxes or duties paid or payable by the Responsible Entity in respect of the application money attached or in consequence of such cancellation; and
- acknowledges that it is eligible to hold units in the Trust on the ground that the Applicant (please circle an applicable letter or letters and attach any supporting information you are able to provide):
- (a) is a trustee of a regulated superannuation fund, approved deposit fund, pooled superannuation trust or public sector superannuation scheme that has net assets of at least \$10,000,000; or
  - (b) has, according to a certificate given by a qualified accountant not more than 2 years before the date of the Application (a copy of the certificate must accompany this Application):
    - ◆ net assets of at least \$2.5 million; or
    - ◆ a gross income for each of the last 2 financial years of at least \$250,000 a year; or
  - (c) has or controls gross assets of not less than \$10,000,000, being an amount that includes any assets held by an associate of the Applicant or under a trust that the Applicant manages;
  - (d) is a body corporate registered under the Life Insurance Act 1995 or an Australian Authorised Deposit Taking Institution; or
  - (e) is a related body corporate of an entity which satisfies any of paragraphs (a) to (d).

**How will your funds be transferred to JPMorgan for Investment?**
 Funds deposited in JPMorgan Chase Bank, N.A.'s Austraclear Code: ANZB3A

The Applicant must ensure that they quote their Austraclear number on this "Application for Units".

Client Austraclear Number: \_\_\_\_\_

 Electronic Funds Transfer (Real Time Gross Settlement)

Bank: ANZ Melbourne  
Swift BIC: ANZBAU3M  
Favour of: JP Morgan Chase Bank, N.A., London  
Account: 218032/00001

**The Applicant requests the Responsible Entity to** (please tick an applicable box):

- Reinvest all Income Entitlements to which the Applicant may become entitled in respect of the current and future Distribution Periods of the Trust, in additional units of the Trust in accordance with the Constitution governing the Trust (this request may be revoked by the Applicant by notice in writing submitted to the Responsible Entity not less than 30 days prior to the expiration of the relevant Distribution Period);
- Pay all such Income Entitlements by Cheque made payable to the Applicant.
- Pay all such Income Entitlements by Bank Transfer

Receiving Bank .....

Address .....

B.S.B. .... Account Number .....

Account Name .....

**Redemption Proceeds**

The Applicant requests the Manger to please pay any redemption proceeds by bank transfer to the following account details:

Receiving Bank .....

Address .....

B.S.B. .... Account Number .....

Account Name .....

**Privacy – for individual investors only**

The Responsible Entity is committed to providing you with exclusive offers and innovative products and services. If you do not consent to the Responsible Entity using or disclosing your personal information to provide you with information about various products offered by the Responsible Entity, please tick the appropriate box below.

- I/we do not consent to the Responsible Entity using, or disclosing to other Mellon entities and their service provider, my/our personal information for the purposes of providing information on investments or providing information on investments or products offered by the Responsible Entity or other Mellon entities.

**Collection of Tax File Numbers**

Collection of tax file numbers is authorised and its use and disclosure are strictly regulated by the tax laws and the Privacy Act 1988. Quotation is not compulsory but tax (at the highest marginal rate plus the Medicare levy) may be taken out of your distribution if you do not quote your tax file number or Australian Business Number or claim an exemption. For more information about the use of tax file numbers and Australian Business Numbers, please contact your nearest branch of the Australian Tax Office.

I agree to provide my tax file number or Australian Business Number:  Yes  No

The Applicant's Tax File Number is: \_\_\_\_\_

Or Exemption Category is: \_\_\_\_\_

The Applicant's Australian Business Number (ABN) is: \_\_\_\_\_

Dated \_\_\_\_\_

the \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_

Signature(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Company Seal  
(If Applicable)

**Authorised Signatories**

- ◆ The Applicant hereby authorises any \_\_\_\_\_ (insert number of persons to act e.g. insert two if the persons are to act jointly) of the following persons ("Authorised Officer/s") to make any written communication or take any action on the Applicant's behalf in relation to the Applicant's investment in the Mellon Global Bond Alpha Trust; and
- ◆ agrees that the Responsible Entity may act upon an instruction where it is reasonable for the Responsible Entity to assume that the instruction was from an Authorised Officer/s; and
- ◆ certifies that the true signature of each Authorised Officer is shown below opposite his or her name, and that this certificate may be relied upon until such time as it is replaced by another certificate bearing a later date or cancelled.

Name	Specimen signature
_____	_____
_____	_____
_____	_____

**Declaration**

Signed for and on behalf of the Applicant Signature(s) \_\_\_\_\_ Company Seal (If Applicable) \_\_\_\_\_

Dated the \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_

## Trust Directory

### Responsible Entity

Mellon Global Investments Australia Limited  
ABN: 56 102 482 815  
AFS Licence No. 227865  
Level 7  
2 Bulletin Place  
SYDNEY NSW 2000

Phone: 02 9087 7600  
Fax 02 9087 7601

### Investment Manager

Mellon Capital Management Corporation  
EIN 25-1442064; SEC 801-19785  
595 Market Street, Suite 3000  
San Francisco, California 94105

Phone: 0011-1-415-546-6056  
Fax: 0011-1-415-777-5699

### Custodian & Administrator

JPMorgan Chase Bank, N.A.  
ABN 43 074 112 011  
Level 35, AAP Centre  
259 George Street  
SYDNEY NSW 2000

Phone 02 9250 4111  
Fax 02 9251 7009

### Auditor

PricewaterhouseCoopers  
ABN 52 780 433 757  
Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006

Phone 03 8603 1000  
Fax 03 8603 1999