



**GMO Australia Limited**

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AFSL No. 236 656

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## **GMO AUSTRALIAN MARKET NEUTRAL TRUST**

### **SUPPLEMENTARY INFORMATION MEMORANDUM DATED 1 OCTOBER 2009**

This is a Supplementary Information Memorandum of 2 pages issued by GMO Australia Limited.

This Supplementary Information Memorandum should be read in conjunction with the GMO AUSTRALIAN MARKET NEUTRAL TRUST Information Memorandum for WHOLESAL INVESTORS dated 22 September 2008 (the "Information Memorandum").

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#### **(1) Authorised Investments**

The following sentence which appears in the "Authorised Investments" section on page 5 of the Information Memorandum is deleted:

"The Trust will not invest in securities issued by Insurance Australia Group (IAG)."

#### **(2) Updated Trust Performance and Funds under Management**

Page 14 of the Information Memorandum containing section 8 titled "Trust Performance and Funds under Management" is replaced with the following page:

## 8. Trust Performance and Funds under Management

As at 31 August 2009

Name of Trust	Date of Inception	FUM (\$mil)	1 Year Performance			3 Year Performance (p.a.)			5 Year Performance (p.a.)			Since Inception Performance (p.a.)		
			Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)
GMO Australian Market Neutral Trust	5 March 2003	16.9	-8.5	4.7	-13.2	5.1	6.2	-1.1	5.5	6.0	-1.5	4.0	5.9	-1.9

*Past performance information in the above table is historical and is not a reliable indicator of future performance. Performance is calculated gross of management fees and after reinvestment of distributions.*



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## **GMO AUSTRALIAN MARKET NEUTRAL TRUST**

Information Memorandum for WHOLESALING INVESTORS dated: **22 September 2008**

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*GMO Australia Limited (ABN 30 071 502 639, AFSL 236 656) is the issuer of this Information Memorandum and solely responsible for its contents. This is not a Product Disclosure Statement. The units offered under this Information Memorandum are available only to investors who are wholesale clients within the meaning of section 761G of the Corporations Act, and who satisfy the other criteria set out in this document*

*You should read this Information Memorandum carefully, as it contains important information. GMO Australia strongly recommends that you obtain independent professional advice before you enter into this investment. GMO Australia reminds you that this Information Memorandum does not constitute financial product, legal or tax advice.*

*Any queries regarding the information contained in this Information Memorandum should be directed to the GMO Client Service team at +61 2 8274 9900 during Sydney business hours.*

## Table of Contents

<b>1. The GMO Group</b>	<b>4</b>
Overview	4
Objective	4
<b>2. Investment Approach</b>	<b>4</b>
Investment Philosophy	4
The Investment Process	4
Investment Style Risks and Benefits	4
<b>3. GMO Australian Market Neutral Trust</b>	<b>5</b>
<b>4. Trust Risks</b>	<b>6</b>
<b>5. Fees and Other Costs</b>	<b>7</b>
Additional explanation of fees and costs	7
Payment of expenses	8
Example of annual fees and costs	8
<b>6. General Information on the Trust</b>	<b>9</b>
Trust Constitution	9
Compliance	9
Manager	9
Third Party Administrator and Unit Registry	9
Prime Broker and Custodian	9
Who May Invest	9
How to Invest	9
Identification and Verification Documentation	9
Issue Price of Units	10
How to Redeem	10
Redemption Price of Units	10
Transfer of Units	10
Valuation of Investments	11
Progress Reports and Accounts	11
Auditor	11
Distribution of income	11
Taxation Information	11
Leverage and Use of Derivatives	12
Separate Investment Guidelines	12
Liability of Unit Holders	12
Updated Information Available	12
<b>7. Summary of Participants</b>	<b>13</b>
<b>8. Trust Performance and Funds under Management</b>	<b>14</b>
<b>9. Applying for or Redeeming an Investment</b>	<b>15</b>
Completing Your Application Form	15
Completing Your Redemption Form	16
Unit Trust Application Form for a New Investment	17
Unit Trust Application Form for an Additional Investment	21
Unit Trust Redemption Form	24

## Summary

This Information Memorandum offers the opportunity for Australian investors to acquire units in the following managed investment scheme registered with the Australian Securities and Investments Commission under the Corporations Act 2001 (the Trust):

Trust	ARSN*	ABN^
GMO Australian Market Neutral Trust	102 748 685	56 522 965 960

\* Australian Registered Scheme Number

^ Australian Business Number

**The minimum initial investment in the Trust is \$500,000.**

This offer is made by GMO Australia Limited (GMO Australia), Manager, an indirect wholly owned subsidiary of Grantham, Mayo, Van Otterloo & Co LLC (GMO). GMO Australia is the responsible entity of the Trust.

## 1. The GMO Group

### *Overview*

GMO Australia Limited (GMO Australia), the responsible entity of the Trust, is an associated company of Grantham, Mayo, Van Otterloo & Co LLC (GMO). GMO Australia is wholly owned by GMO Australasia LLC, which is wholly owned by GMO (collectively known as the 'GMO Group' or 'GMO'). GMO, founded in Boston 1977, by Jeremy Grantham, Richard Mayo, Kingsley Durant and Eyk van Otterloo is a privately held global investment management firm committed to providing sophisticated clients with superior asset management solutions and services. GMO offer a broad range of investment products, including equity and fixed income strategies across global developed and emerging markets, as well as absolute return strategies. GMO's global offices include the firm's headquarters in Boston and offices in San Francisco, London, Zurich, Singapore and Sydney. GMO manages over A\$130.4 billion globally (as at 31 July 2008).

GMO Australia was established in 1995 and now manages Australian equity portfolios, global asset allocation products, contributes to the group's research capability and provides access to GMO's global product range to local clients.

### *Objective*

The GMO Group's goal is to outperform relevant benchmarks for each of its products, while also helping its clients to achieve superior overall returns. This involves devoting considerable resources to understanding and often proposing solutions on the broad investment and financial policy issues that its clients regularly confront.

## 2. Investment Approach

### *Investment Philosophy*

The philosophy that underlies the investment process across all markets is based on two central principles:

- Financial markets are driven by investor sentiment. This generally results in trending markets;
- Economic fundamentals will return to average levels in the long run. This generally results in mean reversion in prices.

GMO generally seeks to exploit the opportunities arising from both of these market drivers. This results in a diversified market exposure incorporating both value and momentum strategies.

The investment process is active and quantitative. The starting point is the above philosophy which gives rise to hypotheses about market behaviour. These hypotheses are tested using historical data and decision rules are established.

### *The Investment Process*

A common investment process is applied across all of the developed and emerging markets in which the GMO Group manage equity portfolios. A number of value and momentum models are used to identify attractive stocks.

In forming portfolios, deviations from the benchmark weights are balanced against risk and trading costs to achieve the optimal portfolio.

### *Investment Style Risks and Benefits*

There are risks and benefits generally associated with quantitative investment management.

#### *Risks*

- Structural changes – because investment decisions are based on an analysis of historical data, should there be a change in actual market behaviour, this would require an adjustment to the models.

#### *Benefits*

- Defined, systematic, disciplined, and controlled process.
- Clear investment decision making audit trail.

### 3. **GMO Australian Market Neutral Trust**

#### **Investment Objective**

The Trust's objective is capital appreciation. It is invested in Australian equity securities (long and short) selected with the aim of producing a portfolio that outperforms the UBS Australian Bank Bill Index. The Trust is managed to outperform the Index by 7.0% per annum over a full market cycle with a tracking error of 7.0% per annum, before taking into account Trust fees and expenses. The market value of the long and short investments of the Trust will generally be within 2% of the other.

#### **Investment Strategy**

Quantitative techniques are used to determine the selection of securities which are expected to both outperform and underperform. The portfolio may take a long position in securities which are expected to outperform and may take a short position in securities which are expected to underperform. The Manager combines these into a portfolio and actively controls portfolio risk through an optimisation process which analyses the trade-off between anticipated returns and each security's contribution to portfolio volatility.

A short position is created by selling a security that the portfolio does not own. This is done by borrowing the security from a third party.

Normally, the portfolio will hold long positions in between 50 and 90 securities and short positions in between 50 and 90 securities, though this number may vary from time to time depending on conditions in the Australian equity market. The Manager intends the Trust to be approximately twice geared at all times (that is, each dollar invested will give rise to one dollar in long exposure and one dollar in short exposure), however this may vary due to market movements. As such, the Manager expects that the level of gearing of the Trust will generally be within the range of 1.8 and 2.2 times.

#### **Authorised Investments**

The Trust's Constitution authorises the Manager to invest in all types of investments. The Trust will normally invest directly in shares listed on the Australian Stock Exchange. However, where appropriate, the Trust may invest in Australian equity related securities including convertible notes, options, futures, derivatives and other related financial instruments. The Trust can also take short positions in securities. Cash generated from the short sales will be held in an interest bearing account with the Prime Broker as collateral for the stock borrowed. Any additional excess cash, which is not required for collateral purposes, will normally be invested in cash or fixed income securities.

The Trust will not invest in securities issued by Insurance Australia Group (IAG).

#### **Benchmark & Allowable Ranges**

The benchmark and asset class ranges for the Trust are set out in the table below. The Trust will generally be managed within these ranges although the Trust may be outside of these ranges for short periods of time.

Asset Class	Benchmark	Minimum	Maximum
Individual stock exposure	0%	-5%	+6%

#### **Performance**

Details of the performance of the Trust since inception are included in Section 8 - Trust Performance and Funds under Management.

#### **Costs**

Please refer to Section 5 - Fees and Other Costs.

## 4. Trust Risks

The performance of the Trust is directly related to the underlying assets and the markets in which the Trust invests. Good returns cannot be assured every year because the returns from these markets go up and down. As a result, the value of your investment may rise and fall in line with the Trust's underlying investments. Please note that past performance of an asset, a financial market, units in the Trust, or the Trust as a whole, is historical and is not a reliable indicator of future performance. Performance of the Trust may vary over time.

Your investment in the Trust can be subject to investment risk, including possible delays in repayment and loss of income or principal invested. Your investment in the Trust is not a deposit or liability of GMO Australia or any other member of the GMO Group – none of these entities stands behind or in any way guarantees the capital value and/or performance of units issued or the assets of the Trust.

The Trust may invest in a broad range of assets but will generally invest in Australian equity securities and Australian equity related securities including convertible notes, options, futures, derivatives and other related financial instruments. The Trust can also take short positions in securities and may hold cash and fixed interest. Investment in these assets involves the risk of substantial loss in net asset value. Some of the significant risks associated with investment in these types of assets are summarised below:

**Equities:** The Trust's investments in equity securities may decline in value due to factors affecting the issuing companies, their industries, or the economy and equity markets generally.

**Short Selling:** The Trust takes short positions in securities which are expected to underperform. Establishing a short position in a security can involve much greater risk than buying a security. When buying a security the maximum loss is generally limited to the amount invested. However with a short position there is no limit on the maximum loss as there is no upper limit on the security price. Losses can therefore be much greater than the initial value of the security.

A further risk is that the lender recalls the short position, which forces the security to be bought back within a limited timeframe when there may be limited liquidity in the security. This may mean that the portfolio is forced to buy the security at an unfavourable price.

**Derivatives:** Derivatives involve risks different from or greater than the risks of investing directly in securities and other more traditional investments. The Trust's use of derivatives can cause losses and reduce opportunities for gain when the prices of securities are changing. The

Trust may not fully benefit from or may lose money if changes in the value of derivatives do not correlate perfectly with the assets, rates or indices they are designed to hedge and/or track. Other parties to derivative contracts can default on their obligations to the Trust. Derivatives can make the Trust less liquid and harder to value.

**Futures:** Futures prices may be highly volatile due to unpredictable market movements influenced by political, economic and market events. An exchange or a government authority may suspend or restrict trading, making the markets illiquid and limiting the Trust's ability to close its futures positions at the optimal time.

GMO Australia manages the level of risk within the Trust in order to minimise the impact on performance by:

- Diversification across a wide range range of investments within the scope of the Trust's investment strategy.
- Conducting extensive research into fundamental influences on asset values.
- Where appropriate, using derivatives to manage and limit the level of risk in the Trust.

Prior to investing you should determine your attitude to risk. Your financial adviser or planner should be able to assist you in determining your risk appetite.

### Warning

**The returns from the Trust are expected to be volatile. The Trust is a high risk investment and investors should seek professional advice before investing.**

## 5. Fees and Other Costs

**DID YOU KNOW?**

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.**

**For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period**

**(for example, reduce it from \$100 000 to \$80 000).**

**You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.**

**TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees may be deducted from the returns on your investment or from the Trust's assets as a whole.

Taxation information is set out in another part of this document.

You should read all information about fees and costs because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Fees when your money moves in or out of the Trust</b>		
<i>Establishment fee</i> The fee to open your investment	Nil	N/A
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	N/A
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	N/A
<i>Termination fee</i> The fee to close your investment	Nil	N/A
<b>Management costs</b>		
The fees and costs for managing your investment.	1.5375% p.a.*	Paid monthly in cash from Trust assets
<b>Service fees</b>		
<i>Investment switching fee</i> The fee for changing investment options.	N/A	N/A

\*This includes 2.5% GST, being the net GST paid by the Trust on the management fees after the Reduced Input Tax Credit.

### ***Additional explanation of fees and costs***

#### ***Management costs***

Management costs include the management fee payable to GMO Australia plus any expenses payable from the Trust. GMO Australia will meet the routine expenses of the Trust from its management fee. See the section titled "Payment of Expenses" on page 8 for further detail. Management costs are based on current estimates. The management costs for the Trust is shown in the table above.

#### ***Taxation costs***

Taxation information is set out on page 11 of this document.

#### ***Transactional and operational costs***

When calculating the issue price of units in the Trust, GMO Australia will make an estimate of the costs attributable to the purchase or acquisition of the Trust's assets. This estimate is referred to as the Entry Transaction Cost Allowance or the Buy Spread. Similarly, when calculating the redemption price of units in the Trust, GMO Australia will make an estimate of the costs which would be incurred to sell the Trust's assets. This estimate is referred to as the Exit Transaction Cost Allowance or the Sell Spread.

The Buy/Sell Spread ensures that these transaction costs are met by the unit holders transacting rather than the other unit holders in the Trust.

The current Entry and Exit Transaction Cost Allowances or Buy/Sell Spreads for the Trust is set out in the table below.

	Buy Spread*^	Sell Spread#^
GMO Australian Market Neutral Trust	0.40%	0.40%

\* Entry Transaction Cost Allowance

# Exit Transaction Cost Allowance

^ The above entry and exit transaction cost allowances are expressed as a percentage of capital value of each unit.

GMO Australia may vary the allowance for entry and exit transaction costs to reflect changes in the costs of investing new funds and/ or generating funds to meet redemptions.

#### *Fee changes*

The Constitution of the Trust allows for management fees of up to 10%. The Constitution for the Trust also allows for contribution fees (of up to 2% of each investment) and withdrawal fees (of up to 2% of each investment) although contribution and withdrawal fees are not currently charged. GMO Australia will give unit holders at least 30 days notice of any increase in the management fees or other fees associated with the Trusts

GMO Australia may individually negotiate with wholesale clients (within the meaning of the Corporations Act) a rebate of a portion of fees paid to GMO Australia.

#### *Payment of expenses*

GMO Australia will meet the routine expenses of the Trust that are associated with safe keeping of assets, custodial charges for the settlement of transactions, administration of the Trust's accounts, statutory reporting, unit holder reporting, unit registry services, audit services, the printing and posting of reports and notices to unit holders, and the routine legal and taxation advice for the Trust. GMO Australia has discretion to classify expenses as routine or otherwise, but GMO Australia intends to interpret routine expenses as those expenses associated with the normal annual cycle of operation of the Trust.

Other expenses are paid or reimbursed by the Trust. These include, without limitation, any government duties and charges, all financial institutions duties and bank account debit taxes, other taxes, brokerage and related transactions charges arising from the receipt, collection, acquisition, investment, disposal or distribution of money or other property of the Trust (including receipt of application money), and any litigation costs incurred in

relation to the Trust. These expenses are an additional cost to unitholders.

#### *Example of annual fees and costs*

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

<b>EXAMPLE – GMO Australian Market Neutral Trust</b>		<b>BALANCE OF \$50 000 WITH TOTAL CONTRIBUTIONS OF \$5 000 DURING YEAR</b>
Contribution Fees	Nil	N/A
<b>PLUS</b> Management Costs	1.5375%	For every \$50,000 you have in the Trust you will be charged \$769 each year.
<b>EQUALS</b> Cost of Trust		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:  <b>\$769</b>

## 6. General Information on the Trust

### *Trust Constitution*

The Trust operates under a constitution (Constitution). 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 Constitution is available at no cost by contacting the GMO Australia Client Service Team on +61 2 8274 9900 during Sydney business hours. 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 Forms.

### *Compliance*

The Trust has a compliance plan and is supervised by a compliance committee constituted with a majority of external members. This committee meets quarterly. Copies of the Trust's compliance plan are available from the Manager on request.

### *Manager*

GMO Australia is the Manager of the Trust.

### *Third Party Administrator and Unit Registry*

GMO Australia has appointed State Street Australia Limited (SSAL) as third party administrator to the Trust. SSAL has also been appointed by GMO Australia to perform the unit registry function for the Trust.

### *Prime Broker and Custodian*

UBS AG, Australia Branch has been appointed as the prime broker to the Trust. UBS Nominees Pty Ltd has been appointed as custodian to the Trust.

### *Who May Invest*

Units in the Trust are available only to investors who are wholesale clients within the meaning of section 761G of the Corporations Act, and who satisfy the other criteria set out in this document. Additions to investments must also satisfy the same requirements. A unit holder must remain a wholesale client in order to continue holding an investment in the Trust.

### *How to Invest*

Complete a Unit Trust Application Form (provided in Section 9 - 'Applying for or Redeeming an Investment') and forward it to SSAL.

Application monies may be paid by Electronic Funds Transfer<sup>1</sup>, via Austraclear or by cheque. Cheques should be attached to the application form.

The minimum initial investment in the Trust is \$500,000. The minimum applying to subsequent investments is \$250,000 provided the relevant investor does not become a retail client within the meaning of section 761G of the Corporations Act due to an allotment of this size. Otherwise, the minimum further investment is \$500,000. The Manager has the discretion to waive these minimum investment amounts. Before lodging an application, you should advise the Manager that you intend to lodge an application and the date you propose to lodge your application.

The Manager reserves the right to reject any application for Trust units.

When the application and application monies have been accepted, a confirmation advice will be forwarded detailing:

- the date of acceptance;
- the amount invested in the Trust;
- the number of units issued; and
- the unit issue price.

No certificate will be issued for units in the Trust. Interests in the Trust are recorded on that Trust's records by SSAL.

### *Identification and Verification Documentation*

We need to collect information from you in order to verify your identity in accordance with Australian anti-money laundering and counter-terrorism financing laws. We will not be able to process your application or issue you with units in the Trust until you provide us with this information.

The type, and amount, of verification information required will vary depending on the nature of the investor.

You should contact the GMO Australia Client Service Team on **+61 2 8274 9900** before lodging your

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<sup>1</sup> The transferring party must be Real Time Gross Settlement (RTGS) compliant.

application to find out what information will be required.

After your application has been processed we may also require further identification and verification information from you from time to time.

### ***Issue Price of Units***

The price at which a unit in the Trust is issued will be the capital value of each unit on issue in the Trust plus an entry allowance to cover the cost of transactions.

The capital value of each unit in the Trust will be:

- the Net Asset Value of the Trust, divided by
- the number of units in the Trust on issue.

The Net Asset Value is based on the market value of the investments of the Trust. Where application proceeds and a completed application form are received by SSAL before the cut off time for that day, the application will usually be processed at the unit price for close of business of that day.

Where application proceeds and a completed application form are received after the daily cut off time units will usually be allotted based on the unit price for close of business the following day. The Manager reserves the right to process the application prior to determining whether application monies have cleared in the manager's application account. Should any loss arise as a result of application monies not clearing the investor will be liable for any related costs such as interest and/or market movements.

In calculating the application price for units, the Manager may waive all or part of the entry transaction cost allowance.

The Manager may accept in-kind transfers of unencumbered assets as part or total payment of application monies. The Manager will apply the valuation principles used to calculate the Net Asset Value of the Trust in order to determine the value of the assets transferred in-kind.

The Manager will not approve the acceptance of securities in exchange for Trust units unless (1) the Manager, in its sole discretion, believes the securities are appropriate investments for the Trust, (2) the investor represents and agrees that all securities offered are not subject to restrictions upon their sale by the Trust, and (3) the securities may be acquired under the investment restrictions applicable to the Trust.

The unit price will be rounded to the nearest two decimal places of a cent, or to greater accuracy as determined from time to time by the Manager.

### ***How to Redeem***

Complete a Unit Trust Redemption Form (provided in Section 9 - 'Applying for or Redeeming an Investment') and forward it to SSAL.

The minimum amount that may be redeemed is \$250,000 or the whole of the investment if the value of units held is less than \$500,000 although the Manager has the discretion to waive the minimum amount. The Manager may unilaterally redeem a unit holding that falls below \$500,000 and remit the proceeds to the account owner.

### ***Redemption Price of Units***

Where a completed redemption form is received by SSAL before the cut off time for that day, the redemption will usually be processed at the unit price for close of business of that day. Where the completed redemption form is received after the daily cut off time units will usually be redeemed based on the unit price for close of business the following day.

The price at which a unit in the Trust is redeemed will be the capital value of each unit on issue in the Trust less an exit allowance for transaction costs.

The capital value of each unit in the Trust will be:

- the Net Asset Value of the Trust, divided by
- the number of units in the Trust on issue.

The Net Asset Value is based on the market value of the investments of the Trust. Each of these must be determined as at the valuation time before the Manager processes the request to redeem units.

The Manager may pay redemption proceeds to investors by way of an asset transfer rather than a cash payment. The Manager will apply the valuation principles used to calculate the Net Asset Value of the Trust in order to determine the value of the assets transferred in-kind.

Payment of the redemption will be made as promptly as possible after the request for redemption is received by SSAL in good order. The Manager may suspend redemptions for up to 28 days during periods when it is impractical for the Manager to calculate Net Asset Value.

In calculating the redemption price for units, the Manager may waive all or part of the Exit Transaction Cost Allowance.

### ***Transfer of Units***

The Trust Constitution permits the transfer of units only with consent of the Manager.

### ***Valuation of Investments***

The practice of the Manager will be to value the units of the Trust daily.

GMO Australia has a Unit Pricing Discretions Policy which sets out how we will exercise discretions in the unit pricing of the Trust. You can obtain a copy of the policy free of charge by contacting GMO Australia (contact details are on the front cover).

### ***Progress Reports and Accounts***

To keep unit holders fully informed about their investments, the Manager will provide:

- monthly and a quarterly report reviewing the operations of the Trust; and
- a copy of the annual report which include the annual audited accounts and independent audit report of the Trust. The annual reports will be sent to you via email each year. If you would prefer to receive the annual report via mail please contact us.

### ***Auditor***

The external auditor to the Trust is PricewaterhouseCoopers, chartered accountants of Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000.

### ***Distribution of income***

Generally, quarterly distributions will be made in order to ensure that all taxable income received through dividends or other net income, net of accrued and actual Trust expenses and fees, are distributed to unit holders in the tax year in which they are received. **Note: Unless the Manager is otherwise directed in writing by an investor not less than one month prior to a quarterly distribution date to pay the distribution in cash, income distributed by the Trust will be re-invested in units of the Trust.** Unrealised capital gains and losses will be reflected in the price of units. Income will be distributed pro-rata based on the number of units held by each client at the end of each Distribution Period.

### ***Taxation Information***

This taxation information is a general summary only and is based on information which is current at the date of issue of this Information Memorandum and should not be viewed in any way as taxation advice. Prior to making an investment decision, each investor should seek their own taxation advice about the taxation consequences to them of investing in the Trust.

The policy of the Trust is to distribute at least the taxable income of the Trust to the unit holders. Consequently, the Trust itself should pay no income tax. All taxable income

distributed, including any which is subsequently reinvested, forms part of your assessable income in the year of entitlement. The issue price of units in the Trust includes the value of accrued profits and any income previously received or accrued since the last applicable date for determining distribution entitlements. Should such unrealised amounts or income be realised in the future, any assessable portion will be distributable and assessable to investors.

If you are a non-resident for Australian income tax purposes the applicable rate of withholding tax will be deducted from your distributions. You should consult a local taxation adviser before investing.

### **Accruals Taxation**

Measures for taxing foreign source income (commonly known as accruals taxation) apply where an Australian taxpayer has a substantial interest in a foreign corporation in a "low tax" jurisdiction or has transferred value to certain trusts in such a jurisdiction.

The manager does not anticipate that the Trust will hold a sufficient interest in investments to cause the investments to be taxed under the accruals regime, however, no assurances can be provided in this respect.

### **Goods and Services Tax (GST)**

The management fee charged to the Trust is subject to GST. GST will normally be applicable to all other expenses of the Trust.

### **Foreign Tax Credits (FTCs)**

Certain income or capital gains received from overseas investments are taxable in those foreign jurisdictions prior to the remittance of such income and gains. The FTC is included in assessable income and unit holders will usually be entitled to a credit for the related foreign tax paid. This credit is limited to the lesser of the foreign tax paid or the Australian income tax liability in respect of the foreign income.

Unit holders will normally be advised of the nature of any FTCs attached to any foreign source income distributed by the Trust.

### **Income Statements**

Income statements indicating the amount of taxable income, including taxable capital gains and applicable foreign tax credits, franked dividends and applicable imputation credits and any return of capital in respect of the investment will be issued to unit holders each year.

**Tax File Number (TFN) / Australian Business Number (ABN)**

You may quote your TFN and/or ABN to GMO Australia. If you do not quote your TFN or ABN or details of any exemption, GMO Australia is required to withhold tax from each distribution of income at the highest rate including the Medicare Levy and any other applicable Government levies. Non residents are exempt from tax file number provisions.

Please note, after 21 July each year, the law prevents GMO from refunding any tax deducted in the previous financial year. After this date, if the tax is not refunded, an investor will be entitled to claim a credit on assessment for the amount deducted, or if this is not appropriate, an investor can apply directly to the Commissioner of Taxation.

**Capital Gains Tax (CGT)**

The disposal of units may lead to a CGT liability. Generally, if the units are owned for more than twelve months by an Australian individual (non-trader) or a trustee, 50% of the net capital gain (i.e. after deducting capital losses) the individual investor makes on disposal of units will be taxable. For complying superannuation funds, 66.67% of the net gain is subject to CGT. Companies are currently taxable on the full amount of the net gain. Where you are a trader or institutional investor, the disposal of units in the Trust may be treated as ordinary income.

Capital losses of an investor may be used to offset gross (i.e. pre-discount) capital gains.

***Leverage and Use of Derivatives***

As discussed in Section 3. of this Information Memorandum, the Manager expects the Trust to be leveraged. When the Manager wishes to short-sell a stock it will be necessary for the stock to be borrowed in order to allow for the stock to be delivered at the time of settlement. The Prime Broker arranges for stock to be lent to the Manager. The Prime Broker will require the Manager to provide security against the borrowings. The Manager will generally use the proceeds generated from the sale of the stock as security or collateral. The Prime Broker will charge a fee for this service which will typically take the form of a share of the interest earned on the

collateral. The Manager does not intend to leverage the Trust by borrowing monies from any third party.

GMO Australia's policy on derivatives permits the use of derivatives to implement the investment objectives and strategies of the Trust. This policy requires (i) that all derivatives be included at their market value in all Trust valuations and (ii) that they be entered into only with counterparties with suitable credit ratings as determined by GMO Australia.

More information about the use of derivatives and controls relating to such use is set forth in the Derivatives Risk Statement (DRS) of the Manager. Copies of the DRS are available from the Manager.

***Separate Investment Guidelines***

It is necessarily impossible to take account of the particular investment guidelines, financial situation and/or needs of each individual investor in the Trust. Intending investors are advised to seek external advice on the appropriateness of an investment in the Trust given their own particular circumstances. Each intending investor should evaluate the Trust in the light of their own circumstances.

***Liability of Unit Holders***

The Constitution and the Corporations Act 2001 contain provisions designed to limit the liability of unit holders to the value of units held. While these provisions are generally regarded as effective, this remains ultimately a matter for the Courts to determine.

***Updated Information Available***

The information in this Information Memorandum may change over time. Up to date information, including information on the Trust's performance, funds under management, and financial information is available on GMO's web site, [www.gmo.com](http://www.gmo.com). Paper copies of this information are available from GMO Australia's office (contact details are on the front cover) during business hours at no cost.

## 7. Summary of Participants

**Manager and  
Responsible Entity:**

GMO Australia Limited  
ABN 30 071 502 639  
Level 12, 1 Alfred Street  
Sydney NSW 2000  
Telephone: +61 2 8274 9900  
Facsimile: +61 2 8003 8800

**Prime Broker\*:**

UBS AG, Australia Branch  
Level 16  
Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Telephone: +61 2 9324 2000  
Facsimile: +61 2 9324 2059

**Custodian\*^:**

UBS Nominees Pty Ltd  
ABN 32 001 450 522  
Level 16  
Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Telephone: +61 2 9324 2000  
Facsimile: +61 2 9324 2059

**Unit Registry and Administrator\*:**

State Street Australia Limited  
ABN 21 002 965 200  
State Street Centre  
338 Pitt Street  
Sydney NSW 2000  
Telephone: +61 2 9323 6000  
Facsimile: +61 2 9323 6411 or +61 2 9323 6420

**Auditor\*:**

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000  
Telephone: +61 2 8266 0000  
Facsimile: +61 2 8266 9999

\* None of these persons have caused or authorised the issue of this Information Memorandum. Each of them disclaims responsibility for any part of this Information Memorandum.

^ UBS AG, Australia Branch and UBS Nominees Pty Ltd have only been involved in the preparation of and consented to the inclusion of, that part of this document that contains statements about them and their roles, and have not withdrawn that consent, and take no responsibility for the preparation of, statements made in, or omissions from any other parts of the document. They have not made or purported to make any statement contained in the document or authorised or caused its issue.

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## 8. Trust Performance and Funds under Management

As at 31 August 2008

Name of Trust	Date of Inception	FUM (\$mil)	3 Months Performance			1 Year Performance			3 Year Performance (p.a.)			Since Inception Performance (p.a.)		
			Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)	Portfolio (%)	Benchmark (%)	Value Added (%)
GMO Australian Market Neutral Trust	5/3/2003	75.3	7.4	2.0	5.4	18.4	7.6	10.8	11.3	6.6	4.7	6.4	6.1	0.3

*Past performance information in the above table is historical and is not a reliable indicator of future performance. Performance is calculated gross of management fees and after reinvestment of distributions.*

## 9. Applying for or Redeeming an Investment

### Wholesale Clients Only

Units in the Trust are available only to investors who are wholesale clients within the meaning of section 761G of the Corporations Act.

If you are an individual, or otherwise are not making an investment in connection with a business, and want to rely on the income and assets test to meet the wholesale client requirement you must attach to your application an accountant's certificate which is less than 6 months old indicating that you have either:

- 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.

There are three forms attached to this Information Memorandum:

- Unit Trust Application Form for a New Investment
- Unit Trust Application Form for an Additional Investment
- Unit Trust Redemption Form

Which form should you complete?

### Making a New Investment

If you are making a new investment (that is, you have not already invested in the Trust), you should complete the 'Unit Trust Application Form for a New Investment' attached to this Information Memorandum.

For assistance with completing the application form, see 'Completing your Application Form' below.

Your completed form and consideration should be sent to SSAL.

### Adding to Your Investment

If you wish to make an additional investment to an existing holding, you should complete the 'Unit Trust Application Form for an Additional Investment' attached to this Information Memorandum.

Your completed form and consideration should be sent to SSAL.

### Redeeming Your Investment

If you wish to redeem units you hold in the Trust you must complete a 'Unit Trust Redemption Form' attached to this Information Memorandum.

For assistance with completing the redemption form, see 'Completing your Redemption Form' below.

Your completed form should be sent to SSAL.

**PLEASE NOTE THAT THE MANAGER MAY REFUSE TO ACCEPT APPLICATIONS AND REDEMPTIONS IN ANY OTHER FORM.**

### Completing Your Application Form

To invest in the Trust you should complete and sign the correct application form.

Please note:

- Name of Applicant – Name of beneficial owner.
- Name of Trustee of Applicant – Provide if applicable.
- ABN – Where no ABN is available please supply a TFN or details of any exemption. Further details about the supply of TFNs can be found in Section 6.- 'General Information on the Trust'.
- Contact Details – Please provide at least one contact so that GMO Australia and SSAL can meet reporting requirements. Please provide an email address. We will use this email address to provide you with information about your investment in the Trust, including copies of the annual reports for the Trust.
- Income Distribution – These account details are for the account into which you would like distributions and withdrawals paid. Must be an Australian dollar denominated bank, building society or credit union account.
- GMO Unit Trust(s) to be Credited – Initial applications must be at least \$500,000, unless waived by GMO. Please indicate whether you want income distributions reinvested. Also please indicate when monies will be received by SSAL and where they are coming from.
- Declaration and Applicant Signature(s) – Attached company seal if applicable.
- Lodging an Application Form – Please forward your completed form and monies/cheques to SSAL. Monies can either be transferred via Electronic Funds Transfer<sup>2</sup> or via Austraclear. Account details are shown on the Application form. Cheques should be sent to:

*State Street Australia Ltd  
Unit Registry/Investor Services  
Level 7  
338 Pitt Street  
Sydney NSW 2000*

And marked payable to:

*UBS AG, Australia Branch*

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<sup>2</sup> The transferring party must be Real Time Gross Settlement (RTGS) compliant.

### ***Completing Your Redemption Form***

To redeem your investment in the Trust you should complete and sign a redemption form.

Please note:

- Payment Details – Please show where you would like funds remitted.
- GMO Unit Trust(s) to be Debited – Show dollar amount(s) or number of units.

**GMO Australia Limited**  
**Unit Trust Application Form for a New Investment**

**GMO AUSTRALIAN MARKET NEUTRAL TRUST**

Prior to making a new application, please complete this form and return it to State Street Australia Limited (SSAL) in Sydney via fax to:

**SSAL Unit Registry Fax: +61 2 9323 6411 or +61 2 9323 6420**

SSAL Telephone: +61 2 9323 6000

*Investors should call the GMO Australia Client Service Team on +61 2 8274 9900 during Sydney business hours before lodging a new application, as the Trust reserves the right at any time to reject an application. This completed form and consideration must be received by SSAL by 2:00 p.m. (AEST) in order to process the application at that day's closing unit price. Orders received by SSAL after 2:00 p.m. (AEST) will be processed at the next day's unit price.*

<b>Type of Application (please tick):</b>	<input type="checkbox"/> <u>New Investment</u> - Application for a <b>new</b> investment in a Trust.  Please complete this application form in black ink, using block letters.
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**1. Applicant Details (must be completed)**

<b>Tax Status of Beneficial Owner (please tick):</b> Please note that this information is required by the Australian Taxation Office.  ABN/TFN _____	<table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> Individual</td> <td><input type="checkbox"/> Joint</td> </tr> <tr> <td><input type="checkbox"/> Company</td> <td><input type="checkbox"/> Trust</td> </tr> <tr> <td><input type="checkbox"/> Superannuation</td> <td><input type="checkbox"/> Partnership</td> </tr> <tr> <td><input type="checkbox"/> Co-Operative</td> <td><input type="checkbox"/> Association</td> </tr> <tr> <td><input type="checkbox"/> Superannuation</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Other pls specify _____</td> <td></td> </tr> </table>	<input type="checkbox"/> Individual	<input type="checkbox"/> Joint	<input type="checkbox"/> Company	<input type="checkbox"/> Trust	<input type="checkbox"/> Superannuation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Co-Operative	<input type="checkbox"/> Association	<input type="checkbox"/> Superannuation		<input type="checkbox"/> Other pls specify _____	
<input type="checkbox"/> Individual	<input type="checkbox"/> Joint												
<input type="checkbox"/> Company	<input type="checkbox"/> Trust												
<input type="checkbox"/> Superannuation	<input type="checkbox"/> Partnership												
<input type="checkbox"/> Co-Operative	<input type="checkbox"/> Association												
<input type="checkbox"/> Superannuation													
<input type="checkbox"/> Other pls specify _____													
<b>Name of Applicant:</b>													
<b>Applicant Trustee Name:</b>													

**2. Contact Details (at least one must be completed)**

*Applicant*

<b>Name of Primary Contact:</b>		<b>Title/Position:</b>	
<b>Telephone:</b>		<b>Fax:</b>	
<b>Email:</b>			
<b>Mailing Address:</b>			
		<b>Country:</b>	

*Applicant's Consultant/Adviser*

<b>Name of Primary Contact:</b>			
<b>Company Name:</b>			
<b>Telephone:</b>		<b>Fax:</b>	
<b>Email:</b>			
<b>Mailing Address:</b>			
		<b>Country:</b>	

*Custodian*

<b>Name of Primary Contact:</b>			
<b>Company Name:</b>			
<b>Telephone:</b>		<b>Fax:</b>	
<b>Email:</b>			
<b>Mailing Address:</b>			
		<b>Country:</b>	

### 3. GMO Unit Trust(s) to be Credited (must be completed)

GMO Trust Name	Amount (\$) <sup>2</sup>	Reinvest Income <sup>3</sup> Please circle either Yes or No If No please complete Section 4.
GMO Australian Market Neutral Trust		Yes / No

<sup>2</sup> Initial applications must be \$500,000 or greater, unless waived by GMO Australia.

<sup>3</sup> Applicants may elect to have income distribution reinvested in additional units of the Trust or paid out (see section 4 if applicable). If no direction is given, reinvestment will be automatic.

<b>Date SSAL Will Receive Monies by 2.00 pm (AEST)</b>	
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<b>Origin of Monies</b> (Name of Institution or Austraclear Code)		
<b>Contact Details</b> (If Funds are Coming via Electronic Funds Transfer)		
	(Name)	(Telephone)

Transmission of this completed form to SSAL constitutes an obligation to purchase units and wire the funds to SSAL by the date indicated on this form because GMO may purchase securities on a Trust's behalf in anticipation of cash flows identified in this application form.

### 4. Income Distribution (Do not complete if income is to be reinvested)

**Pay by:**

Either direct credit to the following:

<b>Financial Institution Name:</b>	
<b>BSB Number:</b>	
<b>Account Name:</b>	
<b>Account Number:</b>	
<b>Swift BIC (If applicable):</b>	

**Or**

b. Pay by Austraclear:

<b>Austraclear Code:</b>	
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## 5. Declaration and Applicant Signature(s) (must be completed)

I/We have read and agree to be bound by the attached Information Memorandum dated **22 September 2008** of the GMO Australian Market Neutral Trust and I/We agree to be bound by the provisions of the Trust Deed/Constitution, as it may be amended from time to time, for the relevant Trust(s) to which this application relates. I/We agree that the Responsible Entity shall be entitled to deduct from 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 herewith or in consequences of such redemption. I/We declare that I am/we are a "Wholesale Client" in accordance with section 761G of the Corporations Act 2001. I/We will immediately notify the Responsible Entity if I/We cease to be a WholesaleClient.

<b>First Authorised Signature:</b>			
<b>Second Authorised Signature:<sup>4</sup></b>			
	<i>Signature</i>	<i>Name – Please print or type</i>	<i>Date</i>
<b>Company Seal (if applicable):</b>			

<sup>4</sup> Provide second signature if required.

PLEASE NOTE: THE APPLICANT SHOULD ATTACH A LIST OF CURRENT AUTHORISED SIGNATORIES.

## 6. Lodging a Unit Trust Application Form

<b>Wiring Instructions:</b>	<b>Mailing Address for Cheques<sup>#</sup>:</b>
<p><b>Austraclear</b> Code: UBSB20 <i>Remember to advise SSAL of the counter party Austraclear code on the same day.</i></p> <p><b>If paying by Electronic Funds Transfer*, please credit the following account:</b> Bank Name: UBS AG BSB Number: 946 612 Account Name: UBS AG, Australia Branch Account Number: 242792 Swift BIC: UBSWAU2S (If applicable)</p> <p>* The transferring party must be Real Time Gross Settlement (RTGS) compliant.</p>	<p>State Street Australia Ltd Unit Registry/Investor Services Level 7 338 Pitt Street Sydney NSW 2000</p> <p><b># Please make cheques payable to:</b> <i>UBS AG, Australia Branch</i></p> <p><i>Note: If the payment is made via <b>cheque</b>, please mail both cheque <b>and</b> application form to the above address</i></p>

# GMO Australia Limited

## Unit Trust Application Form for an Additional Investment

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### GMO AUSTRALIAN MARKET NEUTRAL TRUST

Prior to making an additional application, please complete this form and return it to State Street Australia Limited (SSAL) in Sydney via fax to:

**SSAL Unit Registry Fax: +61 2 9323 6411 or +61 2 9323 6420**

SSAL Telephone: +61 2 9323 6000

*This completed form and consideration must be received by SSAL by 2:00 p.m. (AEST) in order to process the application at that day's closing unit price. Orders received by SSAL after 2:00 p.m. (AEST) will be processed at the next day's unit price.*

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#### 1. Account Details (must be completed)

<b>Name of Account:</b>	
<b>Account Number:</b>	

#### 2. New Contact Details

<b>Name of Contact:</b>		
<b>Company:</b>		
<b>Telephone / Facsimile:</b>		
<b>Email:</b>		
<b>Mailing Address:</b>		
	<b>Country:</b>	

**3. Additional GMO Unit Trust(s) to be Credited (must be completed)**

GMO Trust Name	Amount (\$) <sup>1</sup>
GMO Australian Market Neutral Trust	

<sup>1</sup> Additional applications must be \$250,000 or greater, unless waived by GMO Australia.

<b>Date SSAL Will Receive Monies by 2.00 pm (AEST)</b>	
--	--

<b>Origin of Monies</b> (Name of Institution or Austraclear Code)		
<b>Contact Details</b> (If Funds are Coming via Electronic Funds Transfer)		
	<i>(Name)</i>	<i>(Telephone)</i>

Transmission of this completed form to SSAL constitutes an obligation to purchase units and wire the funds to SSAL by the date indicated on this form because GMO may purchase securities on a Trust's behalf in anticipation of cash flows identified in this application form.

**4. Declaration and Applicant Signature(s) (must be completed)**

I/We have read and agree to be bound by the attached Information Memorandum dated **22 September 2008** of the GMO Australian Market Neutral Trust and I/We agree to be bound by the provisions of the Trust Deed/Constitution, as it may be amended from time to time, for the relevant Trust(s) to which this application relates. I/We agree that the Responsible Entity shall be entitled to deduct from 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 herewith or in consequences of such redemption. I/We declare that I am/we are a "Wholesale Client" in accordance with section 761G of the Corporations Act 2001. I/We will immediately notify the Responsible Entity if I/We cease to be a Qualified Investor or WholesaleClient.

<b>First Authorised Signature:</b> <sup>4</sup>			
<b>Second Authorised Signature:</b> <sup>4,5</sup>			
	<i>Signature</i>	<i>Name - Please print or type</i>	<i>Date</i>
<b>Company Seal (if applicable):</b>			

4 Must be on file with GMO Australia.

5 Provide second signature if required.

## 5. Lodging a Unit Trust Application Form

Wiring Instructions:	Mailing Address for Cheques <sup>#</sup> :
<p><b>Austraclear</b>            Code: UBSB20  <i>Remember to advise SSAL of the counter party Austraclear code on the same day.</i></p> <p><b>If paying by Electronic Funds Transfer*, please credit the following account:</b>            Bank Name: UBS AG            BSB Number: 946 612            Account Name: UBS AG, Australia Branch            Account Number: 242792            Swift BIC: UBSWAU2S (If applicable)</p> <p><i>* The transferring party must be Real Time Gross Settlement (RTGS) compliant.</i></p>	<p>State Street Australia Ltd            Unit Registry/Investor Services            Level 7            338 Pitt Street            Sydney NSW 2000</p> <p><b># Please make cheques payable to:</b>  <i>UBS AG, Australia Branch</i></p> <p><i>Note: If the payment is made via <b>cheque</b>, please mail both cheque <b>and</b> application form to the above address</i></p>

**GMO Australia Limited**  
**Unit Trust Redemption Form**

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**GMO AUSTRALIAN MARKET NEUTRAL TRUST**

Prior to making a redemption, please complete this form and return to State Street Australia Limited (SSAL) in Sydney via fax to:

**SSAL Unit Registry Fax: +61 2 9323 6411 or 61 2 9323 6420**

SSAL Telephone: +61 2 9323 6000

*This completed form must be received by SSAL by 2:00 p.m. (AEST) in order to process the redemption at that day's closing unit price. Orders received by SSAL after 2:00 p.m. will be processed at the next day's unit price. Payment on redemptions will be made as promptly as possible (normally via wire or Austraclear 3 business days following the date of the redemption).*

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**1. Account Details (must be completed)**

<b>Name of Account:</b>	
<b>Account Number:</b>	

**2. Payment Details (must be completed)**

<b>Direct Credit</b>	
Financial Institution Name:	
BSB Number:	
Attention:	
Account Number:	
Further Credit:	
<b>Austraclear</b>	
Code:	

**3. GMO Unit Trust(s) to be Debited (Please indicate dollars or units) (must be completed)**

GMO Trust Name	Amount (\$ or number of units)
GMO Australian Market Neutral Trust	

<b>Desired Date of Redemption<sup>1</sup></b>	
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<sup>1</sup> Date refers to date unit price to be struck for purposes of determining number or value of units to be sold.

**4. Account Signature(s) (must be completed)**

<b>First Authorised Signature:<sup>2</sup></b>			
<b>Second Authorised Signature:<sup>2,3</sup></b>			
	<i>Signature</i>	<i>Name - Please print or type</i>	<i>Date</i>
<b>Company Seal (if applicable):</b>			

<sup>2</sup> Must be on file with GMO Australia.

<sup>3</sup> Provide second signature if required.