



# AFM DAVIS VALUE TRUST



product disclosure statement  
ARSN 121 250 940

[australian funds marketing ltd](#) (ACN 097 634 850)  
(AFSL 281344)

# important notices

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## **AFM Davis Value Trust product disclosure statement**

This product disclosure statement ('PDS') is dated 4 January 2007.

Australian Funds Marketing Limited (referred to in this PDS as 'AFM', 'the responsible entity', 'we' and 'us') ACN 097 634 850 is the responsible entity of the AFM Davis Value Trust (also referred to as the 'Fund' in this PDS) and is wholly responsible for the contents of this PDS.

AFM may employ the services of associated or external parties to assist it with its obligations. Accordingly, the reference to the term 'AFM' may also be a reference to such parties.

Neither AFM nor the Fund's investment manager, Davis Selected Advisers, LP (referred to in this PDS as 'Davis Advisors') guarantees the repayment of capital or any rate of return. The performance of the Fund is dependent on the performance of its underlying investments which can fall as well as rise in value, resulting in capital losses as well as capital profits. Due to market influences no assurance can be given in respect of the Fund's future returns. Past performance of the manager should not be taken as an indication of future returns.

AFM authorises the use of this PDS as disclosure to private clients, financial advisers and institutional investors as well as clients and prospective clients of an Investor Directed Portfolio Service ('IDPS') or an IDPS-like scheme (commonly called a master trust or wrap account).

This PDS may be issued, circulated and distributed throughout Australia and New Zealand. If you are printing an electronic copy of this document, you must print all the pages. If you make this document available to another person by electronic means, you must give them the entire electronic file or printout.

Information in this PDS is general information. It does not take into account your individual objectives, tax and financial situation. We recommend you consult with a licensed financial adviser and a taxation adviser before investing in the Fund.

General information in this PDS is subject to change. Certain information that is not materially adverse may be updated without issuing a supplementary PDS. Updated information may be obtained:

- ┆ from your financial adviser
- ┆ by calling our investor relations on (03) 9225 8446 or (03) 9639 9711
- ┆ on our website [www.aufm.com.au](http://www.aufm.com.au)
- ┆ email at [info@aufm.com.au](mailto:info@aufm.com.au)

We will also send to you a copy of the updated information free of charge on request. We can also provide electronic or paper copies of this PDS free on request. In addition, a copy of the following documents is available from AFM on request and free of charge:

- ┆ the most recent annual report of the Fund (if any); and
- ┆ the most recent financial statements of the Fund (if any).

Unless otherwise stated, all fees quoted in this PDS are inclusive of GST and all dollar amounts quoted in this PDS are in Australian dollars unless stated otherwise.

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# executive summary

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The [AFM Davis Value Trust](#) is a managed fund that invests primarily in US equities with a market capitalization of at least US\$10 billion.

[Australian Funds Marketing Ltd \(AFM\)](#), an independent Australian owned company, is the responsible entity for the Fund.

[Davis Selected Advisers, LP](#) of the US is the [investment manager of the Fund](#). We refer to them in this PDS as 'Davis Advisors'.

Davis Advisors manages over \$100 billion\* in assets, mainly in equity securities, for a range of retail and institutional clients including pension funds, foundations, corporations and governments.

The Fund's portfolio managers were chosen as [US Fund Manager of the Year](#) by Morningstar USA in January 2006 and were runners up the previous year.

Since 2002, the Fund has provided a vehicle for Australian professional and institutional investors to gain access to the investment advisory services of Davis Advisors.

[The Fund has now been opened to Australian retail investors, so that you can participate in the biggest investment market in the world.](#)

\* As at 31 December 2006. Source: Davis Advisors.

Davis Advisors' track record speaks for itself:

[Davis has out-performed the US S&P 500® Index over every 10-year rolling period since 1969, encompassing both value and growth cycles.](#)

The [Davis investment philosophy](#) is based on a long-term, value-orientated approach that has proven highly successful for over half a century.

Davis Advisors has remained steadfastly dedicated to the same [patient, long-term investment philosophy](#) throughout its 37-year history.

The Davis family and employees of Davis Advisors have collectively invested more than US\$2.0 billion of their personal money alongside their clients.

We are delighted to introduce you to the investment management services of Davis Advisors and we look forward to welcoming you as a unitholder in the Fund.

In order to invest, you will need to complete the Application Form attached to the back of this PDS. The minimum initial investment is \$10,000.

You are encouraged to read the entire PDS and to seek the advice of your financial adviser before investing.

**Past performance should not be considered a guide to future performance.**

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## U S Fund Manager of the Year \*\*\*\*

\*as selected by Morningstar USA: Jan 2006

# investment summary & strategy

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## investor profile

The Fund is appropriate for investors seeking an equity fund that focuses on long-term returns by investing the majority of the Fund's assets in large capitalization US equity securities. The Fund is suitable for investors with a minimum three year plus investment horizon.

## investment objectives

The Fund's investment objective is growth of capital. As part of the Fund's investment objective it seeks to:

- Exceed the performance of the benchmark which is the S&P 500<sup>®</sup> Accumulation Index over the medium to long term within the prudential risk control guidelines embodied in the Davis investment process.
- Limit investments to those which are consistent with the philosophies and strategies outlined in this PDS.

The Fund provides a way to gain exposure to one of America's most consistent and successful boutique investment managers as well as providing the opportunity for growth over the long term.

Davis Advisors believe that over the long term, growth can be achieved from this philosophy of buying durable well managed companies at value prices and holding them for the long term.

## investment strategy

The Fund invests the majority of its assets in equity securities issued by companies with market capitalizations of at least US\$10 billion. Many of these companies are recognised as strong global leaders whose shares are selling at attractive prices.

Companies that are under-researched or overlooked but have strong business fundamentals represent a smaller percentage of the portfolio.

Companies that are controversial and face negative headlines represent yet another smaller percentage of the portfolio. It is hoped that these companies may add significantly to the portfolio's performance since their stock prices are frequently discounted from their intrinsic values.

Davis Advisors selects stocks with the intention of holding them for the long term: it believes that managing risk is the key to delivering superior long-term investment results; therefore, Davis Advisors first considers how much could potentially be lost on an investment before considering how much might be gained.

# the fund at a glance

## AFM DAVIS VALUE TRUST

**Fund Category** US Equity Fund

**Fund Inception Date** 4 July 2002

**ARSN** 121 250 940

**APIR Code** AWF0001AU

**Minimum Suggested Timeframe** 3 Years +

**Annualised Performance (A\$) since inception to 31 December 2006** Fund: 3.98%  
S & P 500®: 3.06%

**Annualised Performance (US\$) since inception to 31 December 2006** Fund: 12.43%  
S & P 500®: 11.22%

### Currency Management

The investments held in the Fund are unhedged and thus exposed to risks associated with movements in foreign exchange rates.

### Structure

Australian resident open-ended unit trust – registered under the Corporations Act 2001 (Cth) as a managed investment scheme.

### Investment Objective

The Fund's investment objective is growth of capital. The Fund seeks to provide positive (US dollars) investment returns over a 3 to 5 year investment horizon by investing in a concentrated portfolio of durable well managed companies selling at value prices.

The Fund seeks to outperform the US S & P 500® Index (with net dividends reinvested) over the medium to long term.

### Investment Strategy

The Fund seeks to achieve capital growth by investing a majority of the Fund's assets in equity securities issued by large companies with market capitalizations of at least US\$10 billion. These companies are recognised as strong global leaders whose shares are selling at attractive prices.

The Fund also has the flexibility to invest a limited portion of its assets in companies of any size, to invest in companies whose shares may be subject to controversy, and to invest in securities from issuers outside the US.

The Fund may invest in companies that are under-researched or overlooked but have strong business fundamentals represent a smaller percentage of the portfolio.

Companies that are controversial and face negative headlines represent yet another smaller percentage of the portfolio. It is hoped that these companies may add significantly to the portfolio's performance since their stock prices are frequently discounted from their intrinsic values.

### Designed for investors who seek

- access to the US domestic equity market. An investment opportunity that in our opinion is not readily available or is under-represented in the Australian market.
- the potential for higher long-term capital growth arising from such US investment opportunities.
- a longer-term investment horizon and a tolerance for significant volatility in investment returns in the short-term.
- the benefits of investing in a professionally managed portfolio.

**Responsible Entity** Australian Funds Marketing Ltd

**Investment Manager** Davis Selected Advisers, LP ("Davis Advisors")

<b>Fund Size</b> at 31 December 2006	\$39.36 million
<b>Minimum Initial Investment</b>	\$10,000
<b>Minimum Additional Investment</b>	\$1,000
<b>Minimum Withdrawal</b>	\$1,000
<b>Potential Volatility 1</b>	High

### Ratings

**Highly Recommended:** Zenith Investment Partners

### Fees (this is a summary only)

Management Costs <b>2</b>	1.32% p.a.
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Contribution / Withdrawal / Termination Fees	Nil
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Buy/Sell Spread <b>3</b>	0.25%
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Performance Fee	Nil
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Unit Pricing	Daily
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Distributions <b>4</b>	Annually at 30 June
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1 Investment markets can be volatile and you may experience negative returns over the period of your investment.

2 Management costs are amounts charged to investors for administering the Fund, managing its investments and promoting and distributing it etc.

3 The buy/sell spread represents an apportionment of actual or estimated transaction costs incurred by the Fund in buying and selling underlying investments as a result of the application for and redemption of units. See further below under Other Information - Pricing of Units and Additional information about fees and costs.

4 The frequency of the distribution may be changed if, in the opinion of the responsible entity, it will benefit the majority of unitholders.

## the responsible entity

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Australian Funds Marketing Ltd. was established in 2001 to represent international fund managers in the Australian marketplace.

AFM has served as responsible entity of the AFM Davis Value Trust since the establishment of the Fund in July 2002.

As responsible entity for the Fund, AFM manages the Fund on behalf of unitholders. It is legally responsible for:

- managing and investing scheme property
- holding scheme property on trust for the unitholders
- ensuring that the Fund is managed and conducted in accordance with the Corporations Act 2001 and the Fund's Constitution.

In meeting its obligations as a responsible entity, AFM may employ the services of external parties under normal commercial terms. In doing so, the responsible entity retains ultimate responsibility for all actions of the appointed parties.

AFM will be paid a trailing commission by Davis Advisors with respect to all investments held by the Fund and other products managed or advised by Davis Advisors. This fee is not property of the Fund.

### directors of responsible entity

**John Donovan**, *executive director*, is a founder of AFM. Before setting up AFM, John worked at Barton Capital and he earlier served as an adviser to the then Leader of the Opposition in the Victorian Parliament, and as a ministerial adviser in both the Commonwealth and Victorian governments.

**Paul Pickering**, *executive director*, joined AFM in 2002. He has over 20 years experience in the managed funds industry, with both investment funds and stockbroking. This includes positions with Findlay & Co Stockbrokers, HSBC James Capel, Oceanic Funds Management and Capita Managed Funds. He holds B Com from the University of Western Sydney, is a Fellow of the CPAs and a Fellow of FinSIA.

**Peter Willis**, *non-executive chairman*, is a practising commercial lawyer with more than 25 years of experience. Peter was formerly a partner at a leading Australian law firm and was an adviser to the Commonwealth Attorney-General. He holds LLB Hons and BA Hons from The University of Melbourne.

## the custodian and administrator

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AFM has appointed State Street Australia Ltd (SSAL) as custodian to hold the assets of the Fund.

SSAL also acts as fund administrator.

SSAL has performed these roles since the inception of the Fund.

## how are complaints handled?

You may lodge any complaints in relation to our conduct in the management or administration of the Fund, by writing to us at the address shown on the inside back cover of this PDS (attaching your investor number).

We will always acknowledge any complaint in writing and respond within 45 days.

If you are not satisfied with our response, then you can contact the Financial Industry Complaints Service Limited (FICS), of which we are a member. FICS is independent from us and its toll free telephone number is 1300 780 808 or write to it:

Financial Industry Complaints Services (ref F-4661)  
PO Box 579, Collins Street West, Melbourne Vic 8007.

In order for a complaint to be considered by the FICS, the claim involved must be under \$100,000 (unless the investor and AFM agree otherwise in writing).

If you are investing through a master trust or wrap account, then enquiries and complaints should be directed to the operator of that service, and not to us.

# the investment manager

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Davis Advisors is a privately owned US investment firm that was founded in 1969. Davis Advisors provides investment management services to clients worldwide. Today, Davis Advisors manages more than A\$100 billion across several different asset classes.

Portfolio Manager Christopher C Davis joined the firm in 1989. In 1995, he accepted responsibility for managing the Large Cap Value portfolios at Davis Advisors. Today, the team that directs the firm's research efforts and manages the Fund and all other Davis Large Cap Value accounts consists of Chris Davis, Portfolio Manager Kenneth C Feinberg and Research Advisor and founder Shelby M C Davis.

## consistency

Davis Advisors has remained steadfastly dedicated to the same patient, long-term investment discipline for more than 35 years. They seek to invest in durable, well-managed businesses that can be purchased at value prices and held for the long term.

## commitment

As of December 2006, the Davis family, employees and directors have more than US\$2 billion of their own money invested side by side with shareholders in the various mutual funds managed by the firm. They remain among the largest group of shareholders in the investment products they manage ensuring that the interests of management are closely aligned with their clients.

## results

Davis Advisors has a history of delivering strong and consistent investment results through full-market cycles. The Davis Large Cap Value Composite has outperformed the S&P 500® index fore every rolling 10-year period since the firm's inception in 1969.\*

\*Past performance is not an indication of future results

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one of America's  
most consistent and  
successful boutique  
investment managers

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# the Davis investment philosophy

Davis Advisors manages the Fund using the [Davis Investment Discipline](#).

Davis Advisors conducts extensive research to identify companies with durable business models that can be purchased at attractive valuations relative to their intrinsic value. Davis Advisors emphasizes individual stock selection and believes that the ability to evaluate management is critical. Davis Advisors routinely visits managers at their places of business in order to gain insight into the relative value of different businesses. Such research, however rigorous, involves predictions and forecasts that are inherently uncertain.

Over the years, Davis Advisors has developed a list of characteristics that it believes help companies to create shareholder value over the long term and manage risk. While few companies possess all of these characteristics at any given time, Davis Advisors searches for companies that demonstrate a majority or an appropriate mix of these characteristics.

## first class management

- Proven track record
- Significant personal ownership in business
- Intelligent allocation of capital
- Smart application of technology to improve business and lower costs

## strong financial condition and satisfactory profitability

- Strong balance sheet
- Low-cost structure
- High after-tax returns on capital
- High quality of earnings

## strong competitive positioning

- Non-obsolescent products / services
- Dominant or growing market share
- Participation in a growing market
- Global presence and brand names

After determining which companies Davis Advisors wishes to own, it then turns its analysis to determining the intrinsic value of those companies' ordinary shares (common stock). Davis Advisors seeks common stock which can be purchased at attractive valuations relative to their intrinsic value.

Davis Advisors may, but does not separately review labour standards or environmental, social or ethical considerations in selecting, retaining or realising investments.

Davis Advisors' goal is to invest in companies for the long term. Davis Advisors considers selling a company if it believes the stock's market price exceeds Davis Advisors' estimates of intrinsic value, or if the ratio of the risks and rewards of continuing to own the company is no longer attractive.

As of 30 September 2006

top ten holdings	
American Express	4.7%
American International Group	4.5%
Altria Group	4.4%
Tyco International	4.3%
JPMorgan Chase	4.2%
ConocoPhillips	4.1%
Costco Wholesale	3.8%
Berkshire Hathaway	3.3%
Comcast	3.3%
Golden West Financial	3.0%

As of 30 September 2006

top five industries	
Insurance	14.5%
Diversified Financials	14.4%
Energy	11.4%
Banks	9.3%
Food, Beverage & Tobacco	7.1%

...investing for growth over the long term ...

# investment performance

Davis Advisors has been managing accounts in a similar style for over 35 years. Davis Advisors has outperformed the S&P 500® Index over every 10-year rolling period since 1969, encompassing both value and growth cycles. The S&P 500® Index is a widely recognized, broad-based index of the performance of large capitalization securities listed on the New York Stock Exchange.

The following is the performance information for the Trust

## Performance of AFM Davis Value Trust

(for the period ended 31 December 2006)

	1 year	3 years	Life*
<b>AFM Davis Value Trust</b> <i>(Australian dollars)</i>	<b>12.56%</b>	<b>9.76%</b>	<b>3.98%</b>
<b>S&amp;P 500® Index</b> <i>(Australian dollars)</i>	13.35%	8.72%	3.06%
<hr/>			
<b>AFM Davis Value Trust</b> <i>(U.S. dollars)</i>	<b>10.24%</b>	<b>11.43%</b>	<b>12.43%</b>
<b>S&amp;P 500® Index</b> <i>(U.S. dollars)</i>	10.79%	10.45%	11.22%

(\* annualised for Life period: from 4 July 2002)

Because Davis has followed a consistent investment philosophy for so long, its consistency can be measured. The [Davis Large Cap Value Composite Index](#) is a measure of the Davis Advisors performance history which includes all accounts with investment objectives, policies and strategies substantially similar to those used by Davis Advisors in managing AFM Davis Value Trust. Mutual funds and private accounts also may be included in the performance history. Private accounts are not subject to certain investment limitations, diversification requirements and other restrictions imposed by the Investment Company Act of 1940 (US) ("1940 Act") and the US Internal Revenue Code, which, if applicable, might adversely affect the performance results.

The performance history compares the Davis Large Cap Value Composite Index on an annualized asset-weighted basis against the S&P 500® Index. Composite Index performance is presented in both US dollars and Australian dollars. The Davis Large Cap Value Composite Index performance is computed using an internal time-weighted rate of return for each account (including every private account and every mutual fund in the composite), weighted for the relative size of each account using beginning-of-period values.

The Davis Large Cap Value Composite Index is presented net of actual fees paid by clients. The fees paid by AFM Davis Value Trust may be higher or lower than the average fees paid by other Davis clients, which would result in lower or higher average annual performance.

THE FOLLOWING PERFORMANCE INFORMATION FOR DAVIS ADVISORS DOES NOT REPRESENT THE PERFORMANCE OF THE AFM DAVIS VALUE TRUST. IT IS INCLUDED TO SHOW YOU THE CONSISTENCY OF THE PERFORMANCE OF DAVIS ADVISORS OVER LONG PERIODS

## Davis Large Cap Value Composite Index Annual Returns

for the period ended 31 December 2006

	Past 5 years	Past 10 years	Past 15 years	Past 20 years
<b>Davis Large Cap Value Composite Index</b> <i>(Australian dollars)</i>	<b>0.55%</b>	<b>11.25%</b>	<b>13.02%</b>	<b>13.31%</b>
<b>S&amp;P 500<sup>®</sup> Index</b> <i>(Aust. dollars)</i>	-2.66%	8.50%	10.38%	10.84%
<b>Davis Large Cap Value Composite Index</b> <i>(U.S. dollars)</i>	<b>9.66%</b>	<b>11.06%</b>	<b>13.24%</b>	<b>14.25%</b>
<b>S&amp;P 500<sup>®</sup> Index</b> <i>(U.S. dollars)</i>	6.19%	8.42%	10.64%	11.80%

As of 30 September 2006 the composite included 201 accounts with aggregate assets of US \$67.94 billion. The A\$:US\$ exchange rate used in calculating this comparison was the spot rate as of the close of the New York Stock Exchange on the last business day of each year. Future exchange rates will vary.

## Davis Advisors investment team

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**Christopher C Davis** has over 16 years experience in investment management and securities research. Mr Davis joined Davis Advisors in 1989 after working as a securities analyst, and now leads the portfolio management team for Davis Advisors Large Cap Value clients along with Kenneth C Feinberg. He received his MA from the University of St Andrews in Scotland.

**Kenneth C Feinberg** is a Portfolio Manager of the Fund. He joined Davis Advisors in 1994. Previously, he was a Vice President at the Continental Corporation and a Capital and Business Analyst for the General Foods Corporation. Mr Feinberg received his MBA from Columbia University and his BA from Johns Hopkins University.

**Shelby M C Davis** founded Davis Advisors in 1969 and is an Advisor. Possessing over 40 years of experience in securities analysis, Mr Davis advises the Portfolio Research Team on investment themes, strategies and stock selection. Mr Davis began his career at The Bank of New York where he rose to be the Head of the Research Department and Vice-President. He is a graduate of Princeton University.

.. Davis Advisors has been managing accounts  
in a similar style for over 35 years ..

# principal risks of investing in the Fund

If you buy Units in the AFM Davis Value Trust, you may lose some or all of the money that you invest. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's units, when redeemed, may be worth more or less than their original cost and your income distributions may be lower than expected or there may be none.

This section describes what we think are the most significant factors that can cause the Fund's performance to suffer.

- **Market risk.** The Fund invests in shares of common stock and other securities. The market value of securities can change rapidly and unpredictably as a result of political or economic events having little or nothing to do with the performance of the companies in which we invest.
- **Company risk.** The market values of a company's securities vary with the success or failure of the company issuing the securities. Many factors can negatively affect a particular company's stock price, such as poor earnings reports, loss of major customers, major litigation against the company or changes in government regulations affecting the company or its industry. The success of the companies in which the Fund invests largely determines the Fund's long-term performance.
- **Country risk.** Potential adverse political, economic or social developments affecting the return on an investment in that country. Examples are political instability, recession and war.
- **Financial services risk.** The Fund historically has invested a significant portion of its assets in the financial services sector. Risks of investing in the financial services sector include:
  - (i) *Regulatory actions:* financial services companies may suffer a setback if regulators change the rules under which they operate;
  - (ii) *Changes in interest rates:* unstable interest rates, and/or rising interest rates, may have a disproportionate effect on the financial services sector;
  - (iii) *Non-diversified loan portfolios:* financial services companies whose securities the Fund purchases may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that industry; and

(iv) *Competition:* the financial services sector has become increasingly competitive.

- **Headline risk.** The Fund seeks to acquire companies with expanding earnings at value prices. The Fund may make such investments when a company becomes the centre of controversy after receiving adverse media attention. The company may be involved in litigation, the company's financial reports or corporate governance may be challenged, the company's annual report may disclose a weakness in internal controls, investors may question the company's published financial reports, greater government regulation may be contemplated or other adverse events may threaten the company's future.

While Davis Advisors researches companies subject to such contingencies, it cannot be correct every time, and the company's stock may never recover.

- **Selection risk.** The securities we select for the Fund may underperform the S&P 500<sup>®</sup> Index or other funds with similar investment objectives and strategies.
- **Exchange rate risk.** The AFM Davis Value Trust invests in U.S. dollar-denominated securities (and may invest in other foreign currency securities) in accordance with the investment philosophy outlined above. All these investments being denominated in or managed by reference to U.S. dollars, the value of your investment in the AFM Davis Value Trust will vary as the US:Aust Dollar exchange rate varies, independently of changes in the market price of the underlying investments. This exchange rate exposure may to a degree counterbalance or may magnify gains or losses arising from changes in the market price of those underlying investments.

# how do I invest?

Initial applications for units can only be made on the form attached to the current product disclosure statement.

Your completed valid application form and cheque should be forwarded to:

AFM Davis Value Trust  
C/- Investment Fund Services (ref 7FHW)  
State Street Australia Ltd  
338 Pitt Street  
Sydney NSW 2000  
Australia

All cheques should be made payable to “[State Street Bank & Trust Co. – 7FHW](#)”.

The minimum investment amount for the Fund is \$10,000. Additional investments may be made in amounts of \$1,000 or more. The minimum initial investment in the Regular Savings Plan is \$1,000, with subsequent minimum monthly instalments of \$1,000.

Units are allotted on the business day AFM receives a completed application, when the application is received by 3.00pm. Applications received after 3.00pm will be deemed to have been received on the following business day and units will be issued at the Entry Price for that day. AFM has the discretion to refuse an application.

Upon receiving and accepting an application for units, AFM will issue an investment acknowledgement setting out the number of units issued.

## how do I make an additional investment?

Existing unitholders in the Fund may invest further amounts in the Fund of \$1,000 or more at any time. There is no need to complete another Application Form – you can simply forward a cheque, together with details of your unitholder code, to your wrap consultant or to the Fund Administrator, State Street Australia. Alternatively use the current Application Form.

Additional units may also be acquired through the reinvestment of income distributions.

## how do I redeem my investment?

All or part of an investment may be redeemed by notifying AFM in writing.

Redemption monies may be paid directly to a nominated bank account, or mailed by cheque. Units will be redeemed at a Redemption Price determined as described below under “Pricing of Units”.

It is the policy of AFM that redemption monies will be available within 7 days. However, during distribution periods post 30 June and 31 December, redemption monies may be delayed by approximately 15 business days. This is due to the delays that may occur in obtaining post distribution prices for the processing of redemption requests.

Redemptions are processed on the business day AFM receives a redemption request, provided that the request is received by 3.00pm Sydney time. Redemption requests received after 3.00pm are deemed to have been received on the next business day.

The minimum redemption is \$1,000 unless an investor’s total investment in the Fund has a redemption value of a lesser amount.

Refer to the Other Information section of this Product Disclosure Statement for further information.

We will divide your dollar withdrawal amount by the current unit price on the day on which your withdrawal is processed to determine the number of units to be redeemed.

## suspension of withdrawals

Under the Fund’s Constitution, we may suspend withdrawals in unusual circumstances such as where it is impractical to process withdrawals (for example where financial markets are closed or their operation is significantly impacted) or where we consider it to be in the interests of all unit holders.

## cooling off period

A “cooling off period” applies to initial investments in the Fund made directly by retail investors. (If you invest through a wrap service or platform, you need to speak to your service provider.)

After your first investment in the Fund you have a cooling off period of 14 days commencing from the earlier of the date on which you receive confirmation of your investment or the end of the 5th day after the day on which your units in the Fund were issued.

Once you notify us that you wish to exercise your right to have your investment returned, we must pay the proceeds to a bank account in your name or to you by cheque. Your request in writing may be sent by mail or by fax. Our contact details are set out on the inside of the back cover of this PDS.

If you do make a request for the return of your investment, the amount repayable to you under the cooling off provisions may be less than the amount you paid for your investment. The amount may be higher or lower to reflect market movements and will be refunded after deduction of any taxes payable, reasonable transaction and administrative costs incurred by us or any other amount that may be deducted by us under legislation.

Cooling off rights will not apply to distribution reinvestments or additional investments including those made under the Regular Savings Plan, or where a right is exercised in relation to your investment during the cooling off period.

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## confirmation of transactions

Upon receipt of your initial application you will be sent a letter of confirmation, usually within 5 business days.

We will also send you confirmation if you:

- add funds
- withdraw funds
- switch to another AFM Fund, or
- transfer ownership of units.

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## communications

We encourage investors to supply us with their email addresses so that we can communicate efficiently and effectively.

Email is the preferred delivery method for all our communications and will be utilised wherever possible.

AFM will keep you informed about your investment by sending you via email or post depending on your chosen method of delivery:

- ▮ A letter confirming each application or withdrawal.
- ▮ An income and distribution statement at each distribution.
- ▮ A tax statement containing a summary of the distribution and tax components for the year ended 30 June to assist the unitholder prepare a tax return.
- ▮ Annual information statement.
- ▮ An annual financial report detailing the annual financial position and performance of the funds over the last financial year.

By law, we are required to provide you with the annual financial report unless you advise us that you do not wish to receive a copy. The report will be sent to you via email or post (depending on your chosen method of delivery). If sent by email, the email you receive will provide you with access to the report via a link to our website at [www.aufm.com.au](http://www.aufm.com.au).

This option will enable investors to view the annual financial report at their chosen time rather than receive a large email attachment to their inbox or large package in their post box. Please note that by nominating to receive annual financial reports via a link to our website, this will meet all our notification obligations to you.

Please inform AFM by ticking the relevant box on the Application Form if you do not wish to receive the annual financial report.

## communications via email

The following communications may be sent to investors and financial advisers who provide AFM with an email address.

- A quarterly report is sent to all investors and financial advisers.
- Confirmation of application

# how do I start a regular savings plan?

The Regular Savings Plan is an ideal way to save and accumulate long term wealth. It also allows you to benefit from averaging the cost of your units through periods of fluctuating market prices.

To start a Regular Savings Plan you will need to:

- make an initial investment of \$10,000 or more,
- nominate a monthly investment amount of \$500 or more,
- complete the Application Form
- complete a Direct Debit Request with your wrap service..

The automated Regular Savings Plan is only available for investors through a wrap service or platform which can process the regular debiting of your account.

Your platform will debit your Australian bank, building society or credit union account around the 15th of each month. Where your application is received before the 6th of the month your first payment will be in that same month, otherwise the first payment will be in the following month.

Normal entry fees and transaction costs apply to monthly investments. Your financial institution may charge you a fee on the monthly debit to your account.

This Plan assists you to build your investment over time by investing a specified amount regularly.

The benefits of regular savings are:

- you do not have to pick the “right time” to invest as financial markets move in cycles and fluctuate from time to time
- you only need a small amount to start the Plan but it can build gradually to a significant amount
- it’s a more disciplined way of saving and reaching your goals.

## how to commence a regular savings plan

To participate in the plan please complete the relevant sections of the Application Form and contact your wrap service provider.

You can change or terminate your participation in the Plan at any time by notifying your wrap in writing.

## direct debit request – conditions of operation

- Please print in CAPITAL letters
- If you make a mistake, cross it out and initial your changes

If you have any difficulty completing the Regular Savings Plan Application Form please contact your financial advisor, or call the Investor Relations Department on (03) 9225 8446 or (03) 9639 9711.

This page sets out the conditions under which the direct debit request (‘DDR’) facility operates.

By signing the DDR form you agree to:

- ensure that the nominated account contains sufficient funds to meet the DDR amount when drawn each month,
- ensure that the authorisation given in the DDR is identical to the account signing instruction held by the financial institution where the nominated account is kept,
- notify the Responsible Entity if the nominated account is closed or transferred,
- complete a new DDR if a new account is to be nominated, and
- the Regular Savings Plan conditions set out in item 15 of the Additional Investor Information section of this PDS.

On receipt of a completed DDR, your wrap service provider will:

- make a direct debit from your nominated account for the amount elected on the 15th day of each month. If the 15th is not a business day the amount will be drawn on the following business day,
- not change the amount or frequency of the direct debit without your prior approval,
- reserve the right to cancel the DDR if two or more direct debits are returned unpaid by the nominated financial institution, and
- keep details of your nominated account private and confidential.

A unitholder may suspend, terminate or vary the amount of the DDR by contacting your wrap service provider. Your request must be received on or before the 6th of the month to ensure it is processed before the direct debit is made for that month. Where you consider that a direct debit has been made incorrectly you should contact your wrap service provider

## investing through a master trust or wrap account

If you invest through a master trust or wrap account, then generally the operator of that service becomes the investor in our Fund (not you). It follows that they have the rights of an investor and can exercise them (or not) in accordance with their arrangements with you. We are not responsible for the operation of any master trust or wrap account service through which you invest.

Indirect investors complete the application forms for the master trust or wrap account and receive reports from that operator, not from us. Enquiries should be directed to that operator of the master trust or wrap account. You can however still rely on the information in this PDS.

If you are investing through a master trust or wrap account, you should also take into account the fees and charges of the operator of that service.

In addition to reading this PDS, you should read the document which explains the master trust or wrap service.

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## product disclosure statement

You should keep this, and any supplementary Product Disclosure Statement, for your records. A copy of the current Product Disclosure Statement is available at any time upon request, free of charge or may be obtained from our website at [www.aufm.com.au](http://www.aufm.com.au).

# other information

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## the fund

The Fund is established under a deed of trust (Constitution) dated 15 May 2002. An investment in the Fund is made on the terms and conditions of the Constitution, which is incorporated in this PDS as if set out fully in it. A copy of the Constitution is available on request to AFM.

The Fund is a registered managed investment scheme (Australian Registered Scheme Number 121 250 940). The Fund commenced operations on 4 July 2002 as an exempt wholesale unit trust and was registered and opened to retail investors with effect from 29 August 2006.

The Fund invests in investments selected by Davis Advisors, as described above under the heading "investment objectives" and "investment strategies" on page 5.

## responsible entity

Australian Funds Marketing Ltd (ACN 097 634 850) ("AFM") is the responsible entity for the Fund. AFM holds Australian Financial Services Licence 281344.

The directors of AFM are John Donovan (executive director), Paul Pickering (director) and Peter Willis (non-executive chairman).

AFM has entered into agreements with State Street Australia Limited with respect to providing custody services and administrative services to the Fund and an investment advisory agreement with Davis Advisors with respect to management of the investments of the Fund, as summarised above.

AFM has entered into an agreement with Davis Advisors to represent Davis Advisors to Australian professional investors. AFM will be paid a trailing commission by Davis Advisors with respect to all investments in the Fund and other products managed or advised by Davis Advisors. This fee is not property of the Fund.

## custodian/administrative services

State Street Australia Limited (ACN 002 965 200) of 338 Pitt Street, Sydney, New South Wales, 2000 ("SSAL") serves as custodian and provides administrative services to the Fund. Such services include accountancy, registry and taxation.

## independent auditor

Deloitte Touche Tohmatsu, 225 George Street, Sydney, New South Wales, 2000, serves as independent auditor for the Fund.

## purchase and redemption of units

Orders to subscribe for and redeem or purchase and sell units must be placed with the Manager. The per-Unit price for subscriptions, redemptions, purchases or sales will be the next price computed each business day at 3 p.m. Sydney Time as described below under "Pricing of Units."

## pricing of units

The purchase price of Units is:

$$\frac{\text{Net Asset Value} + \text{Transaction Costs}}{\text{number of Units in issue}}$$

The redemption price of Units is:

$$\frac{\text{Net Asset Value} - \text{Transaction Costs}}{\text{number of Units in issue}}$$

*(in each case, rounded, in the Manager's discretion, by no more than 1% of the result)*

Net Asset Values for the Fund are determined each Business Day. A Business Day is any day the New York Stock Exchange is open for trading. Transaction Costs are the Manager's estimate of the total cost of acquiring or selling the assets (as the case may be) and may be treated as zero or less than actual cost.

We calculate Net Asset Value either at the close of trading of the New York Stock Exchange or at 4 p.m. United States Eastern Standard Time, whichever comes first. Securities that trade on an organized exchange are valued at the last published sales price on that exchange (if more than one exchange, on the home exchange or the exchange on which the securities were purchased, as applicable). If no sales are recorded, the securities are valued at the average of the closing bid and asked prices on the exchange. Over-the-counter securities are valued at the average of closing bid and asked prices. Debt securities purchased with a maturity of 60 days or less usually are valued at amortized cost. Longer-term debt securities may be valued by an independent pricing service. Securities with unavailable market quotations and other assets are valued at "fair value" as determined by the Responsible Entity.

If any of the Fund's securities are traded in markets that close at different times, events affecting portfolio values that occur between the time their prices are determined and the time the Fund's investments are priced will generally not be reflected in the Fund's unit price. The net asset value of the Fund's units

may change on days when unitholders will not be able to purchase or redeem the Fund's units.

Securities denominated in currencies other than U.S. dollars and traded in non-US. markets will have their value converted into U.S. dollar equivalents at the prevailing market rate as computed by the Custodian. Fluctuation in the value of foreign currencies in relation to the U.S. dollar may affect the net asset value of the Fund's shares even if there has not been any change in the foreign currency price of the Fund's investments.

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## expenses

During the life of this PDS, the annual management expense ratio of the Fund will be capped at 1.32%. Out of this the Fund will pay for all of its ordinary operating expenses, including payment for investment management, advisory, custodian, responsible entity, legal and auditing services and commissions. The management expense ratio does not include Transaction Costs (the cost of portfolio transactions, including brokerage commissions) which are included in the cost basis of portfolio securities and taken into account in determining the Issue Price and Redemption Price of Units. The responsible entity or investment manager may agree to rebate certain expenses or not charge the full extent of expenses.

The Fund's constitution allows the responsible entity in some circumstances to charge a higher fee than some of the fees described in the table following. We will not, however, (unless you are given prior notice) apply these higher fees for the currency of this PDS. Note that past fees and charges should not be taken as an indication of future fees and charges.

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## the constitution of the Fund

The following is a summary of the Constitution of the Fund. Copies are available on request from the responsible entity.

The Fund binds members as a contract between the members and between the Responsible Entity and each Member. The responsible entity holds the assets of the Fund on trust for the members. The beneficial interest in the Fund is divided into Units, each Unit conferring on a member an equal undivided interest in the assets of the Fund as a whole.

The custodian as agent for the responsible entity actually holds the assets of the Fund. The responsible entity by its agent (the investment manager) decides which investments are bought and sold (within the limits set by the Constitution and PDS).

## summary

The following brief summary does not refer to every provision of the Constitutions, and should be read in conjunction with other references to the Constitutions contained in this PDS. In summary, the Constitution for a Fund:

- requires AFM to keep a register of unitholders.
- empowers AFM to create various classes of units under the Constitution. Identical rights and entitlements attach to all units within a class. However the rights and obligations attaching to different classes of units may vary.
- prescribes the circumstances allowing AFM, or you, to call meetings of unitholders, and how meetings will be run. AFM must convene a meeting of Members if required by Members holding 5% of Units or 100 Members.
- provides for AFM to retire on giving notice and remain as responsible entity until a replacement is appointed.
- allows for the replacement of the responsible entity through an extraordinary resolution of unitholders, holding between them not less than 50% of the units, made at a duly convened meeting of unitholders.
- permits disputes to be referred to mediation or arbitration if necessary.
- provides for the termination of the Fund on the 80th anniversary of the commencing date, or a resolution passed by unitholders with no less than 51% of the units.
- allows AFM to vary the Constitution if it reasonably considers that the change will not adversely affect unitholders' rights. Otherwise unitholders' approval by a special resolution is required.
- allows AFM to appoint a custodian and other agents or delegates.
- indemnifies AFM, subject to the Corporations Act, for all liabilities incurred in good faith in the exercise of its powers or duties.
- allows AFM to receive fees and pay certain expenses from a Fund.
- specifies the powers and duties of the responsible entity in relation to the unit issue and redemption mechanisms, and in relation to investment borrowing and valuation. The Constitution incorporates a provision providing the responsible entity with the ability to suspend redemptions under certain circumstances. The responsible entity may suspend, for up to 12 months, the redemption of units where it is impracticable for the responsible entity to calculate the net asset value, because of closure of, or trading restrictions on, stock or securities exchanges, any emergency or other state of affairs; or on declaration of a moratorium in a country where the Fund invests or under the Corporations Act.

The responsible entity may set a minimum application amount and a minimum holding for the Fund and may alter those amounts at any time.

## meetings

The quorum for a meeting of members is two Members present in person or by proxy together holding at least 10% of all Units. A resolution binds all Members, whether or not they were present at the meeting.

## retirement and removal of responsible entity

The responsible entity may retire, and must retire, in accordance with the provisions of the Corporations Act applicable to responsible entities of a registered managed investment scheme. Upon retirement or removal, the responsible entity is released from all obligations in relation to the Fund arising after that time.

## remuneration and expenses of responsible entity

The responsible entity is entitled to a fee of up to 3% of the application money with respect to each application for Units in the trust that it accepts (at present the responsible entity waives this fee). The responsible entity is entitled to a management fee of up to 1.5% per annum of the value of the Assets calculated daily and payable quarterly, from the date the Fund commences to the date of final distribution (the responsible entity has agreed to cap this fee at 1.32% at present).

The responsible entity may accept lower fees than it is entitled to receive under the Constitution (as it has done under this offering, capped at no more than 1.32%) and in addition may defer payment for any period. Where payment is deferred, the fee accrues daily until paid.

In addition to the fees above, all expenses incurred by the responsible entity in relation to the proper performance of its duties with respect to the Fund are payable or reimbursable out of the Assets to the extent that the Corporations Act does not prohibit such reimbursement.

## amendments to the Constitution

The Constitution of the Fund may be modified, or repealed and replaced with a new Constitution by a special resolution of the Members. The responsible entity may modify the Constitution, or repeal and replace it with a new Constitution, by deed if the responsible entity reasonably considers the change will not affect Members' rights.

If the Corporations Act or any relief from the provisions of the Corporations Act granted by ASIC requires that the Constitution contain certain provisions, then those provisions are deemed to be incorporated into the Constitution at all times at

which they are required to be included and prevail over any other provisions of this Constitution to the extent of any inconsistency. The responsible entity cannot amend such incorporated provisions.

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## complaints

If a member submits to the responsible entity a written complaint alleging that a breach of the Constitution or a breach of trust on the part of the responsible entity in its management or administration of the Fund has adversely affected it, the responsible entity must acknowledge in writing receipt of the complaint as soon as practicable and in any event within 14 days from receipt; where there is a compliance committee, it must refer the complaint to the committee for its consideration or, where there is no compliance committee, consider the complaint in a manner consistent with the responsible entity's duties to act in the best interests of members and treat members equally. The responsible entity must communicate to the complainant the determination of the compliance committee (or the responsible entity) in relation to the complaint as soon as practicable and in any event not more than 90 days after receipt by the responsible entity of the complaint.

Any dispute will be investigated by us. If you are not satisfied with our response you may contact Financial Industry Complaints Service Limited or you may contact your financial institution which must respond to you:

- within 7 business days (for claims lodged within 12 months of the disputed debit), or
- within 30 business days (for claims lodged more than 12 months after the disputed debit).

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## consents

Davis Selected Advisers LP has given, and has not withdrawn before the preparation date of this PDS, its written consent to be named in this PDS as the Investment Manager of the AFM Davis Value Trust and to the statistical information specifically attributed to it in the form and context in which they appear. Otherwise Davis Advisors has not been involved in the preparation of this PDS, nor have they caused or otherwise authorised the issue of this PDS. Neither Davis Advisors nor its employees or officers, accept any responsibility arising in any way for errors or omissions.

State Street Australia Limited has given, and has not withdrawn before the preparation date of this PDS, its written consent to be named in this PDS as the Custodian and Administrator of the AFM Davis Value

Trust. Otherwise SSAL has not been involved in the preparation of this PDS, nor have they caused or otherwise authorised the issue of this PDS. Neither SSAL nor its employees or officers, accept any responsibility arising in any way for errors or omissions.

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## distributions

The distribution you will receive will depend on the performance of the Fund's underlying assets.

Distributions could comprise:

- income (such as dividend and interest)
- realised capital gains from the sale of the Fund's underlying assets (including CGT concession amounts)
- tax credits (such as imputation credits attached to dividend income and credits for tax paid on foreign income)
- return of capital
- tax-deferred amounts (these amounts are generally subject to special taxation treatment).

In general, we pay distributions to unit holders within 15 days after the end of each distribution period with the exception of financial year end which may take up to 30 days.

Distributions can be reinvested or paid by Direct Credit to your nominated bank account.

The amount of income you receive is calculated according to the number of units you hold in the relevant Fund as a proportion of the total number of units on issue in that Fund at the end of the distribution period, regardless of how long you have held them.

There may be times when a Fund does not generate enough income to pay a distribution.

Any realised capital gains are usually only distributed at the end of the financial year. AFM may use its discretion to distribute realised capital gains at the end of any distribution period.

# fees and costs

Below is a Consumer Advisory Warning which is required by government regulations to be displayed at the beginning of the Fees section of this PDS. The fee example given in the Consumer Advisory Warning does not relate to any investments described within this PDS, and is a standard example defined by the regulations.

Detailed information about the fees and other costs related to the Fund described in this PDS are provided in the section following the Consumer Advisory Warning.

### 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.

### fees and other costs table

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your investment or from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in another section of this document. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.

type of fee	amount*	how and when paid
<b>fees when your money moves in or out of the fund</b>		
<b>establishment fee</b>		
This is a fee to set up your initial investment	\$0	We do not charge this fee
<b>contribution fee</b>		
This is a fee for the initial and every subsequent investment you make	\$0	We do not charge this fee
<b>withdrawal fee</b>		
This is a fee for each redemption you make	\$0	We do not charge this fee
<b>termination fee</b>		
This is a fee to finally close your investment	\$0	We do not charge this fee

### type of fee

calculation

amount\*

how and when paid

## management costs

These are the fees and costs for managing your investment\*. This is the fee charged by the investment manager and paid out of the underlying investments of the Trust.

1.32% on the net asset value of the Fund

$$1.32\% \times \$50,000 = \$660$$

Accrued on a daily basis and paid monthly from the Trust's assets in arrears. All the Fund's expenses (except the costs of buying and selling underlying investments) are paid from the management fee. The management fee and expenses reduces the Net Asset Value of the Fund and is reflected in the unit price.

## service fees

### investment switching fee

\$0

We do not charge this fee

This is a fee for when you switch between investment options

\* In certain cases, we may charge less. See further below under the heading "commission or rebate payable to institutional and wrap investors". Some of the management fee may be paid to an adviser. See further below under the heading "what commission and benefits are paid".

## additional information on fees and costs

### example of annual fees and costs for the Fund

This 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.

type of fee		
Contribution Fee	Nil	\$0
<b>PLUS</b> Management Costs	1.32%	For every \$50,000 you have in the fund you will be charged \$660 each year.
<b>EQUALS</b>		
Total Fees in the first year on \$50,000 initial investment		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>\$660*</b>  What it finally costs you will depend on the fees you negotiate with your wrap platform or financial adviser.

Management costs in this table includes responsible entity fees and estimated expense recoveries.

\* assumes a constant investment balance of \$50,000 throughout the year.

Note: past fees and charges should not be taken as an indication of future fees and charges.

## expense recoveries

We are entitled to be reimbursed for certain expenses incurred in managing the Fund. These expenses are called “out of pocket” expenses. They may include expenses properly incurred in the administration, custody, management, compliance and promotion of the Fund.

There are other expenses that include tax and operating costs, such as audit legal and tax consulting fees, which are also recoverable out of the assets of the Fund. The management costs contains a component of the estimated expenses to be recovered from the Fund. We have, however, the right to recover all proper and reasonable expenses from the Fund and as such these figures may increase or decrease accordingly.

## transaction costs and buy/sell spread

The buy/sell spread represents a reasonable estimate of the transaction and market impact costs incurred in facilitating the purchase and sale of securities and includes brokerage, settlement costs (including custody costs), transfer fees and clearing costs and stamp duty, government taxes /duties/ levies and bank charges and is the difference between the application and redemption unit price. It also protects long-term Investors in each Fund from these additional costs that are being created by investors who may come and go from the Funds on a more frequent basis. The estimate of transaction costs that applies to your application or redemption will have been determined at least within the last 12 months.

When monies are invested, the investment manager will purchase securities, or when investors redeem Units, the manager will sell securities in order to satisfy Unitholder requests.

AFM estimates that the buy/sell spread for the Fund as at the date of this PDS is 0.30% of the application and the redemption unit price for the Fund, although it may vary depending on the actual transaction costs incurred, particularly in relation to larger inflows or outflows. The dollar value of these costs for the Fund based on an application or redemption of \$50,000 is \$150 for each individual transaction. The buy/sell spread is an additional cost to Investors intended to recover the transaction costs incurred from transacting Unitholders, rather than existing Unitholders. The transaction costs are paid to the Fund and AFM does not derive a benefit from it.

## performance fees

There are no performance fees for the Fund.

## commission or rebate payable to

### institutional or wrap investors

The responsible entity may negotiate a different fee structure for certain investors which the law defines as “wholesale” investors from time to time. For example, we may pass some of our management fees to the operators of some wrap platforms, because they offer the Fund on their investment menu. The wrap operator may rebate this to investors who invest through their platform: this is for you to negotiate with them.

### fees to investment manager

Davis Advisors will receive fees (as a proportion of funds under management) for its investment management services described in this PDS which will be paid out of the management fee specified in this PDS.

## what commissions and benefits are paid?

We may pay to a financial adviser who introduces a prospective investor to the Fund an ongoing commission from our money. This is up to 0.20% p.a plus GST when you are paying retail fees. This is an arrangement between the financial adviser and us. This is not an additional fee to you.

## maximum fees the Fund may charge

Under the Fund constitution, the maximum management fee the Fund can charge is 1.5% (excluding GST) of the Fund’s assets and an application fee of 3% of investment. There are no maximum fee amounts defined for the other fee components which make up the management costs of the Fund.

## can the fees change?

Yes, all fees can change. Reasons might include changing economic conditions and changes in regulation.

We have the right to recover all proper and reasonable expenses from the Fund incurred in managing the Fund, and as such, these fees may increase or decrease accordingly. We would generally provide investors with 30 days notice of any proposed change to the management fee.

Expense recoveries may change without notice when it is necessary to protect the interests of existing members and if permitted by law. The Constitutions in some circumstances define the maximum fees that can be charged for some items described in this PDS. The Constitution defines the maximum possible level of the Responsible Entity Fee.

If you want to work out your own fee structure and the impact this has, then ask your financial adviser for help or visit [www.asic.gov.au](http://www.asic.gov.au) where ASIC offers a fee calculator to help investors compare the fees of different products.

## how do I compare products?

You can get an idea of what the fees for this product are when compared with other products by using the information in the fee tables. If you want to calculate the impact that fees will have on your investment returns, please speak to your financial adviser or visit [www.asic.gov.au](http://www.asic.gov.au), where ASIC offers a free calculator to help investors compare the fees of different products.

## taxes

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Investors in the Fund may be subject to taxes. You should consult your tax adviser regarding the effect of taxes on any investment in the Fund.

### summary

The Fund is required to distribute all income and capital gains annually. Income derived from the Fund is taxable in the year in which present entitlement arises, not in the year of receipt. Investors are normally subject to capital gains tax upon the redemption of Units. The Fund's investment in certain foreign investments will or may be subject to the FIF provisions of Australian tax law (while they remain in force). The Fund will manage its investments and report to investors to enable investors to comply with Australian law on this account.

The following discussion of taxation matters is a general guide that outlines the taxation implications applicable to the Fund and resident investors who are not considered to be trading in investments for tax purposes. The summary is based on the tax laws as at the date of this Product Disclosure Statement. The tax laws are subject to continual change, and as the tax treatment applicable to particular investors may differ, it is recommended that all investors seek their own professional advice on the taxation implications before investing in the Fund.

### taxation of the Fund

The Fund is a resident of Australia for tax purposes. Therefore, the Fund is required to determine its net income (taxable income) for the year of income. If the Fund realises a capital gain on the disposal of an asset, it may be entitled to take into account the discount capital gain concessions in determining the amount of the net capital gain that is included in that Fund's net income.

On the basis that investors are presently entitled (which is AFM's intention) to the net income of the

Fund (including net taxable capital gains), pursuant to the existing income tax legislation, the Fund should not itself be subject to Australian income tax. If the Fund makes a loss for tax purposes, it cannot distribute the loss to investors. However, subject to it meeting certain conditions, it may be able to take into account the losses in subsequent years.

### taxation of resident investors - distributions

Generally, an investor's entitlement (share) to the net income of the Fund for a year of income, including amounts that are received in a subsequent year of income or which are reinvested, forms part of the investor's assessable income for that year. If an investor's share of the net income of the Fund includes an amount that consists of discount capital gains derived by the Fund, the investor needs to first "gross up" the discount capital gain (by the amount of any reduction in the capital gain that the Fund obtained).

However, individual, trust and complying superannuation fund investors may then be entitled, in determining the net capital gain that is to be included in their assessable income, to the discount capital gain concessions. Furthermore, investors may be able to offset certain other capital losses they may have against their share of the capital gains included in the net income of the Fund (after grossing up any discount capital gains).

### imputation credits and franked dividends

AFM considers, that due to the Fund investing principally in international sharemarkets there is little likelihood of the Fund receiving Australian franked dividends or imputation credits.

### foreign income

The Fund may derive foreign source income that is subject to tax overseas, for example withholding tax. Investors should include their share of both the foreign income and the amount of the foreign tax credits in their assessable income. However, investors may be entitled to foreign tax credits that may be used to offset the Australian tax payable on the foreign source income.

If foreign tax credits can not be fully utilised against foreign source income in the year it is derived, the excess credits may be carried forward. At present these may be offset against future foreign source income; changes to the law to permit offsetting against domestic income have been announced.

### foreign investment fund ("FIF")

The Fund may hold (either directly or indirectly) interests in certain foreign companies and trusts subject to the FIF regime. Broadly, under that, investors in the Fund may be assessed on their portion of gains held by the relevant Fund at the end of the financial year, even though those gains are unrealised. You should seek professional advice as to the tax treatment of any FIF income.

Income in respect of investment in foreign trusts and companies that are unlisted will generally be attributable under the FIF regime unless the balanced portfolio exemption applies.

The Fund monitors its interests in attributable FIFs such that the balanced portfolio exemption generally does apply. In addition, investments in United States securities and many other listed securities are exempt from the FIF provisions.

#### [tax free distributions and tax deferred distributions](#)

Distributions of non-assessable amounts are generally not subject to tax (examples include distributions comprising amounts attributable to deductions for capital allowances). However receipt of non-assessable amounts may have capital gains tax consequences.

Broadly, the receipt of certain non-assessable amounts may reduce the cost base and reduced cost base of an investor's investment in the Fund. The impact of the reduction to the cost base and reduced cost base may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of the investment in the Fund.

#### [discount capital gain concession](#)

To the extent that the distributed non-assessable amounts consist of the discount capital gain concession, no adjustment to the cost base or reduced cost base of the underlying investment in the Fund should be required. However, companies and complying superannuation funds may not receive the full benefit of the discount capital gain concessions (whether distributed or not). (Companies are not entitled to the discount concessions and the discount concession rate applying to complying superannuation funds is lower than that which applies to trusts and individuals.)

#### [disposal of units by investors](#)

Any taxable capital gain arising from the disposal of an investment in the Fund may form part of an investor's assessable income. Individuals, trusts, and complying superannuation funds may be eligible for the discount capital gain concession if their investment (units) has been held for 12 months or more and, the Fund and the investor satisfy certain other requirements.

## [Tax File Numbers \("TFN"\) and Australian Business Numbers \("ABN"\)](#)

It is not compulsory for an investor to quote their TFN or ABN.

If you do not quote an ABN or TFN or claim an exemption, AFM must withhold tax at the top marginal rate plus the Medicare Levy, on gross payments including distributions of income to you. (You may later be able to claim a credit in your tax return for any TFN/ABN tax withheld.)

If you make this investment in the course of a business or enterprise you carry on, you may quote an ABN instead of a TFN. By quoting your TFN or ABN, you authorise AFM to apply it in respect of all your investments with AFM. If you do not want to quote your TFN or ABN for some investments, please let us know.

# how to complete the application form

Please read these notes that correspond to the sections of the Application Form, before completing the Form.

Please use black or blue pen.

## Section C – bank account details

Tick the third box and complete the details of your bank account if you choose to have distributions paid to you by Direct Credit.

## Amount of Investment

You may make your investment by direct debit, cheque or deposit. If you are making the initial deposit by direct debit, you will also need to fill in Section 4 and the Direct Debit Request which follows after the application form.

## Section E – Tax File Number

Failure to quote a TFN is not an offence. Collection of TFN information is authorised and its use and disclosure are strictly regulated by tax and privacy laws. However, if a TFN or exemption is not supplied, we may be required to withhold tax from any distribution at the highest marginal tax rate plus Medicare levy (currently 48.5%).

Please ensure you have nominated the amount of money you want to invest in the Fund.

## Section G – Declaration & Signatures

Please read the statements outlined in this section. An application for investment in the Fund cannot be accepted unless it has the signature of all applicants.

For direct investors (not through a wrap service or platform) the completed Application Form should be signed and forwarded to:

AFM Davis Value Trust  
C/- Investment Funds Services (Ref: 7FHW)  
State Street Australia Ltd  
State Street Centre  
338 Pitt Street, Sydney  
New South Wales 2000 Australia

If there are additional signatory requirements, please specify.

For direct investors, all cheques should be made payable to “**State Street Bank & Trust Co. – 7FHW**” and crossed ‘Not Negotiable’.

The minimum initial investment is \$10,000.

## examples of correct names and account designations to use on your forms

type of investor	example of correct name	example of incorrect name	signature(s)
<b>Individual/Joint Holdings</b>			
Use full name of each applicant, not initials	Paul Ross Dale Susan Sara Dale	Paul R Dale Sue Dale	Signature of each applicant
<b>Companies</b>			
Use full company title	XYZ Pty Ltd	XYZ Inc, XYZ Co, XYZ P/L	1. by two directors; or 2. by a director and a secretary; or 3. if there is a only a single director, by that director; or 4. by a duly authorised officer or attorney
<b>Trusts/Minors</b>			
For investor, use proper name of trustee(s) Use trust name as the “account” description	Name: Mark John King Account designation: <King Family Trust> or <Mark King Jr>	Name: Mark King Account designation <Family Trust.	Signature of each trustee. If trustee is a company, see above.
<b>Superannuation Funds</b>			
For investor, use proper name of trustee(s) Use superfund’s name as the “account” description	Name: Mary Jane Bell Account designation <Mary Bell Super Fund>	Name: M J Bell A/C designation: <Super Fund>	Signature of each trustee. If trustee is a company, see above.

# AFM Davis Value Trust

## application form

ARSN 121 250 940

ABN 64 725 621 522



### A. Investor Information

Is this? (tick): Initial Investment  Additional Investment  Are you?  Retail investor  Wholesale investor

#### [Individual investor name(s)]

Investor 1: Title (Ms/ Mrs/ Mr/ Dr)..... Date of birth: .....  
First Name: ..... Middle Initial.... Family Name:.....  
Investor 2: Title (Ms/ Mrs/ Mr/ Dr) ..... Date of birth: .....  
First Name: ..... Middle Initial .... Family Name: .....

#### [Corporation, Trust, or Superannuation Fund]

Full legal Name of Investor .....  
Account description .....  
Name of Authorized Person or Trustee .....

### B. Investor Address

Address Line 1 .....  
Address Line 2 .....  
City ..... State ..... Post Code ..... Country .....  
Phone ..... Fax ..... Email .....  
ABN / ACN / SFN .....

### C. Amount of investment and Distribution Options

Amount invested: \$  
*Direct investors: make cheques payable to "State Street Bank & Trust Co. - 7FHW"*

#### Distribution Options (if no box is ticked, all distributions will be reinvested)

Reinvest distributions in additional units OR  Pay distributions by cheque to me at my address OR  
 Pay distributions to me to the following bank account:

Bank Name:  
Bank Branch Address:

BSB: Account number:  
Account name:

## D. Privacy

The Responsible Entity may also use and disclose (to your financial adviser and to service providers such as posting services) your information to forward to you, from time to time, details of other investment opportunities offered by the Responsible Entity in which you may be interested. Please tick the box if you do not wish to be updated with such investment opportunities. If you do not mark the box we will assume that you want to hear about the investment opportunities we have described.

## E. Tax File Number (TFN) or TFN Exemption Details

Individual Investor TFN (1)  TFN Exemption (please specify)

Individual Investor TFN (2)  TFN Exemption (please specify)

Company, Partnership, Superannuation Fund  
or other identity TFN

## F. Reporting

Please tick the box if you do wish to be sent an Annual Report (including financial statements and auditor's report).

If you do not mark the box we will assume that you do not want to receive those reports.

## G. Certification and Signature

You should read the PDS for the **AFM DAVIS VALUE TRUST** offering units in the Fund before investing. The PDS was issued on 4<sup>th</sup> January 2007. A person giving access to this application form must at the same time and by the same means give access to the PDS for the **AFM DAVIS VALUE TRUST** and any document which updates the information contained in the PDS. While the PDS is current, AFM will provide to anyone receiving an electronic copy of the PDS, a paper copy of the PDS, any document which updates it and the application form on request and without charge. If you receive this PDS electronically, your application can only be accepted if we receive a completed, current application form which accompanied the electronic or paper copy of the PDS.

I/We have read this PDS to which this application form applies and agree to be bound by the terms and conditions of the PDS and the Constitution of the Fund. I/we have noted the withdrawal conditions in the PDS and I/we have detached this application form from the PDS and declare that all details are correct. I/we acknowledge that AFM is not responsible for the delays in receipt of monies caused by the postal service or the applicant's bank.

(If signing for a company, sign and print full name and capacity for signing eg. director)

**Signature**  **Capacity**

**Name**  **Date**

**Signature**  **Capacity**

**Name**  **Date**

### Official Use only

Class

### Adviser Use Only

Adviser Name Dealer Group

Adviser Address Adviser Stamp

## Where to send your funds and application form (direct applications)

**1. By post: send the application and your cheque(s) for the investment amount, made payable to “State Street Bank & Trust Co. - 7FHW” to:**

AFM Davis Value Trust  
c/- Investment Fund Services (ref 7FHW),  
State Street Australia Ltd  
338 Pitt Street  
Sydney NSW 2000.

**2. Alternatively, tick this box  if using electronic fund transfer.**

**Post this form to the address above and pay by electronic transfer.**

**Payment must be made in Australian Dollars by Electronic Funds Transfer (EFT) to:**

<b>Bank:</b>	<b>State Street Bank &amp; Trust Co, Sydney</b>
<b>Account Name:</b>	<b>State Street Bank &amp; Trust Co, Sydney Branch, Capital Markets</b>
<b>BIC (swift code):</b>	<b>SBOS AU2X</b>
<b>BSB:</b>	<b>913- 001</b>
<b>Reference:</b>	<b>7FHW</b>

## Where to send your funds and application form (platform and wrap service investors)

**Follow the instructions of your wrap service / platform.**

# AFM Davis Value Trust

Australian Registered Scheme Number (ARSN)  
121 250 940

## Responsible Entity

Australian Funds Marketing Ltd  
(ACN 097 634 850)  
AFS Licence Number: 281344

## Registered Office

Level 1, 30 Collins Street  
Melbourne Vic 3000

## Investment Manager

Davis Selected Advisers LP  
2949 East Elvira Road,  
Tucson, Arizona 85706  
USA

## Custodian / Administrator

State Street Australia Ltd  
State Street Centre  
338 Pitt Street, Sydney  
New South Wales 2000 AUSTRALIA

## Independent Auditor to the Fund and Auditor of the Compliance Plan

Deloitte Touche Tohmatsu  
225 George Street, Sydney  
New South Wales 2000 AUSTRALIA

## Solicitors to the Fund

Mallesons Stephen Jaques  
Level 50, Bourke Place,  
600 Bourke Street,  
Victoria 3000 AUSTRALIA

## Complaints Service

Financial Industry Complaints Services (ref F-4661)  
PO Box 579, Collins Street West, Melbourne Vic  
8007.

## Address for Applications and Redemptions

AFM Davis Value Trust  
C/- Investment Funds Services (Ref: 7FHW)  
State Street Australia Ltd  
State Street Centre  
338 Pitt Street, Sydney  
New South Wales 2000 Australia

## Prices

You can obtain information about investing in the  
AFM Value Trust including the latest unit prices via:

**Website** - [www.aufm.com.au](http://www.aufm.com.au)

**Email** - [info@aufm.com.au](mailto:info@aufm.com.au)

**Tel:** (03) 9225 8446 or (03) 9639 9711