

Notice to unitholders. Australian Enhanced Income Fund 12 August 2020

Directors will seek legal advice on their response as Directors of the Responsible Entity.

The Directors of a Responsible Entity (“RE”) have a responsibility to exercise their fiduciary duty. We will seek legal advice on our fiduciary duties. Until that time, unitholders may choose to retain their units or seek financial advice as to their course of action.

When we have received and considered legal advice, the directors will advise unitholders accordingly.

Directors intend to redeem their units at the next redemption point

The Directors of the Responsible Entity (“RE”) in the Australia Enhanced Income Fund (“Fund”) are holders of 69,620 units in the Fund. In our capacity as unitholders, we have made a decision to redeem our units in the Fund at the next redemption point which is 31 August 2020.

We detail the reasoning behind our decision:

- i) The proposal from 360 Capital FM Limited (“360 Capital”) would involve the change of Fund strategy which includes investing in corporate loans which have no specific liquidity mechanisms.
- ii) Should we remain invested in the Fund, if the vote to change the RE is successful, we will receive \$0.15 per unit which is approximately 2.5% of the Fund’s current net asset value (“NAV”).
- iii) ASX Listed Loan Funds and 1 ASX Listed Bond Fund trade at discounts to their NAV of between 4% and 17%. We believe that the 360 Capital’s fund will trade at a similar discount. If we thought investing in corporate loan funds was a good thing to do, we could purchase existing funds at a larger discount than the 2.5% premium offered by 360 Capital.
- iv) We think that investing in corporate loan funds at the beginning of a recession is a dangerous thing to do. Historically, default rates on sub investment grade/high yield loans spike during a recession, with potential erosion of capital and loss of income

We remind unitholders that they have the right to request redemption at the NAV (less the sell spread of 0.2%). The next redemption point is 31 August 2020.

We recently mailed a prepopulated redemption form to all unitholders. Should you not receive the form in the mail over the next 72 hours you can download it by simply clicking on this link; <https://www.eiml.com.au/images/general/AYFRedemptionForm2013.pdf>

August 12, 2020



In order to comply with the PDS, redemption request forms must be received by Advanced Share Registry by facsimile, email or post no later than 5.00pm AEST 14 August 2020.

We understand however, that Covid-19 might mean delays in postage. If this is the case we would consider an email received no later than 5.00pm AEST on 14 August 2020 at info@eiml.com.au advising us of your intention to redeem your units as evidence of your intention to do so. Provided we then receive the redemption request form correctly populated by facsimile, email or post by 31 August 2020 we will process it.

Directors will advise of their response as Directors of the RE

The Directors of a RE have a responsibility to exercise their fiduciary duty. We will consider our position and advise unitholders accordingly after we have sought legal opinion.

Once again, we advise you to seek financial advice before taking any action.

If you have any queries, please feel free to call me on 0421 335 043 or Norman Derham on 0425 749 215.

Campbell Dawson (Chairman, Australian Enhanced Income Fund).