

Ausbil 130/30 Focus Fund ARSN 076 316 47

Notice of proposal to amend fund constitutions for AMIT

28 April 2017

This notice is to inform investors of the Ausbil 130/30 Focus Fund ARSN 076 316 473 (**Fund**) that Ausbil Investment Management Limited (**Responsible Entity**) as the responsible entity of the Fund proposes to modify the Fund's constitution (**Constitution**) so that it is able to take advantage of a new taxation regime for managed investment schemes, known as the Attribution Managed Investment Trust (**AMIT**) regime. This notice is issued by the Responsible Entity.

The AMIT regime has recently come into effect and has the potential to provide responsible entities and investors with improved flexibility and greater clarity around tax treatment for managed investment trusts.

ASIC has granted relief under *ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489 (Relief Instrument)* to allow the responsible entity of a registered scheme to amend the scheme's constitution to enable the responsible entity to elect into and take advantage of the new regime without holding a members' meeting, provided certain conditions are met. These conditions include that notice be given to investors explaining the changes. This notice is accordingly issued in connection with the Relief Instrument.

What are the reasons for and effect of the changes?

Set out below is a summary of the reasons for, and the effect of, the proposed modification of the Constitution:

The Responsible Entity has proposed the Modifications to facilitate the Fund operating under the new AMIT regime.

A managed investment trust (**MIT**) can choose to be an AMIT with effect from the year ended 30 June 2016 or any later year. The AMIT regime was established by the Australian government to provide qualifying MITs with the ability to benefit from improved flexibility and greater certainty in respect of their tax treatment. The AMIT regime provides an alternative to the 'present entitlement basis' of the current taxation rules, which provides that the Fund's taxable income is allocated to unitholders based on the proportionate share of the income of the Fund to which they are made entitled by the Responsible Entity.

Based on the characteristics of the Fund and the operation of the AMIT regime, the Responsible Entity intends to elect the Fund into the AMIT regime, however, it is not known when this election will be made. Although a decision has not yet been made when the Responsible Entity will elect for the Fund to be an AMIT, the Responsible Entity presently believes the AMIT regime will produce more equitable and fair tax outcomes for the Fund's unitholders for the following reasons:

- the AMIT regime provides the ability for MITs to "flow through" taxable income to their unitholders on an "attribution basis", and for that taxable income to retain its character for tax purposes as it flows through the Fund;

- the Responsible Entity will operate the Fund noting the following principles:
 - the Responsible Entity must allocate the taxable income of the Fund between unitholders on a 'fair and reasonable basis', consistent with their rights under the Fund's constituent documents and the duties of the trustee; and
 - the Responsible Entity will be taxed on any taxable income of the Fund that the Responsible Entity fails to allocate to the unitholders; and
- the AMIT regime will improve the administrative efficiency of the Fund because:
 - the Responsible Entity has the ability to carry forward certain understatements and overstatements of taxable income and deal with them in the year in which they are discovered, rather than re-issuing amended investor statements; and
 - the regime allows for upwards cost base adjustments of units where the amount distributed is less than the taxable income attributed, which will simplify the Fund's administration and provide greater flexibility for the Responsible Entity with respect to distributing taxable income.

The proposed amendments to the Constitution will provide:

1. the Responsible Entity with the power to elect into the AMIT regime for the Fund (**AMIT Election**);
2. the Responsible Entity with the power to elect to treat a class of units in the Fund as a separate AMIT if the AMIT Election is made;
3. that the AMIT regime applies to the Fund once the Responsible Entity makes the AMIT Election; and
4. the Responsible Entity with the powers necessary for the practical application of the AMIT regime to the Fund once the Responsible Entity makes the AMIT Election.

In addition, the proposed amendments to the Constitution will allow the Responsible Entity to elect for the Fund to be operated as an AMIT, if it is eligible to do so. If the Responsible Entity elects the Fund into the AMIT regime, there may be the following potential benefits in addition to those outlined above:

1. the Fund will be treated as a fixed trust for income tax purposes which provides certainty in relation to certain aspects of the tax treatment of the Fund;
2. for income tax purposes, the Fund will be able to attribute tax offsets (in addition to amounts of income) to members on a fair and reasonable basis and will generally retain their tax character;
3. the ability to adjust the cost base of a member's Fund interest upwards and downwards, reducing double taxation that might otherwise arise; and
4. the ability to treat each class in a multi-class trust as a separate AMIT.

Can I request a meeting to consider the changes?

The Responsible Entity will modify the Fund's Constitution as proposed, unless it receives requests to call and arrange to hold a meeting of the Fund's members to consider and vote on a special resolution to modify the Constitution:

- (i) from members with at least 5% of the votes that may be cast on the resolution; and
- (ii) by 8 May 2017.

A request referred to above must be made in writing and may be sent to contactus@ausbil.com.au. If you have any questions, please call our client services team on 1800 287 245 during Sydney business hours..