AUSTRALIAN GOVERNANCE & ETHICAL Index Fund

PRODUCT DISCLOSURE STATEMENT

Product disclosure statement for the issue of fully paid ordinary units in the Australian Governance & Ethical Index Fund (ARSN 625 826 646)

RESPONSIBLE ENTITY:

WALSH & COMPANY
INVESTMENTS LIMITED

(ACN 152 367 649 | AFSL 410 433)

INVESTMENT MANAGER:

WALSH & COMPANY ASSET MANAGEMENT PTY LIMITED
(ACN 159 902 708 | AFSL 450 257)

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IMPORTANT INFORMATION

This Product Disclosure Statement (**PDS**) is dated 17 May 2018 and a copy of this PDS was lodged with ASIC on that date.

This PDS was prepared and issued by Walsh & Company Investments Limited (ACN 152 367 649) (referred to in this PDS as "**Walsh & Company**", "**we**", "**our**" and "**us**"). Walsh & Company is the responsible entity (**Responsible Entity**) of the Australian Governance & Ethical Index Fund (ARSN 625 826 646) (Fund).

This document is important and requires your immediate attention. This PDS contains general financial and other information. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this PDS in its entirety before deciding to invest in the Fund and, in particular, in considering the PDS, that you consider the risk factors that could affect the financial performance of the Fund and your investment in the Fund. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest.

No person other than the Responsible Entity is authorised to give any information or make any representation in connection with the issue of Units which is not contained in this PDS. Any information or representation made by a person other than the Responsible Entity not contained or taken to be contained in this PDS may not be relied on as having been authorised by us in connection with the Fund.

Information relating to the Fund may change from time to time. Where changes are not materially adverse, information may be updated and made available to you on our website at www.governanceandethicalfund.com.au.

A paper copy of any updated information is available free on request from Walsh & Company.

RESTRUCTURING OF AUSTRALIAN GOVERNANCE MASTERS INDEX FUND

This PDS is issued in connection with the proposal to restructure Australian Governance Masters Index Fund Limited (ACN 140 842 397) (**AQF**) from a listed investment company to a managed investment scheme (**Restructure**). The net impact of the Restructure is that, for each Share in AQF that Shareholders own at the Implementation Date they will receive a Unit in the Fund, and the Investment Manager will implement the investment strategy set out in Section 2.1.

The Restructure will consist of the following key steps:

- AQF to transfer substantially all assets to the Responsible Entity as trustee for the Fund;
- AQF to return the net assets of AQF to Shareholders in the form of Units in the Fund to be listed on the ASX; and
- the Fund to implement its investment strategy.

The process requires approval from shareholders of AQF (**Shareholders**) to pass the resolutions relevant to effect the Restructure at the Shareholders' Meeting. This PDS assumes all of these conditions are satisfied. At a later stage, AQF will seek Shareholder approval to implement a voluntary winding up.

ASX LISTING

Application will be made to the ASX within seven days after the date of this PDS for quotation of Units issued pursuant to this PDS (which is expected to be under the ASX code "AGM").

The fact that the ASX may quote the Units is not to be taken as an indication of the merits of the Fund. ASX quotation, if granted, will commence as soon as practicable after holding statements are despatched.

Neither ASIC nor the ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates.

EXPOSURE PERIOD

ASIC requires an exposure period of seven days after the lodgement of this PDS (**Exposure Period**). The Exposure Period may be extended by ASIC for up to a further seven days. The Exposure Period allows this PDS to be examined by ASIC and investors in the Fund prior to the completion of the Restructure. The Restructure will not occur until after the Exposure Period.

DATE OF INFORMATION

Unless otherwise stated, information in this PDS is current as at the date of this PDS.

CURRENCY AND ROUNDING

Unless otherwise indicated, references to $ are references to the lawful currency of Australia.

Any discrepancies between totals and the sum of all the individual components in the tables contained in this PDS are due to rounding.

NO GUARANTEE

Neither we nor any member of the Evans Dixon Group nor any other party makes any representation or gives any guarantee or assurance as to the performance or success of the Fund, the rate of income or capital return from the Fund, the repayment of the investment in the Fund or that there will be no capital loss or particular taxation consequence of investing in the Fund. An investment in the Fund is subject to investment risks. These risks are discussed in Section 3.

RESTRICTIONS ON THE DISTRIBUTION OF THIS PDS

This PDS does not constitute an offer of Units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and any person into whose possession this PDS comes (including nominees, or custodians) should seek advice on and observe those restrictions.

The issue of Units to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia. It is not available to persons receiving it in any other jurisdiction.

This document is not an offer or an invitation to acquire securities in any country other than Australia. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States of America (**US**) or to, or for the account or benefit of, any "US person", as defined in Regulation S under the *US Securities Act of 1933* (**Securities Act**) (**US Person**).

This document may not be released or distributed in the US or to any US Person. Any securities described in this PDS have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the US, and may not be offered or sold in the US, or to, or for the account or benefit of, any US Person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act.

ELECTRONIC PDS

An electronic version of this PDS is available from the Fund's website at www.governanceandethicalfund.com.au.

COPY OF THIS PDS

The Responsible Entity will provide you with a paper copy of the PDS free of charge, usually within five days after receiving such a request.

FORWARD LOOKING STATEMENTS

This PDS may contain forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements of the Fund to be materially different from those expressed or implied in such statements. Past performance is not a reliable indicator of future performance.

ENQUIRIES

Investors with enquiries relating to this PDS should contact the Responsible Entity on 1300 454 801, or via email at info@governanceandethicalfund.com.au.

GLOSSARY OF TERMS

Defined terms and abbreviations included in the text of this PDS are set out in the Glossary in Section 10.

PHOTOGRAPHS AND DIAGRAMS

Photographs, diagrams and artists' renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted as an endorsement of this PDS or its contents by any person shown in these images nor an indication of the investments that may be made by the Fund.

INVESTMENT OVERVIEW AND KEY DATES

KEY DATES

Date of PDS	17 May 2018
Date of Shareholders' Meeting	18 June 2018
Implementation date of the Restructure*	6 July 2018
Issue Date*	6 July 2018
Trading expected to commence on the ASX*	16 July 2018

* The above dates are indicative only and may vary, subject to the requirements of the Corporations Act and the ASX Listing Rules. The Responsible Entity may vary the dates and times without notice.

ABOUT THE FUND

KEY FUND FEATURES	SUMMARY	MORE INFORMATION
Restructure	This PDS is issued in connection with the proposal to restructure AQF from a listed investment company to a managed investment scheme. The issue of Units in the Fund is subject to a number of conditions, including AQF Shareholder approval for each of the resolutions to approve the Restructure at the Shareholders' Meeting. This PDS assumes all of the Restructure conditions are satisfied.	
Fund Type	The Fund is a unit trust which has been registered as a managed investment scheme under the Corporations Act and will apply to be listed on the ASX as an investment entity.	Section 9.3
Proposed ASX code	AGM	
Responsible Entity	Walsh & Company Investments Limited (ACN 152 367 649)	Sections 8.1, 8.2 and 8.3
Term of the Fund	The Fund does not have a fixed investment term and is designed for the long-term investor.	Section 9.3
Investment Manager	Walsh & Company Asset Management Pty Limited (ACN 159 902 708) is the investment manager for the Fund (Investment Manager). The Investment Manager is responsible for investment decisions for the Fund.	Sections 8.4, 8.5 and 9.2
Portfolio Manager	The Investment Manager has appointed William Hart as Portfolio Manager. The Portfolio Manager will make the investment decisions for the Fund.	Section 8.6
Investment objective	To achieve long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.	Section 2.1

Investment strategy	The Fund will invest in S&P/ASX100 listed securities with a focus on those companies that exhibit strong governance frameworks, are committed to overall corporate social responsibility and undertake sustainable operating practices including minimising environmental harm. The Fund is expected to hold 75-85 securities, however it may hold more or less from time to time. The Investment Manager will employ an index style of investing, with securities screened for exclusion from the Investment Portfolio based upon detailed company analysis. The Investment Manager will seek to exclude securities from the investment portfolio that lag peers in their responsible approach to governance, social and environmental risk or have a poor record of managing these risks. The Investment Manager believes that, on average, companies which exhibit superior governance, social and environmental practices generally operate with a more sustainable and robust business model – subsequently delivering stronger financial performance and shareholder value over the longer term. In consultation with the Responsible Entity, the Investment Manager will seek to promote adherence to strong overall corporate social responsibility and governance practices in its investments by engaging with portfolio companies, directing proxies and participating in shareholder meetings.	Sections 2.1, 2.2 and 2.8
Distribution policy	The Responsible Entity intends to target a cash distribution of 5% per annum based on the NAV at or around the beginning of the relevant distribution period, paid semi-annually (Target Distribution). The Responsible Entity expects that the Target Distribution will provide Unitholders with greater certainty on the amount of upcoming distributions however there is no guarantee this target will be achieved. To the extent the Target Distribution cannot be met from income of the Fund, distributions may include a capital component.	Section 2.6

Distribution reinvestment plan (DRP)	The Responsible Entity has established a DRP in respect of distributions. Under the DRP, where Unitholders elect to reinvest up to the Target Distribution in additional Units in the Fund, the Responsible Entity intends to offer Unitholders an issue price which is set at a 2% discount to the NAV payable by the Fund. For any amount of distribution greater than the Target Distribution, the Responsible Entity may require that this amount be reinvested, for which there will be no discount on the Unit price. Unitholders will need to include all income distribution in their tax return, even if reinvested.	Section 2.7
Fund borrowings (gearing)	The Responsible Entity does not currently intend to gear the Fund.	Section 2.5
Derivative policy	It is not presently intended that the Fund invests in or use Derivatives.	Section 2.9

FEES AND COSTS

Cost of acquiring the Units	The Responsible Entity will not charge any up-front establishment or application fees on the issue of Units under this PDS. However, there is an implicit cost to acquiring Units, being the costs of the Restructure which, if the Restructure proceeds, will be deducted from the value of the Fund.	Section 4.2 (h)
Ongoing management costs of the Fund	The Responsible Entity will be paid a responsible entity fee of 0.08% p.a. (inclusive of the net effect of GST) on the gross asset value of the Fund and the Investment Manager will be paid a management fee of 0.11% p.a. (inclusive of the net effect of GST) on the gross asset value of the Fund, payable monthly in arrears. Certain expenses, comprising audit costs, third party costs associated with the acquisition and disposal of investments, outgoings in relation to the portfolio and the cost of preparation of the annual report for the Fund (Allowable Expenses) will be deducted from the management fee on a monthly basis. If the Allowable Expenses exceed the management fee, the Investment Manager must pay the difference to the Fund.	Sections 4 and 9.2
Performance fee	The Investment Manager will not charge a performance fee.	Sections 4 (c) and 9.2

ABOUT THE ISSUE

KEY DETAILS	SUMMARY	MORE INFORMATION
Issuer	The PDS and the Units are issued by Walsh & Company. Units under this PDS are only available to holders of AQF Units at the Implementation Date.	Sections 8.1, 8.2 and 8.3
Issue Price	The effective issue price per Unit is equal to the net assets of AQF (after deduction of costs involved in the Restructure) which are transferred to the Fund, divided by the number of AQF Shares then on issue. Shareholders in AQF will receive one Unit in the Fund for every Share they have in AQF. Based off the proforma balance sheet post-restructure, the issue price is expected to be approximately $1.75 per Unit.	Section 5
No need to apply for Units	If the resolutions to approve the Restructure are passed and other conditions are met, AQF will apply for Units in the Fund on your behalf, and arrange for them to be issued to you. You will not need to complete an application form.	
The issue price will be paid on your behalf	If AQF applies for Units in the Fund on your behalf as described above, it will also provide the consideration for the issue of the Units, in the form of transfer of assets from AQF to the Fund.	
Minimum Units per Investor	There is no minimum issue amount.	
Underwriting	The issue of Units is not underwritten.	
Cooling off period	As the Fund is to be listed no cooling off period applies under the Corporations Act.	
Further information	For further information contact us on 1300 454 801, or via email at info@governanceandethicalfund.com.au.	

1. KEY BENEFITS AND RISKS

1.1 KEY INVESTMENT BENEFITS

An investment in the Fund has a number of investment benefits and risks. Key investment benefits and risks are summarised in each of the tables below.

KEY BENEFIT		MORE INFORMATION
Governance and Ethical Investment Focus	The Fund will provide exposure to a portfolio of S&P/ASX100 companies that exhibit relatively strong governance frameworks, are committed to overall corporate social responsibility and undertake sustainable operating practices. The Investment Manager believes that, on average, entities which exhibit superior governance, social and environmental practices generally operate with a more sustainable and robust business model – subsequently delivering stronger financial performance and shareholder value over the longer term. In consultation with the Responsible Entity, the Investment Manager will seek to promote adherence to strong overall corporate social responsibility and governance practices in its investments by engaging with portfolio companies, directing proxies and participating in shareholder meetings.	Section 2
Low Cost Investment Vehicle	The total expense ratio will be 0.19% p.a. (inc GST net of RITC) of the gross asset value of the Fund. The Investment Manager will not charge a performance fee.	Section 4
Diverse Australian Equities Exposure	The Fund will allow investors to gain exposure to approximately 75-85 of the largest companies within the S&P/ASX 100 Index and provides significant diversification that should reduce investment performance volatility.	
Experienced Advisory Board and Investment Manager	The Advisory Board and Investment Manager have considerable experience and expertise in corporate governance structures and social and sustainable investments, in addition to listed equities experience.	Section 8
Targeting consistent distributions	Although income from the Fund's portfolio of securities will fluctuate, the Responsible Entity will seek to provide a steady cash flow from the Fund, targeting a cash distribution of 5% per annum based on the NAV at or around the beginning of the relevant distribution period, paid semi-annually. We will endeavour to manage the difference between the Fund's actual income and this target. • Where actual income is more than 5% per annum, the Responsible Entity may require reinvesment of the surplus in the Fund. • Where actual income is less than 5%, topping up the income with a distribution of capital. The amount or frequency of distributions cannot be guaranteed.	Section 2.6
Convenient investment platform	The Fund provides an opportunity to invest in a diverse range of Australian equities through an ASX listed investment vehicle. As the Fund will be a listed investment trust, investors are expected to have flow through access to all underlying franking credits and long-term capital gain discounts.	Sections 2 and 7

1.2 KEY INVESTMENT RISKS

As with most investments, the future performance of the Fund can be influenced by a number of risks and factors that are outside the control of the Responsible Entity. A more detailed list of various risks is set out in Section 3 and includes:

KEY RISK		MORE INFORMATION
Investment selection and strategy risk	The Fund's performance depends on the investment decisions made. The Investment Manager may make investment decisions that result in low returns or loss of capital invested.	Section 3.1(a)
Ethical considerations risk	The Investment Manager will make investment decisions based on, among other things, the Investment Manager's assessment of an entity's performance on the basis of a broad array of governance, social and environmental factors. The Investment Manager is of the view that these factors constitute ethical considerations. See Section 2.2 for details. The Investment Manager has no predetermined view as to the level and weighting to be applied to each of the considerations outlined in Section 2.2.2 in its investment analysis. While the Investment Manager will apply detailed investment analysis in determining the composition, weighting and retention of investments in the portfolio, the application of these factors is, to an extent, subjective and the perception of an investor regarding an entity's performance against these criteria may not align with that of the Investment Manager.	Sections 2.2, 2.2.2 and 3.1(b)
Equity risk	There is a risk that the market price of securities will fall over short or extended periods of time. Unitholders are exposed to this risk both through the underlying investments in which the Fund will invest and through general market fluctuations in the price of their Units.	Section 3.1(c)
Company specific risk	Investments by the Fund in a company's securities will be subject to many of the risks to which that particular company is itself exposed. These risks may impact the value of the securities of that company, and may include factors such as changes in management, actions of competitors and regulators, changes in technology and market trends.	Section 3.1(d)
Liquidity	The Fund is expected to be a listed trust on the ASX. The ability to buy or sell Units will be a function of the turnover of the Units at the time of purchase or sale. To mitigate this risk, the Fund will aim to apply active capital management strategies, and may undertake a buyback of its Units in the event that they trade at a discount to NAV.	Section 3.1(e)
Key personnel risk	There is a risk of departure of key staff with particular expertise in the sector, whether they are the staff or Directors of the Responsible Entity or the Investment Manager, the Portfolio Manager or independent advisors or consultants. These departures may have an adverse impact on the value of the Fund.	Section 3.1(f)

2. FUND OVERVIEW

2.1 FUND OBJECTIVE AND STRATEGY

(A) INVESTMENT OBJECTIVE

To achieve long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.

(B) INVESTMENT STRATEGY

The Fund will invest directly into S&P/ASX100 listed securities with a focus on those entities that exhibit relatively strong governance frameworks, are committed to overall corporate social responsibility and undertake sustainable operating practices including minimising environmental harm. The Fund expects to hold 75-85 securities, however it may hold more or less from time to time.

The Investment Manager will employ an index style of investing, with securities screened for exclusion from the investment portfolio based upon detailed company analysis. The Investment Manager will seek to exclude securities from the investment portfolio that the Investment Manager considers lag peers in their responsible approach to governance, social and environmental risk or have a poor record of managing these risks. See Section 2.2.3 below for further information.

The Investment Manager believes that, on average, entities which exhibit superior governance, social and environmental practices generally operate with a more sustainable and robust business model – subsequently delivering stronger financial performance and shareholder value over the longer term.

In consultation with the Responsible Entity, the Investment Manager will seek to promote adherence to strong overall corporate social responsibility and governance practices in its investments by engaging with portfolio companies, directing proxies and participating in shareholder meetings.

2.2 INVESTMENT PROCESS

2.2.1 INVESTMENT UNIVERSE

The investment universe for the Fund will generally be the securities within the S&P/ASX 100 index, with the weightings applied to each entity initially in proportion to their relative weighting in the S&P/ASX 100 index.

2.2.2 INVESTMENT ANALYSIS

The Investment Manager will undertake detailed analysis to evaluate the performance of entities included in the S&P/ASX 100 index on the basis of a broad array of governance, social and environmental factors. Specific areas of analysis focused upon and incorporated into investment analysis include those listed below.

GOVERNANCE

- Corporate stewardship and accountability, including board diversity, independence and experience assessed by reference to, among other things, the ASX Corporate Governance Principles and Recommendations
- Executive compensation comparative to both industry and market peers including analysis of the structure and materiality of contracts
- The ownership structure of the organisation including analysis of any material related party transactions and the existence of appropriate stewardship safeguards.
- The transparency, reliability and timeliness of financial disclosures including evidence of a history of account re-statements or an excessive reliance on management estimations in accounting practices.

SOCIAL (INCLUDING CERTAIN LABOUR STANDARDS)

- Adherence to fundamental human rights in operations including, at a minimum, adherence to the United Nations Universal Declaration of Human Rights.

- Labour standards such as employing child labour or the use of exploitative labour practices (including payment of workers below a legalised minimum wage in the country where the labour takes place).
- Work safety practices as evidenced by either direct or indirect injuries and fatalities.
- Privacy and data security including a history of breaches, occurrences and subsequent remediation practices.
- Level of involvement in activities associated with the production, manufacture or marketing of products or goods which can have a harmful effect on humans (including, for example, association with the production, manufacture or marketing of tobacco or armaments).

ENVIRONMENTAL

- Environmental impact including analysis of an entity's carbon emissions or carbon footprint, as measured by direct and indirect Greenhouse Gas emissions, comparative to industry peers.
- Adequacy of operational environmental safeguards as evidenced by repeated environmental damage or a failure to adequately remediate such damage in a timely manner.
- Level of product stewardship such as failing to consider the environmental impact of a product through its lifecycle.
- An entity's effect on natural capital including water efficiency, biodiversity and land use.
- A history of toxic emissions, poor waste disposal, excessive packaging material or waste.

The Investment Manager is of the view that the above factors constitute ethical considerations. The Investment Manager may in the future also take account of other aspects of governance, social and environmental matters.

2.2.3 METHODOLOGY

The Investment Manager will adopt a relative exclusion methodology as set out in this section for incorporating governance, social and environmental considerations into portfolio construction.

The Investment Manager will seek to exclude from the investment portfolio those entities within the S&P/ASX 100 index that materially lag peers in their responsible approach to governance, social and environmental risk or have a poor record of managing these risks. However, in the event that an entity has demonstrated a genuine willingness to reduce or address its involvement in undesirable activities or that exclusion or divestment is not in the best interests of the Fund's investors, such an investment in that entity may still be included in the portfolio.

The Investment Manager expects to monitor and review the portfolio on an ongoing basis with the detailed investment analysis outlined in Section 2.2.2 undertaken at least once quarterly. Based upon the updated analysis, the Investment Manager may seek to acquire holdings in any previously excluded entity if it believes the entity has materially improved its approach to governance, social and environmental risk, or has demonstrated a genuine willingness to address its approach to these risks. Conversely, the Investment Manager may seek to remove any previously held security if it believes that entity has materially regressed regarding its approach to governance, social and environmental risk or that entity has subsequently developed a poor record of managing these risks.

The Investment Manager has no predetermined view as to the level and weighting to be applied to each of the considerations outlined in Section 2.2.2 in its investment analysis. The Investment Manager may receive reports from third parties regarding governance, social and environmental matters affecting entities in the investment universe and may use that data to apply its investment analysis. However, it will not rely exclusively on any particular external provider or rating mechanism to assess the above matters and will exercise its own judgment on the composition, weighting and retention of investments in the portfolio based on publicly available information.

Using the methodology set out above, the Fund expects to hold positions in approximately 75-85 investments, however it may hold more or less from time to time.

2.2.4 PORTFOLIO MANAGEMENT

The portfolio weightings applied to each entity will be adjusted to reflect the excluded securities and are generally expected to be held in proportion to their relative weighting within the S&P/ASX 100 Index. However, the Investment Manager may adjust security weights to manage sector and company exposure.

The Investment Manager will target the following portfolio construction parameters (represented as a proportion of the gross value of the Fund, where applicable):

- 95%-100% in listed equities;
- 75-85 securities; and
- up to 5% cash.

A maximum cash holding of 5% will be targeted for the Fund, however the Investment Manager will have the ability to hold more than 5% cash in certain market conditions.

2.3 INITIAL PORTFOLIO

Subject to market conditions, it is intended the initial portfolio will be substantially invested on the Implementation Date.

2.4 CUSTODIAN

The Trust Company (Australia) Limited (AFSL 235 145) is currently appointed as the independent custodian to hold the assets of the Fund. The role of the Custodian is to hold the assets of the Fund as agent for the Responsible Entity and to deal with the assets only as instructed by the Responsible Entity. The Responsible Entity's relationship with the Custodian is governed by the Custody Agreement. It is not the role of the Custodian to protect the rights and interests of the Unitholders.

The Trust Company (Australia) Limited is a subsidiary of Perpetual Limited. Perpetual Limited is an ASX listed company with a history of over 130 years as a trustee company.

Neither the Custodian nor any member of the Perpetual group of companies makes any representations as to, and does not guarantee the return of, any investment, maintenance of capital, any tax deduction availability or the performance of the Fund.

2.5 BORROWINGS POLICY

The Responsible Entity does not presently intend to gear the Fund's portfolio. Circumstances may occur whereby short-term borrowing is deemed beneficial and, should this eventuate, the Fund may borrow. The Responsible Entity intends to limit borrowings to 10% of the total assets of the Fund.

2.6 DISTRIBUTIONS POLICY

The Responsible Entity intends to target a cash distribution of 5% per annum based on the NAV at or around the beginning of the relevant distribution period, paid semi-annually. In addition to the distribution target, the Responsible Entity will also consider, in its absolute discretion, a number of factors in deciding the level of distributions to be paid, including the following:

- the operating income of the Fund;
- the distribution and dividend profile of the underlying portfolio;
- maintaining a stable distribution profile of the Fund; and
- any taxation implications for Unitholders or the Fund.

To the extent the Target Distribution is not able to be met from income of the Fund, distributions may include a capital component. The Responsible Entity may also require reinvestment of any surplus above the Target Distribution. See Section 2.7 for further information.

2.7 DISTRIBUTION REINVESTMENT PLAN

The Responsible Entity has established a DRP in respect of distributions.

Under the DRP, Unitholders may elect to have all or part of their Target Distribution reinvested as additional Units in the Fund. The Responsible Entity intends to offer Unitholders who elect to participate in the DRP in respect of the Target Distribution an issue price which is set at a 2% discount to NAV.

The Responsible Entity may require that any distribution greater than the Target Distribution be reinvested in accordance with the DRP. For any amount of distribution greater than the Target Distribution, the Responsible Entity may require that this amount be reinvested, for which there will be no discount on the Unit price. Unitholders will need to include all income distributions in their tax return, even if reinvested.

2.8 CHANGES TO THE INVESTMENT STRATEGY

The investment policies, guidelines, and strategy outlined in this Section 2 are expected to be implemented for at least the initial 12 month period following admission of the Fund to the official list of the ASX. Thereafter, the Responsible Entity and the Investment Manager will consult with regard to implementing any changes to these policies, strategies and guidelines. While the Fund does not currently intend to make any material changes to the investment strategy, if it decides to do so, the Fund will first notify Unitholders through the ASX at least one month prior to implementing this new strategy.

2.9 DERIVATIVE POLICY

The Fund does not presently intend to invest in or use Derivatives. Circumstances may occur where the Responsible Entity and the Investment Manager determine to invest in or use Derivatives in the future.

2.10 COMPLIANCE FRAMEWORK

The Responsible Entity has a compliance framework in place that includes maintaining a compliance plan and a compliance committee.

The compliance plan sets out how the Responsible Entity will ensure compliance with both the Corporations Act and the Constitution when operating the Fund. The compliance committee, comprising a majority of external members, will monitor the Responsible Entity's compliance with the compliance plan. The Responsible Entity's compliance with the compliance plan will be audited externally on an annual basis.

The compliance framework also addresses risk management, borrowings, valuation, related party transactions, conflicts, continuous disclosure, training, disaster recovery, and other elements.

2.11 CASH POLICY AND WORKING CAPITAL

The Fund's policy is to hold cash in cash deposits, cash equivalents, and interests in cash management trusts pending deployment into suitable investment opportunities or to meet anticipated distributions or working capital requirements. A maximum cash holding of 5% will be targeted for the Fund, however the Investment Manager will have the ability to hold more than 5% cash in certain market conditions.

2.12 RAISING FURTHER CAPITAL

The Responsible Entity may, at a future date, decide to raise further capital for the Fund. A further capital raising may be contemplated if there is significant demand for investment in the Fund, there remains attractive portfolio investment opportunities which the Responsible Entity and Investment Manager can pursue with additional capital, and where this would be beneficial to existing Unitholders. The Responsible Entity may need to seek approval of Unitholders at a meeting if the capital sought to be raised would exceed the limits for new issues of securities under the ASX Listing Rules.

2.13 CAPITAL MANAGEMENT POLICY

Subject to any restrictions imposed under the Corporations Act, the ASX Listing Rules, and the Fund's Constitution, the Fund aims to apply active capital management strategies.

The Fund may undertake a buyback of its Units in the event that they trade at a discount to NAV and must comply with any Corporations Act, ASX Listing Rules and Constitution restrictions, if any. Until the first anniversary of the Issue Date, the Fund will need to obtain Unitholder approval if it intends to buyback more than 10% of the number of Units on issue as at the Issue Date. To fund the buyback of Units, the Fund may look to liquidate some of its investments and, although not presently intended, may employ gearing up to the limit stated in Section 2.5.

2.14 VALUATION POLICY

The Responsible Entity may determine valuation methods and policies for the Fund and amend them from time to time, provided that the valuation methods and polices are consistent with the accounting principles set out in Section 5.4, within the range of ordinary commercial practice, and the valuation produced is reasonably current at the time of issue or redemption of Units.

2.15 REPORTS TO UNITHOLDERS

The Responsible Entity intends to provide Unitholders with:

- periodic reports setting out Unitholder account details;
- quarterly updates on key information about the Fund including performance updates;
- half-yearly auditor reviewed reports;
- annual audited reports;
- annual distribution advice statements (as applicable);
- regular income tax statements; and
- weekly and monthly Net Tangible Asset updates.

The Responsible Entity will also comply with all laws and the ASX Listing Rules as they relate to reports to be provided to Unitholders.

For further information, please visit www.governanceandethicalfund.com.au.

2.16 ETHICAL CONSIDERATIONS

The Investment Manager's investment decisions in respect of the Fund are based upon a combination of factors that take into account environmental, social (including labour standards) and ethical considerations in the selection, retention, and realisation of investments, as outlined in Section 2.2.

3. RISKS

Prior to investing, you should consider the risks involved in investing in the Fund and whether the Fund is appropriate for your objectives and financial circumstances. You should read this PDS in its entirety to gain an understanding of the risks associated with an investment in the Fund.

This PDS contains forward-looking statements based on certain assumptions that are inherently uncertain. Actual events and results of the Fund's operations could differ materially from those anticipated. Some of the risks may be mitigated by the use of safeguards and appropriate systems and actions, but some are outside the control of the Responsible Entity and cannot be mitigated.

The Responsible Entity does not guarantee any rate of return in terms of income or capital or investment performance of the Fund. The value of the Units will reflect the performance of the investments made by the Fund and current market conditions. There can be no certainty that the Fund will generate returns or distributions to the satisfaction of Unitholders.

The Fund should not be seen as a predictable, low risk investment. The Fund's investments are expected to be concentrated in listed securities, and the Fund is therefore considered to have a higher risk profile than cash assets.

Investors can undertake several steps to help minimise the impact of risk. First, seek professional advice suited to your personal investment objectives, financial situation, and particular needs. Secondly, only make investments with a risk level and time frame recommended by your professional advisor.

This section describes the areas the Responsible Entity believes to be the major risks associated with an investment in the Fund. These risks have been separated into specific investment risks and general investment risks.

It is not possible to identify every risk associated with investing in the Fund. Prospective investors should note that this is not an exhaustive list of the risks associated with the Fund.

3.1 RISKS SPECIFIC TO THE FUND

(A) INVESTMENT SELECTION AND STRATEGY RISK

The Fund's performance depends on the investment decisions made.

The Investment Manager may make investment decisions that result in low returns or loss of capital invested. This risk may be mitigated to some extent by the resources available to the Investment Manager.

The success and profitability of the Fund will largely depend on the Investment Manager's ability to manage the portfolio in a manner that complies with the Fund's objectives, strategies, policies, guidelines, and permitted investments. If the Investment Manager fails to do so, the Fund may not perform well. There are risks inherent in the investment strategy that the Investment Manager will employ for the Fund.

(B) ETHICAL CONSIDERATIONS RISK

The Investment Manager will make investment decisions based on, among other things, the Investment Manager's assessment of an entity's performance on the basis of a broad array of governance, social and environmental factors. The Investment Manager is of the view that these factors constitute ethical considerations. See Section 2.2 for details.

The Investment Manager has no predetermined view as to the level and weighting to be applied to each of the considerations outlined in Section 2.2.2 in its investment analysis. While the Investment Manager will apply detailed investment analysis in determining the composition, weighting and retention of investments in the portfolio, the application of these factors is, to an extent, subjective and the perception of an investor regarding an entity's performance against these criteria may not align with that of the Investment Manager.

(C) EQUITY RISK

The price of securities listed on securities exchanges can change considerably over time, and the market value of your investment is expected to increase and decrease with the value of the portfolio. Unitholders are exposed to equity risk both through their holdings in the underlying investments in which the Fund will invest and through market fluctuations in the price of their Units. As with most investments, performance is not guaranteed. These risks may result in loss of income and principal invested.

The Fund may also invest at an unfavourable point of the investment cycle. The Investment Manager may invest funds at higher prices than those available soon after and may redeem investments at lower prices than those that were recently available or that may have been available soon thereafter.

In the future, the sale of large parcels of Units may cause a decline in the price at which the Units trade. This may mean that the Fund may not trade in line with the underlying value of the portfolio. No assurances can be made that the performance of the Units will not be adversely affected by any such market fluctuations or factors. None of the Fund, the Responsible Entity, the Investment Manager or any other person guarantees the performance of the Units.

(D) COMPANY SPECIFIC RISK

Investments by the Fund in a company's securities will be subject to many of the risks to which that particular company is itself exposed. These risks may impact the value of the securities of that company, and may include factors such as changes in management, actions of competitors and regulators, changes in technology and market trends.

(E) LIQUIDITY RISK

The Fund is expected to be a listed trust on the ASX however there can be no guarantee that there will be a liquid market for Units. The ability to buy or sell Units will be a function of the turnover of the Units at the time of purchase or sale. To mitigate this risk, the Fund will aim to apply active capital management strategies, and may undertake a buyback of its Units in the event that they trade at a discount to NAV.

(F) KEY PERSONNEL RISK

There is a risk of departure of key staff or consultants with particular expertise in the sector, whether they are the staff or Directors of the Responsible Entity or the Investment Manager, the Portfolio Manager or independent advisors or consultants. This may have an adverse impact on the value of the Fund.

(G) GEARING AND INTEREST RATE RISK

While there is no current intention to do so, if the Fund is geared, the level of gearing, the costs of borrowing and the applicable interest rates will impact returns.

If utilised, gearing may amplify the Fund's gains if the market value of the portfolio appreciates however, may also amplify losses if the market value of the portfolio declines. Any loans secured by the portfolio could result in the lender forcing the liquidation of investments at a loss or not at a time of the Investment Manager's choosing.

The cost of borrowing may reduce the returns of the Fund.

Should the Fund obtain borrowings, changes in interest rates may have a positive or negative impact directly on the Fund's income. Changes in interest rates may also affect the market more broadly, and positively or negatively affect the value of the Fund's underlying assets.

(H) LONG TIME HORIZON

Investing in capital growth focussed investments requires a longer-term commitment to other asset classes, and this may mean that realisation of value through capital growth may be similarly timed. In addition, a longer time horizon increases the risk of exposure to market volatility.

(I) RELATED PARTY TRANSACTION RISK

The Responsible Entity will transact with related parties. There are a number of related party transactions described in this PDS. See Section 9.5 for further information.

Conflicts of interest may arise in these circumstances where there is a risk that the interests of one party or the Unitholders may diverge from the interests of the other party. The Responsible Entity has a conflicts of interest and related party transaction policy for the Fund to assist in managing this risk.

(J) RESTRUCTURE RISK

There is a risk that the costs of the Restructure exceed the amount estimated by the Responsible Entity. Under the Implementation Deed the Fund indemnifies AQF for certain potential unforeseen costs, including if the tax liabilities of AQF are higher than anticipated.

(K) DISTRIBUTION POLICY RISK

The Responsible Entity intends to target a cash distribution of 5% per annum based on the NAV at or around the beginning of the relevant distribution period, paid semi-annually (**Target Distribution**). The nature of the Fund's investments in equity securities means that it is unlikely that the actual income of the Fund will be exactly 5% per annum.

There may be circumstances where the Target Distribution is not paid, or is paid from capital of the Fund. Payments out of capital will reduce a Unitholder's cost base. See Section 7 for further information.

There may also be circumstances where income is above the Target Distribution and a portion of a distribution in a particular period may be required to be reinvested as additional Units in the Fund. In such circumstances, there is a risk the distribution received by Unitholders in cash may be insufficient to cover a Unitholder's tax payable on the total distribution.

(L) DRP ISSUE PRICE RISK

Units issued under the DRP in respect of the Target Distribution are issued at a discount to NAV. Because Units issued under the DRP are issued at the NAV per Unit or a discount to the NAV per Unit, there is a risk that the DRP issue price could be at a premium to the trading price of Units on ASX.

3.2 GENERAL INVESTMENT RISKS

(A) MACROECONOMIC RISKS

Investment returns are influenced by numerous economic factors. These factors include changes in economic conditions (e.g. changes in interest rates or economic growth), changes in the legislative and political environment, as well as changes in investor sentiment. In addition, exogenous shocks, natural disasters and acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Fund or the earnings and capital appreciation of the Fund's portfolio.

(B) FUND RISK

This is the risk that the Fund could terminate, the fees and expenses of the Fund could change, the Responsible Entity could retire or be removed, or the Investment Manager may change.

There is also a risk that investing in funds may give different results from holding the underlying investments directly.

(C) TAXATION RISK

There are risks that the tax consequences for an individual Investor or for the Fund with regard to income tax (including capital gains tax), duty, and other taxes may differ from the tax consequences described in Section 7 of this PDS.

Changes to taxation laws and policies in Australia and other countries to which the Fund has exposure to through the portfolio (including any changes in relation to how income of the Fund is taxed or in relation to the deductibility of expenses) might adversely impact the Fund and Unitholder returns. Changes in revenue law or policy and other legal or regulatory changes often cannot be foreseen. The Responsible Entity will attempt to respond to any such changes prudently.

(D) GOVERNMENT POLICY

Changes in government, monetary policies, taxation, and other laws and actions (including such matters as compliance with environmental regulations) in the relevant countries or regions can have a significant influence on the outlook for underlying companies and, in turn, affect the Fund's performance.

(E) REGULATORY RISK

The Fund is exposed to the risk of changes to applicable laws, including but not limited to enforcement of its rights or the interpretation of applicable laws, which could have a negative effect on the Fund, its investments or returns to Unitholders.

(F) UNFORESEEN EXPENSES

The proposed expenditure on the Fund's activities may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this PDS.

3.3 INVESTOR CONSIDERATIONS

Applicants should consider whether this is a suitable investment.

There may be tax implications arising from the issue of Units, the receipt of distributions from the Fund and on the disposal of Units. Applicants should carefully consider these tax implications, including as disclosed in Section 7 of this PDS, and obtain advice from an accountant or other professional tax advisor in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Units, you should seek advice on the matters contained in this PDS from a stockbroker, solicitor, accountant or other professional advisor.

4. FEES AND COSTS

DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your account 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 advisor.

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.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

4.1 FEES AND OTHER COSTS

This document shows fees and costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment, or from the assets of the Fund as a whole. Taxes are set out in Section 7 of this PDS.

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

TABLE 1: FUND FEES AND COSTS

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND		
ESTABLISHMENT FEE The fee to open your investment	Nil	Not applicable
CONTRIBUTION FEE The fee on each amount contributed to your investment	Nil	Not applicable
WITHDRAWAL FEE The fee on each amount you take out of your investment	Nil	Not applicable
EXIT FEE The fee to close your investment	Nil	Not applicable

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
MANAGEMENT COSTS – THE FEES AND COSTS FOR MANAGING YOUR INVESTMENT		
Ongoing Costs of the Fund		
RESPONSIBLE ENTITY FEE The fee for operating the Fund	0.08%[1,2] per annum of the gross asset value of the Fund.	This fee is payable monthly out of the Fund to the Responsible Entity.
INVESTMENT MANAGEMENT FEE The fee for the investment management of the Fund.	0.11%[1,2] per annum of the gross asset value of the Fund.	This fee is payable monthly in arrears to the Investment Manager out of the Fund.
PERFORMANCE FEE The fee based on performance of the Fund.	Nil	Not applicable
Service Fees		
SWITCHING FEE The fee charged for changing investment options.	Nil	Not applicable

1. These fees are stated based on gross asset value of the Fund, to reflect the Constitution and the Investment Management Agreement. These are the same as the fee amounts based on net asset value of the Fund that are used to calculate the indirect cost ratio which is applied in the example of fees and costs in Table 2, while the Fund does not have any borrowings or other credit or accrual balances. Borrowing is not currently intended. The amount of these fees may be different if agreed with a wholesale client.
2. These amounts include the net amount of GST.

TABLE 2: EXAMPLE OF ONGOING ANNUAL FEES AND COSTS FOR AN INVESTMENT IN THE FUND

This table gives you an example of how the ongoing annual fees and costs for this managed investment product can affect your investment over a one-year period. You should use this table to compare this product with the ongoing fees and costs of other managed investment products.

EXAMPLE – THE FUND	AMOUNT[1]	BALANCE OF $50,000[2]
CONTRIBUTION FEES	Nil	Not applicable
PLUS Management costs	0.19%[3]	AND, for every $50,000 you have in the Fund, you will be charged $95 each year.
EQUALS Cost of Fund	0.19%[3]	If you had an investment of $50,000 during a year you would be charged fees for that year of $95.

1. The fees in Table 2 are inclusive of the net amount of GST.
2. Please note that this is just an example. In practice, the actual investment balance of an investment will vary daily and the actual fees and expenses charged are based on the value of the Fund, which also fluctuates daily.
3. This management cost amount consists of the Responsible Entity Fee and the Investment Management Fee.

4.2 ADDITIONAL EXPLANATION OF FEES & COSTS

(A) RESPONSIBLE ENTITY FEE

The Responsible Entity will charge a responsible entity fee for the operation of the Fund of 0.08% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

(B) INVESTMENT MANAGEMENT FEE

The Investment Manager will charge an investment management fee of 0.11% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund, payable monthly in arrears.

Certain expenses, comprising audit costs, third party costs associated with the acquisition and disposal of investments, outgoings in relation to the portfolio and the cost of preparation of the annual report for the Fund (**Allowable Expenses**) will be deducted from the management fee on a monthly basis. If the Allowable Expenses exceed the investment management fee, the Investment Manager must pay the difference to the Fund.

See Section 9.2 for further information.

(C) PERFORMANCE FEE

The Investment Manager will not charge a performance fee.

(D) STRUCTURING AND HANDLING FEE

The Constitution of the Fund provides that the Responsible Entity may charge a maximum aggregate Structuring Fee and Handling Fee of 1.50% (excluding GST) of the gross proceeds of an offer of Units, other than in connection with the Restructure.

As this PDS is issued in connection with the Restructure, there is no Structuring Fee or Handling Fee associated with the issue of Units under this PDS.

(E) EXPENSES RELATING TO THE MANAGEMENT OF THE FUND

The Responsible Entity is entitled to be reimbursed, out of the assets of the Fund, for all out-of-pocket expenses it properly incurs in the operation and administration of the Fund. This includes expenses such as audit and registry fees, custodian fees, valuation fees, taxes and bank fees, preparation of financial statements, accounting fees, all listing fees, tax returns, and compliance costs.

Other than in respect of the Allowable Expenses, the Investment Manager is entitled to be reimbursed, out of the assets of the Fund, for all out-of-pocket expenses it properly incurs in connection with the investment and management of the Fund. This includes expenses such as transaction fees, duties, taxes, commissions, and brokerage.

The effect of these expenses on your investment will be dependent on the costs and size of the Fund.

The Responsible Entity and the Investment Manager have agreed to bear the cost of these expenses, with the exception of transactional and operational costs that are incurred by the Fund when the Fund acquires and disposes of securities, indefinitely, subject to paragraph (f) below.

(F) WAIVER, DEFERRAL OR INCREASE IN FEES AND COSTS

Walsh & Company, in its capacity as Responsible Entity, and Walsh & Company Asset Management Pty Limited, in its capacity as Investment Manager, may waive or defer the payment of their fees and costs or accept payment of lower fees and costs in any amount and for any period they determine. They may also reinstate the payment of fees and costs up to the previous levels on a prospective basis only.

(G) INVESTOR ADMINISTRATION

If the Responsible Entity is requested by a Unitholder to perform a role outside its normal administration function as contemplated by the Constitution and this PDS, there may be a fee payable for such role. The fee will vary depending on the request by the Unitholder and will be disclosed to the Unitholder before any work is commenced.

(H) COST OF ACQUIRING UNITS - RESTRUCTURE

The Responsible Entity will not charge any up-front establishment or application fees on the issue of Units under this PDS. However, there is an implicit cost of acquiring Units, being the costs of the Restructure which, if the Restructure proceeds, will be deducted from the Fund. It is estimated that this amount will represent approximately 0.7% of the net asset value of AQF.

(I) BENEFITS TO THE RESPONSIBLE ENTITY

Except for the interest, fees and remuneration disclosed in this PDS, the Responsible Entity and its Directors and employees have not received, and are not entitled to, any benefit in relation to this PDS.

Subject to law, Directors may receive a salary as employees of the Responsible Entity or an affiliate, consulting fees or directors' fees, and may from time to time hold interests (directly or indirectly) in the Units in the Fund or shares in Walsh & Company's parent company, Evans Dixon Limited, and receive distributions and dividends in that capacity. Directors and other associates of the Responsible Entity may acquire Units on the same basis as other investors under this PDS, or on the ASX.

(J) GST AND TAX

Where a fee is disclosed as inclusive of the net effect of GST (that is, taking into account input tax credits or RITCs), the amount has been calculated on the basis that a RITC of the GST component is available. Whilst this entitlement is dependent on the individual circumstances, as a general proposition, it is anticipated that the Fund may be able to recover at least 55% of the GST component of fees paid for services, whether under the reduced credit acquisition provisions of the GST Act or otherwise. There are circumstances where the GST recovery rate could vary from that outlined above.

Taxation implications are addressed in Section 7.

5. FINANCIAL INFORMATION

5.1 INTRODUCTION

This section contains a summary of the financial information of the Fund which includes:

- the illustrative pro forma Statement of Financial Position incorporating certain post-balance date transactions of Australian Governance Masters Index Fund (AQF) and implementation of the Restructure as set out in Section 5.3. (see Section 5.2);
- Directors' material assumptions used in the preparation of the pro forma Statement of Financial Position (see Section 5.3); and
- significant accounting policies of the Company (see Section 5.4).

The Responsible Entity has considered the requirements of the Corporations Act and ASIC guidance, particularly Regulatory Guide 170 Prospective financial information (RG170), to determine if prospective financial information should be included in this PDS. The Responsible Entity does not believe it has a reasonable basis to reliably forecast future earnings for the purposes of these requirements and accordingly forecast financial information is not included in this PDS.

The pro forma Statement of Financial Position has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (AASBs), although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AASBs applicable to Interim Financial report prepared in accordance with the Corporations Act. All amounts disclosed in this Section are presented in Australian dollars.

The pro forma Statement of Financial Position has been reviewed by KPMG Transaction Services, in their role as Investigating Accountant.

The information in this section should be read in conjunction with the risk factors set out in Section 3 and the other information included in this PDS.

5.2 PRO FORMA STATEMENT OF FINANCIAL POSITION

The unaudited summary pro-forma statement of financial position set out below takes account of certain post-balance date transactions of AQF and implementation of the Restructure as set out in Section 5.3. This pro forma Statement of Financial Position is intended to be illustrative only and does not reflect the actual position of the Fund as at the date of this PDS nor at implementation of the Restructure.

The pro forma Statement of Financial Position has been prepared in accordance with the significant accounting policies set out in Section 5.4.

The pro forma Statement of Financial Position is presented in summary form only and does not comply with the presentation and disclosure requirements of Australian Accounting Standards.

TABLE 4: UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE FUND AT THE RESTRUCTURE IMPLEMENTATION DATE

$'000 (UNLESS OTHERWISE STATED)	PRO FORMA BALANCE SHEET POST-RESTRUCTURE
Cash and cash equivalents	367
Financial assets	43,000
Other assets	197
Total assets	43,565
Tax provisions	-
Other liabilities	-
Total liabilities	-
Net assets/ Equity	43,565
No. of shares/units (#)	24,837,349
NAV/unit	$1.75

Sensitivity of net assets to movement in the fair value of the investment portfolio

For every $100,000 increase (decrease) in the fair value of the investment portfolio, it is estimated net assets will increase (decrease) by $70,000.

5.3 PRO FORMA ADJUSTMENT NOTES

(a) The column headed “Pro forma balance sheet post-Restructure” reflects the position of the Fund as if the Fund had been established on the Restructure Implementation Date assuming the following:

- (i) AQF transferred substantially all assets (Transferred Assets) to the Responsible Entity as trustee for the Fund; and
- (ii) the Fund has implemented its investment strategy.

(b) The Transferred Assets reflect the pro-forma assets of the Fund received from AQF which are based on the auditor reviewed 31 December 2017 balance sheet of AQF, adjusted for the following:

- (i) payment of a special cash dividend of $531,000 to holders of Shares (paid on 12 January 2018) and the issue of 111,416 Shares at an issue price of $1.93 per Share under the AQF Dividend Reinvestment Plan (totalling $215,000);
- (ii) payment of a cash dividend of $878,000 to holders of Shares (paid on 29 March 2018) and the issue of 188,364 Shares at an issue price of $1.91 per Share under the AQF Dividend Reinvestment Plan (totalling $360,000);
- (iii) for the quarter ended 31 March 2018, receipt and accrual of $495,000 in investment income and accrual of $22,000 in management fees provided for ongoing investment and administration services;
- (iv) for the quarter ended 31 March 2018, in relation to investment portfolio transactions undertaken, a net decrease in cash on hand of $21,000, including the buy-back and cancellation of 319,714 Units;
- (v) for the quarter ended 31 March 2018, in respect of the investment portfolio, a net decrease in financial assets of $3,058,000 in relation to market movements, in addition to an estimated decrease of $917,000 in tax provisions;
- (vi) the realisation of $3,000,000 of investments and payment of tax liabilities including deferred taxes realised on transfer of the investment portfolio to the amount of $2,554,000;
- (vii) collection of assets and settlement of liabilities existing as at 31 December 2017;
- (viii) payment of transaction costs and fees associated with the Restructure to the amount of $200,000 in addition to the accrual of wind down, liquidator and run-off insurance costs of $100,000 associated with the settlement of residual net assets and wind-up of AQF; and
- (ix) payment to the Fund of a Distribution Amount of $43,565,000 in subscription for 24,837,349 Units at an issue price of $1.75.

(c) The unaudited summary pro forma Statement of Financial Position has been prepared applying the accounting policies set out in Section 5.4 below, which are consistent with Australian Accounting Standards.

Figures have been rounded to the nearest $100,000. Totals may not sum due to rounding.

5.4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent the significant accounting policies which have been adopted in the preparation of the pro forma Statements of Financial Position and which are expected to be adopted prospectively by the Fund.

(A) FINANCIAL INSTRUMENTS

Financial Instruments, incorporating financial assets and financial liabilities, are recognised on trade date, when the Fund becomes a party to the contractual provisions of the instrument.

I. FINANCIAL ASSETS

Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial assets not at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue, and are subsequently measured at amortised cost using the effective interest rate method.

II. FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial liabilities not at fair value through profit or loss are measured initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

III. DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire.

IV. FAIR VALUE

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price. If a quoted market price is not available on a recognised securities exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques. Valuation techniques used include recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models and other valuation techniques commonly used by market participants.

(B) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Distribution income is recognised when the right to receive a distribution has been established, gross of any non-recoverable related foreign withholding tax.

All revenue is stated net of the amount of goods and services tax (GST).

(C) UNIT CAPITAL

I. ORDINARY UNITS

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of ordinary units are recognised as a deduction from equity.

II. DISTRIBUTION TO UNITHOLDERS

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the board of the Responsible Entity on, or before, the end of the financial period, but not distributed at balance sheet date.

(D) TAXES

I. INCOME TAX

Under current Australian income tax laws, the Fund is not liable to pay income tax provided its distributable income for each income year is fully distributed to Unitholders, by way of cash or reinvestment.

II. GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(F) IMPAIRMENT OF ASSETS

The Directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the Statement of Profit or Loss and Other Comprehensive Income.

(F) DISTRIBUTIONS

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the board of the Responsible Entity on, or before, the end of the financial period, but not distributed at balance sheet date.

(G) EARNINGS PER UNIT

Basic earnings per unit is determined by dividing the profit or loss excluding any cost of servicing equity other than ordinary units by the weighted average number of ordinary units outstanding during the financial period. Diluted earnings per unit is the same as basic earnings per unit because there are no dilutive potential ordinary units.

(H) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Fund.

6. INVESTIGATING ACCOUNTANTS REPORT

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The Directors
Walsh & Company Investments Limited as
responsible entity for the
Australian Governance & Ethical Index Fund
Level 15, 100 Pacific Highway
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17 May 2018

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Walsh & Company Investments Limited (the "Responsible Entity") as the responsible entity for the Australian Governance & Ethical Index Fund (the "Fund") to prepare this report for inclusion in the Product Disclosure Statement to be dated 17 May 2018 ("PDS"), and to be issued by the Responsible Entity in respect of the initial public offering of units of the Fund on the Australian Securities Exchange (the "Offer").

Expressions defined in the PDS have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the PDS.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma financial information described below and disclosed in the PDS.

The pro forma financial information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma financial information of the Fund included in the PDS.

The pro forma financial information has been derived from the records of the Fund, after adjusting for the effects of pro forma adjustments described in section 5.3 of the PDS. The pro forma financial information consists of the pro forma Statement of Financial Position of the Fund on completion of the Offer as set out in section 5.2 of the PDS issued by the Responsible Entity (the "Pro Forma Financial Information"). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 5.1 and 5.3 of the PDS. Due to its nature, the Pro Forma Financial Information does not represent the company's actual or prospective financial position.

The Pro Forma Financial Information has been compiled by the Responsible Entity to illustrate the impact of the event(s) or transaction(s) on the Fund's financial position on completion of the Offer. As part of this process, information about the Fund's financial position has been extracted by the Responsible Entity from the Fund's records.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in sections 5.1 and 5.3 of the PDS.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of the Responsible Entity are responsible for the preparation of the Pro Forma Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the financial information and included in the Pro Forma Financial Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information, as set out in section 5.2 of the PDS, comprising the pro forma Statement of Financial Position of the Fund on completion of the Offer, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 5.3 of the PDS, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Fund's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

General advice warning

This report has been prepared, and included in the PDS, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 5.2 of the PDS, which describes the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the PDS in the form and context in which it is so included, but has not authorised the issue of the PDS. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the PDS.

Yours faithfully

Craig Mennie

Craig Mennie
Authorised Representative

KPMG Transaction Services
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Financial Services Guide
Dated 17 May 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Craig Mennie as an authorised representative of KPMG Transaction Services, authorised representative number 404257 **(Authorised Representative).**

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of fin ancial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Walsh & Company Investments Limited (**Responsible Entity**) as responsible entity for the Australian Governance & Ethical Index Fund (**Fund**) to provide general financial product advice in the form of a Report to be included in the Product Disclosure Statement (**PDS**) prepared by the Responsible Entity in relation to the initial public offering of units of the Fund on the Australian Securities Exchange (**Offer**).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Responsible Entity.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Responsible Entity, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Offer.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Responsible Entity. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Responsible Entity has agreed to pay KPMG Transaction Services $38,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Responsible Entity or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
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300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Craig Mennie
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

7. TAX INFORMATION

Outlined below is a general summary of the key Australian income tax consequences for Australian resident individuals, trusts, companies and complying superannuation entities who hold their Units in the Fund on capital account for Australian income tax purposes (**Investors**).

Investors should be aware that the actual Australian tax and stamp duty implications may differ from those summarised, depending on the individual circumstances of each Investor.

For example, complying superannuation funds with pension liabilities may be exempt from income tax on some or all of the income derived and thus some of the income tax commentary below may not be relevant to these investors. Similarly, investors subject to the Taxation of Financial Arrangements regime may be taxable upon different bases, depending upon which elections they have made.

Investors should seek advice from their own professional taxation adviser regarding the Australian tax consequences of selling or holding the Units in the Fund, having regard to their particular circumstances.

7.1 TAXATION TREATMENT OF THE FUND

Based upon the target investment profile, the Fund should be treated as a "flow through" entity for Australian income tax purposes. That is, the Fund should not be liable to pay income tax on net (i.e. taxable) income for an income year, provided that Unitholders are presently entitled to the distributable income of the Fund for the income year.

For income tax purposes, the Fund may be taxed like a company if it is a "public trading trust". Whilst the Fund is listed on the ASX it will be a public trading trust if it is a trading trust. However, provided that the Fund and the entities that the Fund controls (or has the ability to control, either directly or indirectly) do not carry on a "trading business", the Fund should not be treated as a public trading trust. It is not expected that the Fund will be a public trading trust.

A "managed investment trust" (**MIT**) for Australian income tax purposes is an Australian trust that meets certain requirements (including licensing requirements and "widely-held" requirements and not breach "closely-held" restrictions). It is expected that the Fund would qualify to be an MIT. If the Fund qualifies as an MIT, the Fund will make an irrevocable election (**MIT capital election**) to apply the capital gains tax (**CGT**) rules as the primary code for the taxation of gains and losses on the disposal of certain assets (being primarily shares, units and real property). In this regard, capital gains made by the Fund from the realisation of investments covered by the MIT capital election that have been held for 12 months or more should qualify for discount CGT treatment.

The Fund may also be able to make an irrevocable election to be treated as an Attributable Managed Investment Trust (**AMIT**). However, such an AMIT election should not result in a materially different outcome to that described below.

7.2 NET INCOME OF THE FUND

Investors that are presently entitled to a share of the distributable income of the Fund and not under a legal disability (e.g. minors) should be required to include in their assessable income their proportionate share of the Fund's net income for each relevant income year. The following provides a broad overview of how the net income of the Fund might be calculated.

The net income of the Fund may include:

- distributions paid to the Fund or credited to the account of the Fund;
- interest income on term deposits and cash equivalent investments held by the Fund; and
- net capital gains (discounted and undiscounted)

The net income of the Fund is reduced by allowable deductions including income tax losses carried forward.

7.3 DISTRIBUTIONS FROM THE FUND

Investors not under a legal disability (e.g. minors) will be assessed in the same income year in which the Fund derives its income. Investors will be required to include their proportionate share of the Fund's net income in their assessable income for each relevant income year.

Each component of the Fund's net income should retain its tax character in the hands of Investors for Australian income tax purposes. Distributions may include dividends, net capital gains and other income.

If a net capital gain included in the taxable income of the Fund is a discount capital gain, Investors should be required to gross up the amount of the capital gains included in their assessable income. Investors may apply any available capital losses against the gross amount and any remaining discount capital gains may be eligible for the CGT discount (see the discussion on the disposal of the Fund's Units in Section 7.4 below).

Where an Investor receives a distribution of franked dividends from the Fund, the Investor should be required to include both the amount of the dividend and the attached franking credits in their assessable income in the year in which the Investor becomes presently entitled to the distribution. Subject to the '45-day-rule' (refer below), the Investor should be entitled to offset the amount of the franking credit against any income tax that may otherwise be payable by the Investor. Certain individuals, tax exempt entities and superannuation fund Investors may be entitled to a tax refund to the extent that the tax offset exceeds their income tax liability for the year.

Broadly, to satisfy the '45-day-rule', an Investor must hold their units in the Fund "at risk" for a period of at least 45 days (excluding the date of acquisition and disposal), subject to certain exceptions. Investors may wish to seek professional tax advice regarding the application of the '45-day-rule' to their particular circumstances. It should be noted that individual Investors should not be required to satisfy the '45-day-rule' if they receive less than $5,000 of franking credits from all investments in an income year.

The Fund may make cash distributions to Investors in excess of the net income of the Fund. Such distributions may arise as a result of:

- "Tax deferred" distributions (e.g. returns of capital or income sheltered by tax losses); and
- "CGT concession" amounts (i.e. the discount component of net capital gains derived by the Fund).

Tax deferred distributions should not be immediately assessable to Investors but, in broad terms, will reduce the CGT cost base (and reduced cost base) of an Investor's units in the Fund (but not below nil). If the cost base of Units is reduced to nil, Investors will make a capital gain on any further tax deferred distributions received. Any such capital gain may be eligible for discount CGT treatment, depending on whether an Investor has held the Units in the Fund for at least 12 months.

Investors will be taxed on the income distribution even if the amounts are reinvested under the DRP.

Investors will be provided with an annual statement setting out the details of assessable income arising from their investment in the Fund.

7.4 SALE OR REDEMPTION OF UNITS

The capital gains tax cost base of Investors in the Units received should be equal to the amount paid for the Units plus any incidental costs incurred by the Investor. A subsequent sale or redemption of units will constitute a disposal for CGT purposes, and may result in a capital gain or capital loss for an Investor.

A capital gain will arise to the Investor where the capital proceeds received from the sale or redemption of the Units are greater than the cost base for CGT purposes. A capital loss will arise if the capital proceeds on sale or redemption are less than the reduced cost base of the Units for CGT purposes.

Discount CGT treatment may be available to reduce the capital gain realised by the Investor on the sale or redemption of the Units. If the Units had been held for at least 12 months, the Investor may, after offsetting capital losses of the Investor, be able to discount the resulting capital gain by one half in the case of an individual or trust, or by one third in the case of a complying superannuation entity. Companies are not entitled to discount CGT treatment.

Investors who dispose of their Units within 12 months of acquiring them or dispose of them under an agreement entered into within 12 months of acquiring the Units will not be eligible for discount CGT treatment.

Integrity rules exist which can prevent the CGT discount being applied to capital gains arising from the disposal of Units where a majority of the underlying CGT assets of the Fund, by value, have not been held for at least 12 months. These integrity rules should not apply if:

- an Investor (together with its associates) beneficially owns less than 10% of the Units in the Fund just prior to the disposal; or
- the Fund has at least 300 Investors and the ownership of the Fund is not concentrated (ownership will be concentrated if 20 or fewer individuals own, directly or indirectly, at least 75% of the income, capital or voting interests in the Fund).

Any capital gain or capital loss realised by an Investor in respect of the Units should be aggregated with any other capital gains or capital losses that the Investor may have in that year, less any available net capital losses from prior income years, discounts or reductions, to determine the Investor's net capital gain or net capital loss for that year.

A net capital gain is included in the Investor's assessable income. A net capital loss can only be offset against capital gains. Net capital losses may be carried forward and offset against future taxable capital gains.

7.5 WITHHOLDING OF TAX FROM DISTRIBUTIONS

The Responsible Entity of the Fund is required to deduct Pay-As-You-Go (PAYG) withholding tax from distributions paid to Investors at their highest marginal rate plus applicable levies if the Investor has not quoted either a Tax File Number or Australian Business Number, and none of the relevant exemptions apply.

7.6 GST

The acquisition and disposal of Units in the Fund by Investors should not be subject to GST. Similarly, cash distributions from the Fund to Investors should not be subject to GST.

The availability of GST recovery will generally depend upon the extent to which goods, services and other things acquired by the Fund relate to certain activities not subject to GST (referred to as "input taxed supplies). The Fund may not be able to recover any GST arising on its expenditure in full.

Even where the Fund is denied from recovering GST under the general rules, as a concession it may be entitled to Reduced Input Tax Credits or "RITCs" (either 55% or 75% of the otherwise unrecoverable GST) in respect of certain categories of expenditure.

7.7 STAMP DUTY

No Australian stamp duty should be payable by an investor on acquiring Units and no Australian stamp duty should be payable in respect of future acquisitions or disposals of the Units, provide that the Units remain quoted and the Fund is listed on the ASX.

8. KEY PEOPLE

8.1 ROLE OF THE RESPONSIBLE ENTITY

The Responsible Entity is responsible for the operation of the Fund. The Responsible Entity is subject to numerous duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unitholders.

In accordance with the Corporations Act, Walsh & Company has established a compliance committee with a majority of external representation. The role of the compliance committee includes monitoring the Responsible Entity's compliance with the compliance plan.

The Responsible Entity is responsible for the overall management of the Fund, including the determination of its strategic direction with the aim of increasing Unitholder wealth through the performance of the Fund.

The role of the Responsible Entity includes:

a) monitoring the operations, financial position and performance of the Fund;

b) identifying the principal risks faced by the Fund and monitoring the effectiveness of systems designed to provide reasonable assurance that these risks are being managed;

c) taking steps to ensure the Fund's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Unitholders; and

d) taking steps to ensure Unitholders and the market are fully informed of all material developments.

8.2 BACKGROUND OF THE RESPONSIBLE ENTITY

Walsh & Company holds Australian Financial Services Licence Number 410 433.

Walsh & Company is a member of the Evans Dixon Group. The Evans Dixon Group is a significant Australian investment and wealth management business providing services to more than 8,800 clients with funds under advice, execution, and administration of over $18 billion.

8.3 DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of the Responsible Entity are:

Alex Maclachlan

BA (Cornell),
MBA (Wharton)

Director

Chief Executive Officer, Walsh & Company Asset Management

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company.

From funds under management of under $100 million at the time of his start, Alex has grown Walsh & Company Group to over $5 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than $100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

Tristan O'Connell

BComm (ANU), CPA

Director

Group Chief Financial Officer and Company Secretary, Evans Dixon Limited

As Chief Financial Officer and Company Secretary at Evans Dixon, Tristan oversees the finance and accounting function of the firm's group of companies.

He began his association with Dixon Advisory in 2005, joining to spearhead its financial management and growth. Tristan brought to Dixon Advisory more than a decade in corporate financial and management roles within the wholesale markets industry. This included a long tenure at Tullet Prebon, one of the world's leading inter-dealer broker firms that specialise in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan was Financial Controller of the Australian operation and held senior finance roles in their Singapore and London offices.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

Warwick Keneally

BEc, BComm (ANU), CA

Director

Head of Finance, Walsh & Company Asset Management

Prior to joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management. Among his former roles, Warwick worked on the initial stages of the HIH insolvency as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Chartered Accountant.

8.4 THE INVESTMENT MANAGER – ROLE AND BACKGROUND

Walsh & Company Asset Management Pty Limited is the Investment Manager of the Fund.

The Investment Manager has a management agreement with the Responsible Entity. The Investment Manager is responsible for investment decisions for the Fund, trade execution and portfolio management.

The Investment Manager has in place a number of arrangements to access necessary skills and expertise. The Portfolio Manager will provide the Investment Manager with expert advice and recommendations in relation to its investment portfolio including the investment strategy, evaluation of investment opportunities and potential disposals, as well as portfolio management.

The Investment Manager is a member of the Evans Dixon Group.

See Section 9.2 for further information.

8.5 DIRECTORS OF THE INVESTMENT MANAGER

The directors of the Investment Manager are:

Alex Maclachlan BA (Cornell), MBA (Wharton) | Director

See Section 8.3 for further information.

Jaclyn Strelow

BJus, LLB (Hons) (QUT), MBA (Melb)

Director

Head of Capital Markets, Walsh & Company Asset Management

Jaclyn joined Walsh & Company in 2016 to lead corporate finance and capital raising transactions. Jaclyn has a corporate law background and brings substantial experience specialising in debt and equity markets, mergers and acquisitions and corporate development in Australia and the UK, working in listed company and professional services environments.

Prior to joining Walsh & Company, Jaclyn was legal counsel for Aurizon, managing legal risk and strategy across the business development, mergers and acquisitions, strategy, governance and treasury functions. Prior to Aurizon, Jaclyn worked as legal counsel in capital markets and professional services with Instinet and PwC Legal in London and Mallesons Stephen Jaques in Australia.

Jaclyn has a Bachelor of Justice and Bachelor of Laws with honours from the Queensland University of Technology and a Master of Business Administration from the University of Melbourne.

Tom Kline

BCom, LLB. (Hons) (ANU)

Director

Executive Director, New Energy Solar

Tom was the inaugural CEO of ASX-listed renewable energy operator New Energy Solar after the launch of the business in December 2015. Tom relocated to the US in April 2017 to oversee the operation of the US portfolio and oversee continued investment in North American Projects.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management team at Walsh & Company and Dixon Advisory since 2009. Before Dixon Advisory, Tom worked at UBS AG in Sydney. During his time at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions. Tom advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban. Tom also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Tom has a Bachelor of Commerce and Bachelor of Laws (Honours) from the Australian National University.

8.6 PORTFOLIO MANAGER AND KEY PERSONNEL

William Hart

BComm (Melb), MAppFin (Macq)

Portfolio Manager

William is currently a portfolio manager at Walsh & Company Asset Management and is primarily responsible for the investment process of AQF including company analysis and portfolio management.

Before joining Walsh & Company, William was an Associate Director with parent group Evans Dixon, responsible for researching, structuring and executing capital market transactions across the group. Prior to this, William was Research Manager for Dixon Advisory, where he supported the Investment Committee with in-depth company and investment market research.

William holds a Bachelor of Commerce majoring in Finance and Accounting from the University of Melbourne in addition to a Master of Applied Finance from Macquarie University.

Matthew Baillie

BComm, BEng (UNSW), CFA

Senior Performance Analyst

Matthew has extensive experience in the global asset management and financial services sectors, and his analytical skills, understanding of portfolio management and financial markets provide valuable input into the decision-making process.

Matthew's career collectively spans almost two decades, including 10 years at Colonial First State Global Asset Management and five years in the global resources investment team as an analyst/equity dealer.

Matthew holds a Bachelor of Engineering and a Bachelor of Commerce from the University of Sydney. He is also a CFA charter holder.

8.7 ADVISORY BOARD – ROLE AND BACKGROUND

The Investment Manager has established an Advisory Board to provide it with advice and recommendations in relation to portfolio and investment strategy, evaluation of investment opportunities and potential disposals, fund administration and other commercial matters for the Fund.

8.8 MEMBERS OF THE ADVISORY BOARD

Jeffrey Whalan, AO

BA (UNSW), FAICD, FAIM

Jeff Whalan AO is Managing Director of the Jeff Whalan Learning Group a specialist human resources company. Jeff is also the Non-Executive Chairman of ASX-listed renewable energy company, New Energy Solar Limited (ASX: NEW) and he was a senior executive officer in the Australian Public Service from 1990 to 2008.

Jeff was appointed an Officer in the Order of Australia in 2008 for his work as CEO of Centrelink. Among other things, the award recognised his achievements in 'the development of corporate accountability processes'.

Jeff is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. As CEO of Centrelink, Jeff was responsible for the largest agency of the Australian Public Service, with $70 billion of government outlays and 27,000 staff. Prior to joining Centrelink, he was CEO of Medicare Australia.

Ian Watt, AC

BComm (Hons), MEc, PhD (Melb)

Dr Ian Watt AC has worked for nearly 20 years at senior levels of the Australian public service. His most recent appointment was as Secretary of the Department of the Prime Minister and Cabinet and head of the Australian Public Service, from 2011 to 2014.

Prior to that, he was Secretary of the Departments of Defence, Finance, and Communications, Information Technology and the Arts. Before that, Ian was Deputy Secretary of the Department of the Prime Minister and Cabinet.

Ian is currently the Chair of the National Innovation and Science Agenda Implementation Committee, the International Centre for Democratic Partnerships, BAE Systems Australia Pty Ltd and the Smart Infrastructure Facility of the University of Wollongong.

Ian is on the boards of Citigroup Australia, CEDA, the Grattan Institute (University of Melbourne) and O'Connell Street Associates Pty Ltd, and is a member of the Australian National Audit Office Audit Committee.

Josephine Tan

BComm, BS (Melb)

Josephine is currently founding member, Chief Operating Officer and Chief Financial Officer of Sandown Bay Resource Capital, a London-based mining private equity fund focused on turnaround investments in the junior mining sector.

She is responsible for designing the investment process, governance structure, operation and compliance framework of the fund, as well as overseeing risk management, financial reporting and regulatory compliance.

Prior to her role at Sandown Bay, Josephine was a senior investment banker for UBS AG in both Melbourne and London. During her 10 years at UBS, she worked across various teams and industry sectors, including as part of the Australian Resources Group, the European Energy Group and the Global Industrials Group. Prior to this, she commenced her career at the Boston Consulting Group in Melbourne.

Josephine holds a Bachelor of Commerce, majoring in Accounting and Finance, and a Bachelor of Science majoring in Computer Science and Statistics from the University of Melbourne.

Nerida Cole

BComm (UNE), ADFS, CFP, GAICD

Nerida is currently Managing Director, Head of Advice at Dixon Advisory, and is a highly respected expert on superannuation, including self-managed super funds and retirement planning strategies.

Nerida is an Executive Director on the Board of Dixon Advisory Group, a member of the Investment Committee and Chair of the Compliance Committee.

Prior to her last 12 years at Dixon Advisory, Nerida worked for NAB Financial Planning and ANZ Bank, as well as five years of government experience.

A Graduate Member of the Australian Institute of Company Directors (GAICD) and Certified Financial Planner (CFP), Nerida is a member of the Financial Services Council Advice Board Committee. She has a Bachelor of Commerce (UNE) and an Advanced Diploma of Financial Services (Financial Planning).

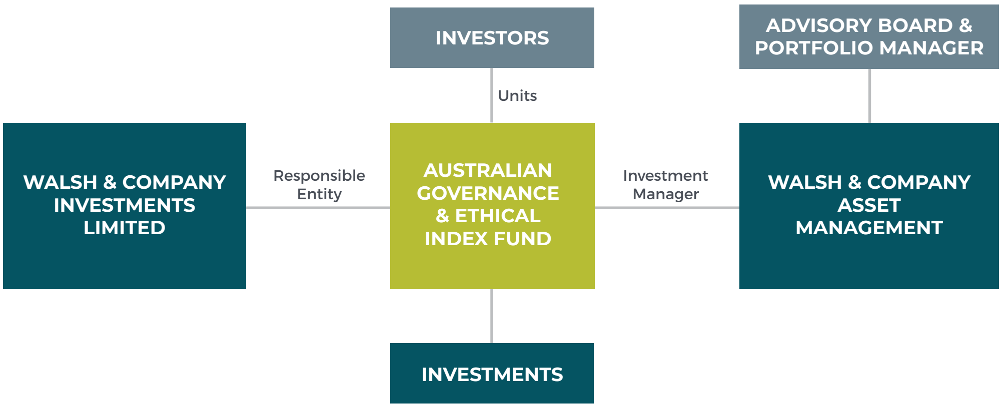
9. ADDITIONAL INFORMATION

9.1 FUND STRUCTURE AND MANAGEMENT ARRANGEMENTS

The Fund is registered with ASIC as a managed investment scheme, and an application will be made for it to be listed on the ASX as an investment entity. Unitholders will hold Units and receive the benefit of income and capital gains generated by the Fund's underlying investments.

Figure 1 below sets out the ownership structure and management arrangements for the Fund.

FIGURE 1: FUND STRUCTURE



9.2 INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity has appointed the Investment Manager on an exclusive basis to invest and manage the portfolio of the Fund in accordance with the terms of the proposed investment management agreement (**Investment Management Agreement**). The Investment Manager will have day-to-day portfolio oversight, will be responsible for trade execution and will provide risk management for the term of the Investment Management Agreement.

The Investment Management Agreement may be amended by written agreement between the Responsible Entity and the Investment Manager, provided that all requirements of the ASX are complied with while the Fund is listed.

POWERS OF THE INVESTMENT MANAGER

Subject to the ASX Listing Rules, the Corporations Act and any other laws applicable to the Fund, the Investment Manager must manage the portfolio of the Fund and the investments on behalf of the Fund in a manner consistent with the investment strategy.

Subject to the above, compliance with all applicable laws and the investment strategy agreed with the Responsible Entity from time to time, the Investment Manager has the discretion to manage the Fund and to do all things considered necessary or desirable in relation to the Fund, including:

a. the investigation of, negotiation for, acquisition of, or disposal of investments and the provision of its services to the Responsible Entity;

b. from time to time, to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments in lieu of those investments;

c. if any investments are redeemed, or the capital paid on it is wholly or partly repaid (whether by reduction of capital or otherwise) by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies in the purchase of investments to be added to the Fund; and

d. to retain or sell any security or other property received by the Fund by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments.

VALUATION

The Investment Manager must arrange for the calculation of the value of the portfolio at least monthly or at such more frequent times as may be agreed between the Investment Manager and the Responsible Entity.

MANAGEMENT FEE

In return for the performance of its duties as Investment Manager of the Fund, the Investment Manager will be entitled to be paid, and the Responsible Entity must pay to the Investment Manager out of the assets of the Fund, a management fee equivalent to 0.11% per annum (inclusive of the net effect of GST) of the gross value of the Fund, payable monthly in arrears. Certain expenses, comprising audit costs, third party costs associated with the acquisition and disposal of investments, outgoings in relation to the portfolio and the cost of preparation of the annual report for the Fund (**Allowable Expenses**) will be deducted from the management fee on a monthly basis. If the Allowable Expenses exceed the management fee, the Investment Manager must pay the difference to the Fund.

PERFORMANCE FEE

The Investment Manager is not entitled to receive a performance fee.

EXPENSES

Other than in respect of the Allowable Expenses, the Responsible Entity is liable for and must pay (or if paid by the Investment Manager, reimburse the Investment Manager) all fees, costs and expenses when properly incurred in connection with the investment and management of the portfolio, the acquisition, disposal, or maintenance of any investment, or performance of the Investment Manager's obligations under the Investment Management Agreement, excluding transactional and operational costs.

TERM

The initial term of the Investment Management Agreement is five years, commencing on the Implementation Date. Upon the expiry of the initial term, the Investment Management Agreement will automatically renew for a further five years unless terminated earlier in accordance with its terms.

TERMINATION

The Investment Manager may terminate the Investment Management Agreement at any time by giving the Responsible Entity at least three months' written notice. The Responsible Entity must remove the Investment Manager and terminate the Investment Management Agreement after the expiration of the Initial Term (on three months written notice) if directed by ordinary resolution passed in general meeting of Unitholders.

The Responsible Entity may immediately terminate the Investment Management Agreement on the occurrence of any of the following:

a. an insolvency event occurs with respect to the Investment Manager;

b. the Investment Manager is in default or breaches its obligations under the Investment Management Agreement in a material respect and such default or breach cannot be remedied, or if it can be remedied, the Investment Manager does not remedy that breach within 30 days after the Responsible Entity has notified the Investment Manager in writing to remedy the breach (unless the default or breach occurs as a result the Manager acting in accordance with the Responsible Entity's directions);

c. the Investment Manager persistently fails to ensure that investments made on behalf of the Fund are consistent with the investment strategy, as amended from time to time as agreed by the Investment Manager and the Responsible Entity; or

d. the licence under which the Investment Manager performs its obligations, either held by the Investment Manager or a third party who has appointed the Investment Manager to act as authorised representative) is suspended for a period of not less than one month or cancelled at any time.

DIRECTIONS

The Responsible Entity may, in certain cases, give directions and instructions to the Investment Manager. The directions must not be inconsistent with the Investment Management Agreement, and the Responsible Entity is responsible for the consequences of its directions.

AMENDMENT TO INVESTMENT STRATEGY

The Investment Manager may seek approval from the Responsible Entity to amend the investment strategy for the Fund to permit the making of an investment that is otherwise inconsistent with the investment strategy. If the amendment is material, then the Responsible Entity must provide Unitholders with at least 30 days' notice of the proposed change by announcing it on the ASX.

In seeking such approval, the Investment Manager must give the Responsible Entity all information required by the Responsible Entity for assessing whether the proposed investment is in the best interests of the Unitholders. The Responsible Entity has full discretion to withhold its approval to a requested amendment to the investment strategy.

RESPONSIBLE ENTITY INDEMNITY

The Responsible Entity must indemnify the Investment Manager against any losses or liabilities reasonably incurred by the Investment Manager arising out of, or in connection with, and any costs, charges, and expenses (including legal expenses on a solicitor/own client basis) incurred in connection with the Investment Manager or any of its officers, employees, or agents acting under the Investment Management Agreement or on account of any bona fide investment decision made by the Investment Manager or its officers or agents except insofar as any loss, liability, cost, charge, or expense is caused by the negligence, default, fraud, or dishonesty of the Investment Manager or its officers or employees. This obligation continues after the termination of the Investment Management Agreement.

INVESTMENT MANAGER INDEMNITY

The Investment Manager must indemnify the Responsible Entity against any losses or liabilities reasonably incurred by the Responsible Entity arising out of, or in connection with, and any costs, charges, and expenses incurred in connection with any negligence, default, fraud, or dishonesty of the Investment Manager or its officers or supervised agents. This obligation continues after the termination of the Investment Management Agreement.

9.3 CONSTITUTION

The Fund has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

Walsh & Company is the Responsible Entity of the Fund. The respective rights and obligations of the Responsible Entity and the Unitholders are determined by the Constitution and the Corporations Act, together with any exemptions and declarations issued by ASIC and the general law relating to trusts.

The Constitution is a lengthy and complex document. The following is a brief outline of the Constitution. Because the outline is brief, investors should confirm all information by reference to the Constitution itself, which is available free of charge from the Responsible Entity. If you are unsure about anything, you should seek advice from a legal or financial advisor and examine a copy of the Constitution.

The Constitution deals with a wide range of matters, including:

- the nature of a Unitholder's interest in the Fund;
- the term of the Fund and Unitholders' entitlements on winding up;
- distributions;
- further issues of Units;
- transferability of Units;

- powers of the Responsible Entity;
- Unitholders' meetings;
- Unitholders' liability;
- the Responsible Entity's right to be indemnified out of the Fund, and its fees (see Section 4);
- how the Constitution may be amended; and
- compliance with the ASX Listing Rules.

(A) UNITS

The beneficial interest in the Fund is divided into Units. A Unit confers an interest in the Fund's investments as a whole – it does not confer an interest in any particular asset. The Responsible Entity can issue Units in accordance with the Constitution. The Constitution contains provisions regarding the Responsible Entity's ability to issue different classes of units.

The Constitution contains provision for calculating the Application Price of Units for this and any future issues. The Constitution also provides for the Responsible Entity to determine a different Application Price in relation to some Units, a class of Units or all Units to the extent it is permitted to do so by applicable ASIC relief.

When the Responsible Entity issues Units, it will exercise any discretion it has under the Constitution in relation to Unit pricing in accordance with its Unit pricing discretions documentation. You can obtain a copy of any Unit pricing discretions documentation at any time on request, at no charge, by contacting us on 1300 454 801.

(B) INCOME AND DISTRIBUTIONS

The Responsible Entity will determine the distributable income of the Fund for each tax year. Currently, the distributable income will be the net income of the Fund, unless the Responsible Entity considers that another amount is appropriate for the distribution for that tax year. The Responsible Entity may also distribute capital of the Fund from time to time. Unitholders on the register on the record date for a distribution are entitled to a share in the Fund's income based on the number of Units held.

A distribution may be paid in cash or other assets. The Responsible Entity may deduct from distributions any tax or other amount that it is required by law or authorised, to deduct, or any amount owing to it by a Unitholder.

If the Responsible Entity opts into the AMIT regime, distributions may be treated differently. See Section 7.

(C) LIABILITY OF UNITHOLDERS

As the Units will be fully paid, a Unitholder's liability is limited to its investment in the Fund, however the effectiveness of such provisions has not been confirmed by superior courts.

(D) RESPONSIBLE ENTITY'S POWERS AND DUTIES

The Responsible Entity holds the Fund's assets on trust or may have assets held by a custodian. The Responsible Entity may manage the assets as if it were the absolute and beneficial owner of them, subject only to the terms of the Constitution and its duties and obligations to Unitholders.

Examples of the Responsible Entity's powers include acquiring or disposing of any holding, borrowing or raising money, encumbering any asset, incurring any liability, giving any indemnity, providing any guarantee, applying for listing of the Fund, entering into derivative and currency swap arrangements, and entering into underwriting arrangements.

The Responsible Entity may appoint delegates or agents to perform any act or to exercise any of its powers as well as to assist with its duties and functions.

9.4 KEY GOVERNANCE MATTERS

9.4.1 GOVERNANCE OF THE FUND

The board of the Responsible Entity monitors the business affairs of the Fund on behalf of Unitholders and focus on accountability, risk management, ethical conduct, and conflicts of interest. The Responsible Entity has adopted systems of control and accountability for the Fund as the basis for the administration of governance.

The board of the Responsible Entity is committed to administering its policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Fund's needs.

9.4.2 CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

The Board of the Responsible Entity will consider on an ongoing basis how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Responsible Entity in light of changing circumstances and economic conditions.

9.4.3 CONTINUOUS DISCLOSURE

The Fund will be a disclosing entity for the purposes of the Corporations Act and will be required to comply with the continuous disclosure regime under the Corporations Act. The Responsible Entity has established internal systems and procedures to ensure that timely disclosure is made to investors.

As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations.

We can also provide you with a copy of:

- the annual financial report most recently lodged with ASIC for the Fund (if any);
- any half-year financial statement lodged with ASIC for the Fund after the lodgement of that annual financial report and before the date of this PDS (if any); and
- any continuous disclosure notices given for the Fund after the lodgement of the annual financial statement and before the date of this PDS (if any). We will provide periodic reports to Unitholders to meet the Fund's financial reporting obligations and place announcements on the Fund's website as appropriate.

Copies of documents lodged at ASIC in relation to the Fund may be obtained from or inspected at an office of ASIC. The Responsible Entity will also provide a copy of any of the above free of charge on request. To obtain a copy please call 1300 454 801 or download a copy from www.governanceandethicalfund.com.au.

9.5 RELATED PARTY TRANSACTIONS

The Responsible Entity may transact with related parties. All transactions, including those with related parties, are conducted on arm's length and commercial terms. There are a number of related party transactions described in this PDS in relation to the Fund, such as arrangements with the Investment Manager, and Australian Fund Accounting Services Pty Limited as provider of fund accounting services.

The Responsible Entity may also seek professional services for the Fund from qualified service providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund. Examples of areas in which related parties may provide services to the Fund are:

- accounting, taxation, legal, and compliance;
- financial structuring and underwriting;
- product distribution; and
- corporate advice.

Related parties of Walsh & Company include:

- Australian Fund Accounting Services Pty Limited;
- the Investment Manager.

9.6 COMPLAINTS

The Responsible Entity seeks to resolve any potential and actual complaints over the management of the Fund to the satisfaction of Unitholders.

You may lodge any complaints by writing to the Responsible Entity at the address shown in the directory in Section 11 of this PDS. Complaints will be acknowledged immediately or as soon as practicable and responded to no more than 45 days after receipt by us.

If you are unsatisfied with the outcome, you can contact the Credit and Investments Ombudsman – which is independent from us, on 1800 138 422.

9.7 INSTRUCTIONS

Subject to the requirements outlined, or as stipulated by us, you, or persons authorised by you, can provide instructions (quoting your investor number) in writing, by facsimile, or by any other method allowed by us from time to time. By investing in the Fund, you authorise us to accept instructions provided by these methods.

9.8 INTERESTED DEALINGS

Subject to the Corporations Act, the Responsible Entity or associates of the Responsible Entity may:

a) hold Units in the Fund;

b) deal with itself (as Responsible Entity of the Fund or in another capacity), an associate, or with any Unitholder;

c) be interested in any contract or transaction with itself (as Responsible Entity of the Fund or in another capacity), an associate, or with any Unitholder;

d) act in the same or a similar capacity in relation to any other managed investment scheme; and

e) retain for its own benefit any profits or benefits derived from any such contract or transaction.

9.9 PRIVACY

Investors in the Fund acknowledge and agree that:

a) You are required to provide the Responsible Entity with certain personal information to:

- i. facilitate the assessment of an investor;
- ii. enable the Responsible Entity to assess the needs of investors and provide appropriate facilities and services for investors; and
- iii. carry out appropriate administration.

b) The Responsible Entity may be required to disclose this information to:

- i. third parties who carry out functions on behalf of the Fund on a confidential basis;
- ii. third parties if that disclosure is required by law; and
- iii. related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Fund.

We are unlikely to disclose personal information to overseas recipients. In some circumstances, we may need to obtain your consent before this occurs. Our policy is to only use cloud or other types of networked or electronic storage where infrastructure is physically located in Australia. We have carried out our due diligence regarding our cloud service providers and have entered into suitable contractual arrangements with them.

Under the *Privacy Act 1988* (as amended), investors may request access to their personal information held by (or on behalf of) the Fund. Investors may request access to personal information by telephoning or writing to Walsh & Company.

We collect personal information from you in order to administer your investment. If you think that our records are wrong or out of date – particularly your address and email address – please contact us and we will correct this information immediately. You can always access the personal information that we hold about you.

You may choose not to provide certain personal information. However, if you choose not to provide information requested for the purposes of fulfilling your request for a specific product or service, we may not be able to provide you with the requested product or service, or the product or service which we do provide might not fully meet your needs.

A copy of the privacy policy of the Responsible Entity is available to investors on the website and on request. The privacy policy includes the contact details of the Privacy Officer in the event that an investor has a complaint about the handling, use or disclosure of personal information.

9.10 ANTI-MONEY LAUNDERING/COUNTER-TERRORISM FINANCING ACT 2006

The Responsible Entity may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from investors. The Responsible Entity reserves the right to reject any investor where there is a failure to provide the required identification information upon request.

9.11 FOREIGN ACCOUNT TAX COMPLIANCE ACT

The Foreign Account Tax Compliance Act (**FATCA**) is US tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and other US tax residents through use of non-US investments or accounts.

Australia signed an intergovernmental agreement (**IGA**) with the US to implement FATCA in Australia. The FATCA provisions are in Division 396 in Schedule 1 of the *Taxation Administration Act 1953* (Cth), which is administered by the Australian Taxation Office (**ATO**). Under the IGA and FATCA provisions, Reporting Australian Financial Institutions have due diligence and reporting obligations.

The Responsible Entity, on behalf of the Fund, is a Reporting Australian Financial Institution under the IGA. The Responsible Entity intends to fully comply with the Fund's FATCA obligations as determined by the FATCA provisions, the IGA, and any associated guidance from the ATO. These obligations include (but are not limited to) the Responsible Entity identifying and documenting the status of an investor in the Fund as a US person, US controlled entity, or a non-complying FATCA financial institution. The Responsible Entity, on behalf of the Fund, is then obligated by law to report certain information on applicable investors to the ATO which will in turn report this information to the US Internal Revenue Service.

In order for the Fund to comply with its FATCA obligations, the Responsible Entity is obligated to request certain information from investors. Certain information collected will be reported to the ATO which will in turn report this information to the US Internal Revenue Service.

The Fund and the Responsible Entity are not liable for any loss an investor may suffer as a result of the Fund's compliance with FATCA.

The Responsible Entity will also provide information about the Fund's FATCA status when required so that FATCA withholding is not applied to payments received on its investments (for example dividends paid on US securities). If the Responsible Entity (on behalf of the Fund) suffers any amount of FATCA withholding and is unable to obtain a refund for such withholding, the Responsible Entity (on behalf of the Fund) will not be required to compensate investors for any such withholding, and the effects of these amounts will be reflected in the returns of the Fund.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of FATCA to your particular circumstances.

9.12 COMMON REPORTING STANDARD

The Common Reporting Standard (**CRS**) is a global reporting standard for the Automatic Exchange of Information (**AEOI**) developed by the Organisation for Economic Co-operation and Development (**OECD**). Australia has signed the multilateral convention and legislation to implement CRS in Australia, which has been enacted through Division 396 in Schedule 1 of the *Taxation Administration Act 1953* (Cth), to be administered by the ATO. CRS commenced for Australian financial institutions on 1 July 2017, with the first reporting of information in 2018. Under CRS, Reporting Financial Institutions have due diligence and reporting obligations.

The Fund will be an Australian Financial Institution under CRS. The Responsible Entity, on behalf of the Fund, intends to fully comply with the CRS obligations and any associated guidance from the ATO. These obligations include (but are not limited to) the Responsible Entity documenting the status of investors that are non-residents of Australia and certain entities controlled by non-residents of Australia. The Responsible Entity is then obligated by law to report certain information on applicable investors to the ATO which may in turn report this information to the tax authority in the applicable jurisdictions.

In order to comply with their CRS obligations, the Responsible Entity is obligated to request certain information from investors. Certain information collected will be reported to the ATO which may in turn report this information to the tax authority in the applicable jurisdictions. Penalties can apply if investors fail to provide the information or provide false information.

Neither the Fund nor the Responsible Entity are liable for any loss an investor may suffer as a result of their compliance with CRS.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of CRS on your particular circumstances.

9.13 CONSENTS

Each of the following parties (each a **Consenting Party**) has given their written consent to the inclusion of the statements made by them, or based on statements made by them, in the form and context in which they are included, and have not withdrawn that consent at the date of this PDS:

- KPMG Financial Advisory Services (Australia) Pty Ltd in relation to Section 5, Financial Information, and section 6, Investigating Accountant's Report;
- the Investment Manager, in relation to statements about its role and intentions; and
- AQF, in relation to statements of its intended actions in the Restructure.

No Consenting Party makes any representation or warranty as to the completeness or appropriateness of any information contained in this PDS, or takes any responsibility for statements in the PDS, other than as noted above. None of the Consenting Parties has authorised or caused the issue of this PDS.

References are also made in this PDS to entities that have certain dealings with the Responsible Entity in respect of the Fund. These entities have been referred to for information purposes only. They did not authorise or cause the issue of this PDS and have had no involvement in the preparation of any part of this PDS. They include:

- The Trust Company (Australia) Limited;
- KPMG Financial Advisory Services (Australia) Pty Limited;
- KPMG as Auditor; and
- Boardroom Pty Limited.

9.14 ASX WAIVERS

The Responsible Entity may apply to the ASX for a waiver under ASX Listing Rule 6.24 (Compliance with Appendix 6A) so that the rates and amount of a distribution need not be announced to the ASX on the record date, and that an estimated distribution can be announced on that date, and the actual distribution rate advised when it is known.

9.15 ASIC RELIEF

The Responsible Entity intends to apply to ASIC for relief so that the first half-year for the Fund for the purposes of preparation of accounts and reports will end on 31 December 2018, despite the Fund being registered as a managed investment scheme prior to 30 June 2018.

10. GLOSSARY

$	Australian dollars
AMIT	Attribution managed investment trust, as that term is used in the *Income Tax Assessment Act, 1997*
AFSL	Australian Financial Services Licence
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
ASX	ASX Limited, or the market operated by it, as the context requires
ASX Listing Rules	The official listing rules of ASX for the time being, subject to any modification or waivers in their application which may be granted by ASX
AQF	Australian Governance Masters Index Fund Limited (ACN 140 842 397)
CAR	Corporate Authorised Representative
Constitution	The constitution of the Fund dated 26 April 2018 as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth)
Custodian	The Trust Company (Australia) Limited (ACN 000 000 993) (AFSL 235 145)
Custody Agreement	An agreement between the Responsible Entity and the Custodian which sets out the terms on which the Custodian will provide custodial, settlement, asset servicing and other associated services to the Fund
Derivatives	Has the meaning given in the Corporations Act
Directors	The Board of Directors of the Responsible Entity
Dixon Advisory Group or Dixon Advisory	Dixon Advisory Group Pty Limited (ACN 080 207 076) and its subsidiaries
DRP	The distribution reinvestment plan established by the Responsible Entity for the Fund
Evans Dixon or Evans Dixon Group	Evans Dixon Limited (ACN 609 913 457) and its subsidiaries
Fund	Australian Governance & Ethical Index Fund (ARSN 625 826 646)
GST	The value added tax, if any, on goods, services and other things payable in accordance with the GST Act or another relevant and applicable legislation or law in Australia

GST Act	*A New Tax System (Goods and Services Tax) Act 1999* as amended or replaced from time to time
Handling Fee	A fee payable to the Responsible Entity, out of which it pays a fee to affiliated and unaffiliated Licensees for capital raising in particular the handling and arranging of applications for an offer of Units, other than in connection with the Restructure
Implementation Date	The date that the Restructure becomes effective.
Investment Management Agreement	An agreement between the Responsible Entity and Walsh and Company Asset Management to act as investment manager of the Fund as described in Section 9.2
Investment Manager	Walsh & Company Asset Management Pty Limited (ACN 159 902 708) (AFSL 450 257)
Investor	An investor in the Fund
Issue Date	The date of issue of Units to Unitholders pursuant to this PDS
NAV	Net asset value of the Fund
PDS	This product disclosure statement dated 17 May 2018 and lodged with ASIC on that date
Portfolio Manager	The Portfolio Manager described in Section 8.6
RITC	Reduced input tax credit arising under the GST Act
Responsible Entity	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)
Restructure	The restructure of Australian Governance Masters Index Fund Limited (ACN 140 842 397) from a listed investment company to a managed investment scheme
Shareholders' Meeting	The meeting of AQF shareholders to approve the resolutions relevant to effect the Restructure
Share	A fully paid ordinary share in AQF
Securities Act	*US Securities Act of 1933*
Structuring Fee	A percentage fee determined by the Responsible Entity charged on the gross proceeds of an offer of Units, other than in connection with the Restructure
Target Distribution	The target cash distribution of 5% per annum based on the NAV at or around the beginning of the relevant distribution period, paid semi-annually
Unit	An ordinary unit in the Fund, being an undivided share in the beneficial interest in the Fund
Unitholder	A holder of a Unit
US	The United States of America
US Person	Any "US Person" as defined in Regulation S under the *US Securities Act of 1933*
Walsh & Company	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)

10. DIRECTORY

FUND

Australian Governance & Ethical Index Fund (ARSN 625 826 646)

Level 15, 100 Pacific Highway
NORTH SYDNEY NSW 2060

T: 1300 454 801
F: 1300 883 159
E: info@governanceandethicalfund.com.au

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RESPONSIBLE ENTITY

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INVESTMENT MANAGER

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AUDITOR

KPMG

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Sydney NSW 2000

INVESTIGATING ACCOUNTANT

KPMG Financial Advisory Services (Australia) Pty Ltd

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Sydney NSW 2000

UNIT REGISTRY

Boardroom Pty Limited

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CUSTODIAN

The Trust Company (Australia) Limited

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SYDNEY NSW, 2000