

17 June 2020

Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

RELEASE OF EXPLANATORY BOOKLET

Further to its announcement on 10 June 2020, Ellerston Global Investments Limited (ASX:EGI) (**EGI**) is pleased to confirm that the Australian Securities and Investments Commission (**ASIC**) has now registered the Explanatory Booklet for the proposed restructure of EGI shareholders' investment by way of a scheme of arrangement between EGI and its shareholders (**Scheme**).

A copy of the Explanatory Booklet accompanies this announcement.

Despatch of Explanatory Booklet

The Explanatory Booklet will be sent to all EGI shareholders on the share register as at 5 June 2020. A secondary mail out of copies of the Explanatory Booklet and proxy forms will occur for any new members on the share register as at 3 July 2020.

For EGI shareholders who have not elected to receive communications electronically, a printed copy of the Explanatory Booklet, as well as personalised proxy forms for the Scheme Meeting and the General Meeting, a personalised Election and Subscription Form (for shareholders who wish to participate in the Ellerston Unit Offer), a personalised KYC Information Form and two reply paid envelopes will be mailed to those EGI shareholders. **As an alternative to returning the completed forms by mail, both the Election and Subscription Form and the KYC Information Form can be completed online via the EGI Scheme site www.egi.ellerstoncapital.com or returned via email to ellerston@mainstreamgroup.com.**

For EGI shareholders who have elected to receive communications electronically, they will receive an email allowing them to access the Explanatory Booklet electronically. Hard copies of their personalised proxy forms, personalised Election and Subscription Form (for shareholders who wish to participate in the Ellerston Unit Offer), personalised KYC Information Form and two reply paid envelopes will also be mailed to those EGI shareholders. **As an alternative to returning the completed forms by mail, both the Election and Subscription Form and the KYC Information Form can be completed online via the EGI Scheme site www.egi.ellerstoncapital.com or returned via email to ellerston@mainstreamgroup.com.**

Independent expert's report

The Explanatory Booklet includes an independent expert's report prepared by KPMG Corporate Finance (**KPMG**). KPMG has concluded that, in the absence of a superior proposal, the proposed Scheme is fair and reasonable and in the best interest of EGI shareholders.

KPMG's conclusion should be read in context with the full independent expert's report and the Explanatory Booklet.

Scheme Meeting and General Meeting details

Due to the COVID-19 virus restrictions, both the Scheme Meeting and the General Meeting (collectively, the **Meetings**) will be held virtually (online only) on Friday, 31 July 2020 with the Scheme Meeting commencing at 11.00am (Sydney time) and the General Meeting commencing at 12 noon (Sydney time) or at the conclusion or adjournment of the Scheme Meeting, whichever time is later. There will be no physical meetings where EGI shareholders and proxies can attend in person.

All shareholders are encouraged to watch and participate in the Meetings online, by clicking on the following link: <https://agmlive.link/EGI20> for the Scheme Meeting and the following link: <https://agmlive.link/EGIGM20> for the General Meeting. Alternatively, EGI shareholders may vote by appointing a proxy, to attend the Meetings and to vote on your behalf. Information on how to vote is contained in the Explanatory Booklet and on the proxy forms.

Independent Directors' recommendation

The EGI Independent Directors unanimously recommend that EGI shareholders vote in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a superior proposal.

Each of the EGI Independent Directors intend to vote all EGI Shares held or controlled by them, in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a superior proposal. Subject to that same qualification, each Independent Director (with the exception of Paul Dortkamp) intends to elect to participate in the Ellerston Unit Offer for some or all EGI Shares held or controlled by them. The Independent Directors make no recommendation in relation to whether other EGI shareholders should participate in the Ellerston Unit Offer. Shareholders should form their own view as to whether they wish to do so based on their individual circumstances, financial situation, taxation position, investment objectives and risk profile.

EGI's Independent Board Committee and the Ellerston Board have respectively authorised this announcement to be released to ASX.

If investors have any queries regarding this announcement, please contact our Investor Relations team on 02 9021 7701 or info@ellerstoncapital.com.

Yours sincerely



Company Secretary

ELLERSTON GLOBAL

Ellerston Global Investments Limited – ACN 169 464 706

Explanatory Booklet

For a scheme of arrangement in relation to the proposed restructure of your current investment in EGI Shares into units in the Ellerston Global Mid Small Cap Fund ARSN 609 725 868

And

For an offer to subscribe for additional units in the Ellerston Global Mid Small Cap Fund ARSN 609 725 868

And

For a resolution approving the proposed payment of an early termination fee to Ellerston Capital Limited as the investment manager of Ellerston Global Investments Limited

VOTE IN FAVOUR

YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER THE SCHEME PROCEEDS AND THE EARLY TERMINATION FEE RESOLUTION IS APPROVED. YOUR INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU **VOTE IN FAVOUR** OF THE SCHEME RESOLUTION AND THE EARLY TERMINATION FEE RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

If you are in any doubt as to how to deal with this Explanatory Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Explanatory Booklet you have any questions about the Scheme or the Early Termination Fee Resolution, please contact the EGI Shareholder Information Line on 1300 671 080 within Australia or +61 2 8022 7953 if outside Australia Monday to Friday between 9.00am and 5.00pm (Sydney time).

If you have recently sold all of your EGI Shares, please disregard all enclosed documents.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

The Notice of Scheme Meeting and the Notice of General Meeting are included in Appendix 3 and Appendix 4 (respectively) to this Explanatory Booklet. The proxy forms for the Meetings accompany this Explanatory Booklet. EGI is closely monitoring the impact of the COVID-19 virus and is following guidance from the Federal and State governments. Each Meeting will be a virtual (online only) meeting with the first Meeting, being the Scheme Meeting, commencing at 11.00am (Sydney time) on Friday 31 July 2020. You may watch and participate in the Scheme Meeting online by clicking on the following link: <https://agmlive.link/EGI20>. You may watch and participate in the General Meeting online by clicking on the following link: <https://agmlive.link/EGIGM20>. There will not be a physical meeting where shareholders can attend.

NOTE REGARDING KYC PROCEDURE

For those Shareholders making an Election to participate in the Ellerston Unit Offer, the accompanying green Election and Subscription Form incorporates your KYC Information. This form must be completed and returned to the Independent Custodian (including payment of your Subscription Monies and all supporting documents relating to your KYC Information) by 7.00pm (Sydney time) on Thursday, 16 July 2020 (**Election Cut-Off Date**) in order to receive your Ellerston Units under both the Scheme and the Ellerston Unit Offer. A reply paid envelope is enclosed for return of your Election and Subscription Form.

For those Shareholders NOT making an Election to participate in the Ellerston Unit Offer, you must complete and return to the Independent Custodian the accompanying yellow KYC Information Form (including all supporting documents relating to your KYC Information) in order to receive your Ellerston Units under the Scheme. Your KYC Information Form must be received by 7.00pm (Sydney time) on Wednesday, 5 August 2020 (**KYC Cut Off Date**) in order to receive your Ellerston Units under the Scheme timetable. A reply paid envelope is enclosed for return of your KYC Information Form.

Legal Adviser to the Ellerston Entities

MinterEllison

Overview of this Explanatory Booklet

What is this Explanatory Booklet for?

This Explanatory Booklet has been sent to you to help you understand the terms of a proposed scheme of arrangement between Ellerston Global Investments Limited (**EGL**) and its Shareholders (**Scheme**) under which your current investment in EGL Shares will be restructured. If the Scheme is implemented, all of your EGL Shares will be acquired by Ellerston Capital Limited as the responsible entity of the Ellerston Global Mid Small Cap Fund ARSN 609 725 868 (**Ellerston Fund**) in exchange for an issue of Units in the Ellerston Fund. You will not be required to pay any money for the issue to you of Units in the Ellerston Fund under the Scheme.

In addition, you may elect to apply for additional Units in the Ellerston Fund for an amount up to the value of your current investment in EGL as at Friday, 5 June 2020 (**Election Calculation Date**). If you wish to make an Election, you will need to complete the enclosed Election and Subscription Form and pay your Subscription Moneys for your additional Units by Thursday, 16 July 2020 (being the currently scheduled **Election Cut-Off Date**).

Following implementation of the Scheme, EGL will be delisted from ASX and you will hold Units in the Ellerston Fund, being an unlisted unit trust. The Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGL that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook. You should note however that the past performance of EGL is not a reliable indicator of future performance of the Ellerston Fund.

The Scheme is subject to the approval of EGL Shareholders, so this Explanatory Booklet includes information relevant to your decision as an EGL Shareholder whether to approve the Scheme. This Explanatory Booklet also provides information relevant to your decision as an EGL Shareholder whether to make an Election to participate in the Ellerston Unit Offer.

This Explanatory Booklet also contains information to help you understand the Early Termination Fee Resolution to approve the payment of the Early Termination Fee by EGL to Ellerston Capital (in its capacity as the investment manager of EGL (**Manager**)). The proposal to pay the Early Termination Fee to the Manager requires a separate approval of EGL Shareholders at the General Meeting. The approval of the Early Termination Fee Resolution is a condition for the Scheme to proceed. Similarly, the approval of the Scheme (and it becoming Effective) is a condition for EGL to pay the Early Termination Fee to Ellerston Capital (in its capacity as the Manager).

Why should you vote?

As an EGL Shareholder, you have a say in whether or not the Scheme proceeds. The Scheme will not proceed unless it is approved by the requisite majorities of EGL Shareholders and unless the Early Termination Fee Resolution is also approved – this is your opportunity to play a role in deciding the future of your investment in EGL.

What you should do next

- **Read this Explanatory Booklet**
- **Decide whether or not to make an Election to participate in the Ellerston Unit Offer**
- **If you wish to make an Election – submit your completed Election and Subscription Form (GREEN FORM)**
- **If you do not wish to make an Election – submit your completed KYC Information Form (YELLOW FORM)**
- **Vote on the Scheme Resolution and the Early Termination Fee Resolution**

Step 1:

Read this Explanatory Booklet

This Explanatory Booklet contains information that is material to your decision whether or not to vote in favour of the Scheme and the Early Termination Fee Resolution and whether or not to participate in the Ellerston Unit Offer. Accordingly, you should read and carefully consider the information in this Explanatory Booklet to help you make an informed voting and investment decision.

EGL Shareholders should refer in particular to Section 2 for guidance on the expected advantages, potential disadvantages and other considerations relevant to the Scheme, the Early Termination Fee Resolution and whether or not to participate in the Ellerston Unit Offer. EGL Shareholders should also refer to Section 9 for guidance on relevant risk factors. Answers to some frequently asked questions are included in Section 3.

This Explanatory Booklet does not take into account the financial situation, investment objectives and particular needs of any EGL Shareholder. If you have any queries in relation to how the Scheme, the Early Termination Fee Resolution and an Election to participate in the Ellerston Unit Offer may affect your specific financial situation, investment objectives or other particular needs, you should consult your legal, financial, taxation or other professional adviser before making any decision in relation to your EGL Shares including how to vote at the Meetings and whether to participate in the Ellerston Unit Offer.

Step 2:

Decide whether or not to make an Election to participate in the Ellerston Unit Offer

EGL Shareholders may, if they wish to do so, subscribe for additional Ellerston Units by participating in the Ellerston Unit Offer. Participation is entirely optional and involves making an Election to subscribe for additional Units in the Ellerston Fund for an amount up to the value of your current investment in EGL as at the Election Calculation Date. Participation in the Ellerston Unit Offer is not open to certain foreign Shareholders¹ or EGL Shareholders who were not Shareholders on the Election Calculation Date.

This Explanatory Booklet contains information that is material to your decision whether or not to participate in the Ellerston Unit Offer.

Step 2A:

If you wish to make an Election – submit your completed Election and Subscription Form by the Election Cut-Off Date

If, after reading this Explanatory Booklet and considering your own personal investment objectives and financial situation, you wish to elect to receive additional Ellerston Fund Units, you must complete the accompanying green Election and Subscription Form in accordance with the instructions on that form. This form includes fields for the provision of your KYC Information. You should disregard the yellow KYC Information Form (as that form is only relevant to Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer).

Please complete every part of the KYC Information fields in the green Election and Subscription Form that are relevant to the type of EGL Shareholder that you are.

Please return the completed original green Election and Subscription Form (including payment of your Subscription Monies and all supporting documents relating to your KYC Information - see section J of the form) so that it is received by the Independent Custodian by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020). A reply paid envelope is enclosed for the return of your Election and Subscription Form.

The Election and Subscription Form also includes payment instructions for the receipt of your Subscription Moneys. Please also ensure that your Subscription Monies are received in accordance with the instructions on the Election and Subscription Form by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020).

¹ Refer to definition of Foreign Scheme Shareholder in the Glossary in Section 14 and to the summary in Section 1.3.

Important notes:

- (a) If the Scheme proceeds but you have not returned your Election and Subscription Form to the Independent Custodian by the Election Cut-Off Date (including your Subscription Monies and all supporting documents relating to your KYC Information), you will not have made a valid Election and will therefore not be eligible to participate in the Ellerston Unit Offer.
- (b) If the Independent Custodian does not receive your KYC Information on or before the KYC Information Cut-Off Date, the Ellerston Funds Units that would otherwise be issued to you will be issued on the Implementation Date to the Independent Custodian, to be held on your behalf, until you provide your KYC Information. On the 60th Business Day after the Implementation Date, the Independent Custodian will request the withdrawal (redemption) of your Units and the withdrawal proceeds will be held on your behalf for a finite period.
- (c) Failure to return your Election and Subscription Form or KYC Information Form on time will not affect the timing of the transfer of your EGI Shares under the Scheme: if the Scheme takes effect, all of your EGI Shares will still be transferred to (acquired by the Responsible Entity) on the Implementation Date.
- (d) If the Scheme does not proceed, all Subscription Monies for Units offered under the Ellerston Unit Offer will be refunded as soon as reasonably practicable without interest.
- (e) Your right to participate in the Ellerston Unit Offer is based on the value of your current investment in EGI as at the Election Calculation Date. Accordingly, if you acquire further EGI Shares after the Election Calculation Date, those additional EGI Shares will not increase your capacity to participate in the Ellerston Unit Offer.

Step 2B:

If you do not wish to make an Election - submit your completed KYC Information Form by the KYC Information Cut-Off Date

If, after reading this Explanatory Booklet and considering your own personal investment objectives and financial situation, you wish to support the Scheme but you do not wish to make an Election to receive additional Ellerston Units, you should nevertheless complete the accompanying yellow KYC Information Form in accordance with the instructions on that form. You should disregard the green Election and Subscription Form (as that form is only relevant to Shareholders who wish to make an Election to participate in the Ellerston Unit Offer).

Please complete every part of the KYC Information Form that is relevant to the type of EGI Shareholder that you are. Please return the completed original yellow KYC Information Form (including all supporting documents relating to your KYC Information - see section I of the form) so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020). A reply paid envelope is enclosed for the return of your KYC Information Form.

Important note:

If the Scheme proceeds but you have not returned your KYC Information Form to the Independent Custodian by the KYC Information Cut-Off Date, then the Ellerston Funds Units that would otherwise be issued to you directly will instead be issued on the Implementation Date to the Independent Custodian, and held on your behalf until the 60th Business Day after the Implementation Date. On that date, the Independent Custodian will request the withdrawal (redemption) of the Ellerston Fund Units it then holds and the withdrawal proceeds will be held on your behalf for a finite period.

Therefore, even if you do not support the Scheme and intend to vote against it or to not vote at all, you should still complete and return the yellow KYC Information Form so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020).

Step 3:

Vote on the Scheme and the Early Termination Fee Resolution

As an EGI Shareholder, it is your right to vote on whether or not the Scheme proceeds and the Early Termination Fee is paid. Your vote is important and you are strongly encouraged to vote on the Scheme and on the Early Termination Fee Resolution.

You can vote on the Scheme and the Early Termination Fee Resolution:

- by participating in the virtual Meetings to be held on Friday, 31 July 2020, commencing at 11.00am (Sydney time):
 - to participate in the Scheme Meeting you will need to log in online by clicking on the following link: <https://agmlive.link/EGI20>; and
 - to participate in the General Meeting you will need to log in online by clicking on the following link following the conclusion or adjournment of the Scheme Meeting: <https://agmlive.link/EGIGM20>; or
- by appointing a proxy, attorney or, in the case of an EGI Shareholder or proxy who is a corporation, a corporate representative to participate in the virtual Meetings and vote on your behalf.

If you wish to appoint a proxy to vote on your behalf, you can either:

- complete and return the Scheme Meeting Proxy Form and General Meeting Proxy Form which accompanies this Explanatory Booklet; or
- appoint a proxy online by logging in to www.linkmarketservices.com.au and by following the instructions on that website.

For your proxy appointment to be effective:

- your Scheme Meeting Proxy Form and General Meeting Proxy Form must be received by the Share Registry (whether by mail or by fax) by 11.00am (Sydney time) Wednesday, 29 July 2020; or
- if you choose to appoint a proxy online – this appointment must be done by 11.00am (Sydney time) on Wednesday, 29 July 2020.

An additional reply paid envelope is enclosed for the return of your Proxy Forms. Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the Meetings. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Meetings. This means that if you appoint a proxy prior to the Meetings but then decide to attend the Meetings yourself, your proxy retains the ability to vote, not you.

Further information relating to voting is contained in Section 4, in the notices of meeting in Appendix 3 and Appendix 4 to this Explanatory Booklet and in the Proxy Forms for the Scheme Meeting and the General Meeting, both of which accompany this Explanatory Booklet.

Is the Scheme in the best interest of EGI Shareholders?



The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is **FAIR AND REASONABLE** and therefore in the **BEST INTEREST** of EGI Shareholders.

The Independent Expert's Report is included in Appendix 1 to this Explanatory Booklet.

What do the Independent Directors recommend?



Your Independent Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** the Scheme and the Early Termination Fee Resolution, in the absence of a Superior Proposal. Your Independent Directors intend to vote all EGI Shares they hold or control **IN FAVOUR OF** the Scheme, in the absence of a Superior Proposal.

What if you have questions in relation to the Scheme, the Early Termination Fee Resolution or the Ellerston Unit Offer?

If you have questions in relation to the Scheme, the Early Termination Fee Resolution or the Ellerston Unit Offer, you should refer to the Frequently Asked Questions Section of this Explanatory Booklet or contact the EGI Shareholder Information Line on 1300 671 080 within Australia or +61 2 8022 7953 if outside Australia Monday to Friday between 9.00am and 5.00pm (Sydney time). Alternatively, you may consult your legal, financial, taxation or other professional adviser.

Table of contents

Overview of this Explanatory Booklet	3
Why should you vote?	3
What you should do next	4
Important Dates and Times	10
Important Notices	12
Letter from the Chairman of the Independent Board Committee	18
Letter from the Chairman of Ellerston Capital	24
Key reasons to vote in favour of the Scheme and the Early Termination Fee Resolution	26
Potential reasons to vote against the Scheme and the Early Termination Fee Resolution	26
1. Summary of the Scheme, the Early Termination Fee Resolution and the Ellerston Unit Offer	28
2. Relevant considerations for EGI Shareholders	45
3. Frequently asked questions	58
4. How to vote	72
5. Profile of EGI	81
6. Profile of the Ellerston Fund	90
7. Further information regarding the Responsible Entity	98
8. Information about the Ellerston Fund Units	100
9. Risk factors	106
10. Taxation implications of the Scheme and the Ellerston Unit Offer	116
11. The Scheme in further detail	118
12. Implementation	122
13. Additional Information	132
14. Glossary	137
Appendix 1 - Independent Expert's Report	145
Appendix 2 - Scheme	220
Appendix 3 - Notice of Scheme Meeting	247
Appendix 4 - Notice of General Meeting	252
Appendix 5 - Scheme Implementation Deed	258
Appendix 6 - Deed Poll	299
Appendix 7 – Ellerston Fund PDS	309
Appendix 8 – Ellerston Fund Constitution	347
Corporate Directory	402

Important Dates and Times

All references to time in this Explanatory Booklet are references to the legal time in Sydney, Australia unless otherwise stated.

Event	Date (and time)
<p>Election Calculation Date: date for calculating Maximum Dollar Amount of investment for those Shareholders electing to subscribe for additional Units in the Ellerston Unit Offer</p> <p>Note: the Maximum Dollar Amount will not be increased as a result of any additional EGI Shares acquired by Shareholders after the Election Calculation Date. In addition, Shareholders who did not hold EGI Shares on the Election Calculation Date will not be eligible to participate in the Ellerston Unit Offer.</p>	Friday, 5 June 2020
First Court Hearing at which the Court made orders convening the Scheme Meeting	Wednesday, 10 June 2020
<p>Election Cut-Off Date: last time and date for Election and Subscription Forms (including all supporting documents relating to your KYC Information – see section J of the form) to be received by the Independent Custodian for those Shareholders electing to subscribe for additional Units under the Ellerston Unit Offer</p> <p>Subscription Moneys must also be received by this last time and date</p>	7.00pm on Thursday 16 July 2020
<p>EGI announcement of valid Elections received for participation in the Ellerston Unit Offer</p> <p>Note: the level of valid Elections disclosed in this announcement will be indicative only because Shareholders making Elections may trade Shares up to 4.00 pm on the Effective Date. Any additional purchases of EGI Shares made by Electing Shareholders after the Election Cut-Off Date will not affect the final level of Elections however any sales of EGI Shares by Electing Shareholders after the Election Cut-Off Date will affect the final level of Elections.</p>	On or before Thursday, 23 July 2020
Last time and date by which proxy forms for the Scheme Meeting and General Meeting must be received by the Share Registry (whether by mail, by fax or by lodging your proxy online)	11.00am, Wednesday, 29 July 2020
Time and date for determining eligibility to vote at the Meetings	7.00pm, Wednesday, 29 July 2020
Scheme Meeting to be held virtually (online only) – to vote on the Scheme Resolution	11.00am, Friday, 31 July 2020
General Meeting to be held virtually (online only) – to vote on the Early Termination Fee Resolution	12.00 noon, Friday, 31 July 2020, or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later)
<p>All dates and times in the remainder of this timetable are indicative only and, among other things, are subject to all necessary approvals from the Court and Government Agencies. Any changes to the remainder of this timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on EGI's website at https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments/</p>	
For Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer, latest time and date to return their KYC Information Form (including all supporting documents relating to their KYC Information - see section I of the form) to the Independent Custodian (KYC Information Cut-Off Date)	7.00pm on Wednesday, 5 August 2020
Time for assessing whether KYC Information Condition is fulfilled	7.15am on Thursday, 6 August 2020
Second Court Hearing to obtain orders approving the Scheme	9.15am on Thursday, 6 August 2020
Lodgment by EGI with ASIC of the Court orders approving the Scheme (Effective Date)	Friday, 7 August 2020

Suspension of trading in EGI Shares on ASX	Close of trade on Friday, 7 August 2020
Scheme Record Date: time and date for determining entitlements to Scheme Consideration	7.00pm on Tuesday, 11 August 2020
<p>Implementation Date:</p> <ul style="list-style-type: none"> • issue of Ellerston Units to Scheme Shareholders (other than Non-Identified Scheme Shareholders and Foreign Scheme Shareholders) • issue to Independent Custodian of Custody Units attributable to Non-Identified Scheme Shareholders • issue to Independent Custodian of Ineligible Units attributable to Foreign Scheme Shareholders • issue of additional Ellerston Units to Scheme Shareholders who have made a valid Election to participate in the Ellerston Unit Offer; • transfer of all EGI Shares to Responsible Entity; and • payment of Early Termination Fee by EGI to the Manager 	Tuesday, 18 August 2020
Dispatch of allotment advice or certificate for Ellerston Units issued to Scheme Shareholders	Tuesday, 25 August 2020
Last date for the Independent Custodian to apply to withdraw (redeem) the Ineligible Units	Tuesday, 15 September 2020
Date for Independent Custodian to remit payment of net proceeds of the withdrawals of the Ineligible Units to Foreign Scheme Shareholders who have provided their KYC Information to the Independent Custodian before the KYC Information Cut-Off Date	As soon as reasonably practicable and in any event no later than 10 Business Days following the remittance by the Independent Custodian of the net proceeds of the withdrawals of the Ineligible Units to EGI
Last date for Non-Identified Scheme Shareholders to provide their KYC Information to the Independent Custodian to receive a transfer of the Custody Units held on their behalf by the Independent Custodian	7.00pm on Friday 6 November 2020
Independent Custodian applies to redeem (withdraw) the Remaining Custody Units it holds on behalf of Non-Identified Scheme Shareholders	Monday, 9 November 2020
Last date for Non-Identified Scheme Shareholders to provide their KYC Information to the Independent Custodian to receive their share of net proceeds of withdrawal (redemption) of the Remaining Custody Units held on their behalf by the Independent Custodian	Tuesday, 9 November 2021

Important Notices

General

You should read the whole of this Explanatory Booklet before making a decision on how to vote on the resolution to be considered at the Meetings. The notice convening the Scheme Meeting is contained in Appendix 3 to this Explanatory Booklet and the notice convening the General Meeting is contained in Appendix 4 to this Explanatory Booklet. The Proxy Forms for the Scheme Meeting and the General Meeting both accompany this Explanatory Booklet.

Defined terms

Capitalised terms in this Explanatory Booklet are defined either in the Glossary in Section of this Explanatory Booklet or where the relevant term is first used.

Purposes of this Explanatory Booklet

The purposes of this Explanatory Booklet are to:

- explain the terms and effect of the Scheme and the Ellerston Unit Offer to EGI Shareholders;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- state any material interests of the Directors, whether as directors, members or creditors of EGI or otherwise, and the effect on those interests of the Scheme as far as that effect is different from the effect on similar interest of other persons;
- provide the information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of EGI Shareholders whether or not to vote in favour of the Scheme and whether or not to participate in the Ellerston Unit Offer; and
- provide such information as is prescribed by the Corporations Act and the regulations to that Act or as is otherwise material to the decision of EGI Shareholders whether or not to vote in favour of the Early Termination Fee Resolution.

This Explanatory Booklet (other than Appendix 1, Appendix 2, Appendix 3 and Appendix 4) constitutes the explanatory statement for the Scheme and the Early Termination Fee Resolution as required by sections 412(1) and Chapter 2E respectively of the Corporations Act.

No financial product advice

The information contained in this Explanatory Booklet is not financial product or investment advice. This Explanatory Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, EGI Shareholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. EGI is not licensed to provide financial product advice in respect of EGI Shares, Ellerston Units or any other financial products.

To the extent (if at all) any part of this Explanatory Booklet includes financial product advice given by the Responsible Entity, the advice has been prepared without taking into account anyone's (whether a recipient of the Explanatory Booklet or otherwise), objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs.

Responsibility for information

KPMG Corporate Finance has prepared the Independent Expert's Report in relation to the Scheme in Appendix 1 to this Explanatory Booklet and takes responsibility for that report.

The Responsible Entity Information contained in this Explanatory Booklet has been prepared by and is the responsibility of the Responsible Entity. EGI has not independently verified any of the Responsible Entity Information and does not make any representation or warranty (express or implied) as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Responsible Entity Information.

The Joint Information contained in this Explanatory Booklet has been prepared jointly by EGI, the Responsible Entity and the Manager. These parties take joint responsibility for the Joint Information.

Other than in respect of the information identified above, the information contained in the remainder of this Explanatory Booklet has been prepared by EGI and its advisers and is the responsibility of EGI.

EGI Shareholders outside Australia

This Explanatory Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Explanatory Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Explanatory Booklet should seek advice on and observe any applicable restrictions. This Explanatory Booklet and the Scheme do not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

EGI Shareholders resident outside Australia for tax purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

EGI Shareholders in the United States

EGI and the Responsible Entity intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of Ellerston Units under the Scheme. Approval of the Scheme by the Court will be relied upon by EGI and the Responsible Entity for purposes of qualifying for the Section 3(a)(10) exemption.

EGI Shareholders should note that the Scheme is made for the securities of an Australian company and an Australian managed investment scheme in accordance with the laws of Australia and the listing rules of ASX. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws since the headquarters of the Responsible Entity is located outside the United States and none of its officers and directors are residents of the United States. You may not be able to sue the Responsible Entity or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel EGI and the Responsible Entity and its affiliates to subject themselves to a US court's judgment.

The Explanatory Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Explanatory Booklet. Any representation to the contrary is a criminal offence.

The Ellerston Units to be issued pursuant to the Scheme and the Ellerston Unit Offer have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Scheme and the Ellerston Unit Offer are not being made in any US state or other jurisdiction where it is not legally permitted to do so.

The Ellerston Units under the Ellerston Unit Offer have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any US state and may only be offered and sold in the United States in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws to persons who are both (a) "accredited investors" (as such term is defined in Rule 501(a) under the Securities Act) and (b) "qualified purchasers" (as such term is defined in Section 2(a)(51) of the US Investment Company Act of 1940). Each prospective investor will be required to deliver certain representations and warranties regarding its eligibility to make an investment in the Ellerston Fund.

The Ellerston Fund will not be registered as an "investment company" under the US Investment Company Act of 1940. The investment manager of the Ellerston Fund will not be registered as an investment advisor under the US Investment Advisers Act of 1940. Consequently, investors will not be afforded the protections of the US Investment Company Act or the US Investment Advisers Act.

The Ellerston Units will be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any US state or other jurisdiction. There will be no public market for the Ellerston Units.

Investment in the Ellerston Units will involve significant risks due to, among other things, the nature of the Ellerston Fund investments. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Prospective investors should not construe the contents of this Explanatory Booklet as legal, tax, investment or other advice. Each investor should make its own inquiries and consult its own advisors as to legal, tax and related matters concerning an investment in the Ellerston Fund. In particular, investors must rely upon their own assessment as to whether, and the consequences if, the Ellerston Fund is or becomes a "passive foreign investment company" ("PFIC") (as defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended) for US federal income tax purposes.

Notwithstanding anything to the contrary, prospective US investors may disclose to any person the structure of the Ellerston Fund for purposes of considering the US tax treatment and tax structure.

Any investor subject to the US Employee Retirement Income Security Act of 1974 should consult with its advisors as to the appropriateness of an investment in the Ellerston Fund.

EGI Shareholders in Singapore

This Explanatory Booklet and any other document in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Ellerston Units have not been and will not be registered as a prospectus with the Monetary Authority of Singapore. The Scheme and the Ellerston Unit Offer are not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (**SFA**) will not apply.

This Explanatory Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Ellerston Units may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII and in Subdivision (3) Division 1A, Part XIII of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Ellerston Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this Explanatory Booklet may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this Explanatory Booklet constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither EGI, the Responsible Entity nor the Ellerston Fund is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, EGI, the Responsible Entity nor the Ellerston Fund are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

ASIC and ASX

A draft of this Explanatory Booklet was provided to ASIC for the purpose of sections 218 and 411(2) of the Corporations Act and a copy of this Explanatory Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Explanatory Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

A draft of this Explanatory Booklet has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Explanatory Booklet was submitted to the Court to obtain an order of the Court under section 411(1) of the Corporations Act directing EGI to convene the Scheme Meeting. That order was obtained at the First Court Hearing on 10 June 2020.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting of EGI Shareholders be convened by EGI to consider and vote on the Scheme and has directed that this Explanatory Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or how EGI Shareholders should vote on the Scheme (on this matter EGI Shareholders must reach their own decision);
- (b) has prepared, or is responsible for, the content of this Explanatory Booklet; or
- (c) has approved or will approve the terms of the Scheme.

NOTICE REGARDING SECOND COURT HEARING AND IF ANY EGI SHAREHOLDER WISHES TO OPPOSE THE SCHEME

The date of the Second Court Hearing to approve the Scheme is scheduled for 6 August 2020.

The hearing will be at 9.15am (Sydney time) in the Supreme Court of New South Wales.

An EGI Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. It is possible that the Second Court Hearing will be held either virtually (online only) or by telephone conference. Details on how to attend the Second Court Hearing will be released by EGI to ASX once the Scheme has been approved by EGI Shareholders at the Scheme Meeting.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on EGI, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on EGI at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Rialto Towers, 525 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink.

Forward looking statements

Certain statements in this Explanatory Booklet are about future matters, including forward looking statements. These forward looking statements and information, including statements and information relating to EGI and the transactions contemplated by the Scheme Implementation Deed, are not based solely on historical facts, but rather reflect the current expectations of:

- (a) EGI, in relation to the EGI Information;
- (b) the Responsible Entity, in relation to the Responsible Entity Information; or
- (c) EGI, the Responsible Entity and the Manager, in relation to the Joint Information,

concerning future results, events or other matters. These forward looking statements may sometimes be identified by the use of forward looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe EGI's, the Responsible Entity's, or the Manager's objectives, plans, goals or expectations, estimates of future costs, and expenditure are or may be forward looking statements.

The statements contained in this Explanatory Booklet about the impact that the Scheme may have on the results of EGI's performance, the expected advantages and potential disadvantages of the Scheme are also forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of EGI to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which EGI will operate in the future, including anticipated costs and ability to achieve goals. Therefore forward looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

None of EGI, the Responsible Entity, the Manager, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements and information in this Explanatory Booklet will actually occur.

The forward looking statements and information in this Explanatory Booklet reflect views held only at the date of this Explanatory Booklet.

Subject to any continuing obligations under law, EGI, the Responsible Entity, the Manager, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Explanatory Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Explanatory Booklet and between those figures and figures referred to in other parts of this Explanatory Booklet may be due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

KYC Procedure – for Shareholders making an Election

In order to receive your Scheme Consideration and the additional Ellerston Units you wish to subscribe for under the Ellerston Unit Offer, you must complete and return to the Independent Custodian the green Election and Subscription Form accompanying this Explanatory Booklet in accordance with the instructions on that form. That form has fields for the provision of KYC

Information. Please complete every part of the KYC Information fields that are relevant to the type of EGI Shareholder that you are.

The KYC Information fields include details of the identification documentation that the Responsible Entity is required by law to collect from a Scheme Shareholder before the Scheme Shareholder can be issued Ellerston Units under the Scheme and the Ellerston Unit Offer.

Please mail (in the enclosed reply paid envelope) the completed original of your green Election and Subscription Form, together with certified copies² of the requested identification documentation (see section J of the form), to the Independent Custodian. The Independent Custodian's postal address details appear in the Corporate Directory in this Explanatory Booklet and on the Election and Subscription Form itself.

The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.

Please note that legislative requirements mean that the Responsible Entity and EGI as its agent may not be able to accept an Election and Subscription Form by fax or email.

Note: Your Election and Subscription Form must be received by the Independent Custodian on or before 7.00pm on the Election Cut-Off Date if you are a Scheme Shareholder and you are to receive your Ellerston Units (both under the Scheme and the Ellerston Unit Offer) on the Implementation Date. If your Election and Subscription Form is received after this time you will be deemed to have not made a valid Election and will therefore not be allowed to participate in the Ellerston Unit Offer. In addition, you will not receive your Units in the Ellerston Fund under the Scheme unless and until you return your Election and Subscription Form to the Independent Custodian by the KYC Information Cut-Off Date.

Failure to return your Election and Subscription Form on time will not affect the timing of the transfer of your EGI Shares under the Scheme.

KYC Procedure – for Shareholders not making an Election

In order to receive your Scheme Consideration, you must complete and return to the Independent Custodian the yellow KYC Information Form accompanying this Explanatory Booklet in accordance with the instructions on that form. Please complete every part of the KYC Information Form that is relevant to the type of EGI Shareholder that you are.

The KYC Information Form includes details of the identification documentation that the Responsible Entity is required by law to collect from a Scheme Shareholder before the Scheme Shareholder can be issued Ellerston Units under the Scheme.

Please mail (in the enclosed reply paid envelope) the completed original of your yellow KYC Information Form, together with certified copies³ of the requested identification documentation (see section I of the form), to the Independent Custodian. The Independent Custodian's postal address details appear in the Corporate Directory in this Explanatory Booklet and on the KYC Information Form itself.

The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.

Please note that legislative requirements mean that the Responsible Entity and EGI as its agent may not be able to accept a KYC Information Form by fax or email.

Note: Your KYC Information Form must be received by the Independent Custodian on or before 7.00pm on the KYC Cut Off Date if you are a Scheme Shareholder and you are to receive your Ellerston Units on the Implementation Date. If your KYC Information Form is received after this time you will not receive your Ellerston Units (or if you are a Foreign Scheme Shareholder, the cash proceeds from the withdrawal of the Ellerston Units that you would otherwise have been entitled to receive) until after your KYC Information Form has been received which will, in this case, be later than the Implementation Date.

Failure to return your KYC Information Form on time will not affect the timing of the transfer of your EGI Shares under the Scheme.

Other privacy and personal information

EGI will also need to collect personal information to implement the Scheme. This information may include the name, contact details and security holding of EGI Shareholders, and the name of persons appointed by EGI Shareholders to act as proxy,

² Note that if it is not possible for you to obtain certified copies due to COVID-19 pandemic measures implemented, recommended or adopted to prevent the spread of the COVID-19 virus, uncertified copies may be acceptable. Please inform us that this is the case when providing us with the relevant documents.

³ Note that if it is not possible for you to obtain certified copies due to COVID-19 pandemic measures implemented, recommended or adopted to prevent the spread of the COVID-19 virus, uncertified copies may be acceptable. Please inform us that this is the case when providing us with the relevant documents.

attorney, or in the case of an EGI Shareholder who is a corporation, corporate representative at either or both of the Meetings. The primary purpose of collecting this personal information is to assist EGI in the conduct of the Meetings and to enable the Scheme to be implemented by EGI in the manner described in this Explanatory Booklet. Without this information, EGI may be impeded in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers and to related entities of EGI and the parties to the Scheme Implementation Deed.

EGI Shareholders have certain rights to access their personal information that has been collected. EGI Shareholders should contact EGI's company secretary in the first instance if they wish to request access to their personal information.

EGI Shareholders who appoint a named person to act as their proxy, attorney, or in the case of an EGI Shareholder who is a corporation, a corporate representative at either or both of the Meetings should ensure that they inform that person of the matters outlined above.

No internet site is part of this Explanatory Booklet

EGI maintains an internet site at <https://www.egi.ellerstoncapital.com/>. Any references in this Explanatory Booklet to those or other internet sites are for information purposes only and do not form part of this Explanatory Booklet.

Entitlement to inspect share register

All persons are entitled to inspect and obtain a copy of EGI's share register under section 173 of the Corporations Act. If you are an EGI Shareholder this register will contain personal information about you.

Status of Explanatory Booklet

Other than with respect to the offer to subscribe for additional Ellerston Fund Units under the Ellerston Unit Offer (which offer is made under the Scheme), this Explanatory Booklet does not constitute or contain an offer to Ellerston Shareholders, or a solicitation of an offer from EGI Shareholders, in any jurisdiction. This Explanatory Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act or a Product Disclosure Statement prepared under Part 7.9 of that Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act. *ASIC Corporations (Compromises or Arrangements) Instrument 2015/358* provides that sections 1012B and 1012C of the Corporations Act do not have effect in relation to any offer of a financial product if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act.

References to time

All references to time in the Explanatory Booklet are to the legal time in Sydney, New South Wales unless otherwise stated.

Date of Explanatory Booklet

This Explanatory Booklet is dated 11 June 2020.

Letter from the Chairman of the Independent Board Committee

Dear EGI Shareholder,

Thank you for your continued support of EGI.

I am pleased to provide you with this Explanatory Booklet in relation to the proposal initially announced by EGI on 17 February 2020 to restructure your current investment in EGI Shares into Units in the Ellerston Global Mid Small Cap Fund ARSN 609 725 868 (**Ellerston Fund** or **Fund**).

Under the proposed restructure, EGI Shareholders will exchange their ASX listed EGI Shares for an issue of a new class of Units in the Ellerston Fund, on a one-for-one basis. The Ellerston Fund is an existing unlisted unit trust, formed in or around November 2015, and is an ASIC registered managed investment scheme. Ellerston Capital Limited is both the investment manager of EGI (**Manager**) and the responsible entity of the Ellerston Fund (**Responsible Entity**). The Ellerston Fund will pursue an investment strategy with a similar underlying global equity portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.

The proposed restructure of your EGI investment is to be implemented by way of a scheme of arrangement between EGI and its Shareholders (**Scheme**).

Subject to the Scheme being implemented:

- all EGI Shares will be acquired by Ellerston Capital in its capacity as the Responsible Entity of the Ellerston Fund;
- EGI will become wholly-owned by the Ellerston Fund and will be delisted from ASX;
- EGI Shareholders who participate in the Scheme and who have provided their KYC Information will receive an issue of a new class of fully paid Units in the Fund (Class B units), at an exchange ratio of one new Unit for every one EGI Share held on the Scheme Record Date – no cash payment is required to be made for the issue of these Units;
- EGI Shareholders who participate in the Scheme but who have not before the Implementation Date provided their KYC Information to the Independent Custodian will have the Units to which they would otherwise be entitled issued to an Independent Custodian, to be dealt with by it in accordance with the Scheme – a matter to which I return below under the heading "Conditions to the Scheme";
- the portfolio of EGI's investments will be transferred to the Fund after the Scheme is implemented;
- the current investment management agreement between EGI and Ellerston Capital will be terminated with effect from the Implementation Date; and
- EGI Shareholders who participate in the Scheme may request the withdrawal (redemption) of all or some of their Units in accordance with the constitution of the Fund shortly after the Implementation Date.

The Ellerston Fund currently has only Class A units on issue held by seven unitholders. The rights and liabilities attaching to Class A and Class B units in the Ellerston Fund will be the same, except for the two year fee waiver arrangements described below that will apply only to the Class B units.

The Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook. However, the past performance of EGI is not a reliable indicator of the future performance of the Ellerston Fund.

Conditions to the Scheme

For the Scheme to proceed, it must be approved by the requisite majorities of EGI Shareholders and by the Supreme Court of New South Wales. There are various other conditions that also need to be satisfied or waived. I elaborate on two of the more important conditions in the remainder of this letter. This Explanatory Booklet contains full details of the Scheme and its conditions.

Supplementary features

On 9 April 2020 and 10 June 2020, EGI announced the following supplementary features in connection with the Scheme:

- an opportunity for Shareholders to elect to 'top up' their investment in the Ellerston Fund by subscribing for additional Units under the Ellerston Unit Offer, with this optional additional investment being for an amount up to the approximate value of their current EGI shareholding;
- the negotiation of a fee payable by EGI to Ellerston Capital (in its capacity as the Manager) on the Implementation Date for the early termination of the current investment management agreement between EGI and Ellerston Capital – this negotiated fee is lower than that to which Ellerston Capital is contractually entitled under the management agreement (see further Sections 2.5 and 13.5); and
- a two year waiver by Ellerston Capital (in its separate capacity as the Responsible Entity) of management fees in respect of Units issued to EGI Shareholders under Scheme including on additional units issued to EGI Shareholders who elect to participate in the Ellerston Unit Offer;
- a condition that Shareholders must separately approve the early termination fee payable by EGI to Ellerston Capital; and
- a condition that relates to the minimum percentage level of KYC Information that needs to be received shortly before the Scheme is due to be implemented.

I elaborate on each of these supplementary features below.

Opportunity to elect to participate in the Ellerston Unit Offer

EGI Shareholders (other than those who would qualify as Foreign Scheme Shareholders) may elect to 'top up' the Units they will receive in the Ellerston Fund as Scheme Consideration by subscribing for additional Units under the Ellerston Unit Offer. For each EGI Shareholder, this optional additional investment in the Ellerston Fund will be for a maximum dollar amount up to the value of their current EGI Shareholding as at the Election Calculation Date, being Friday 5 June 2020.

By way of example:

- Assume you hold 10,000 EGI Shares and that you continue to hold all of those Shares up to and including the Scheme Record Date.
- If the Scheme proceeds, on the Implementation Date, your 10,000 EGI Shares will be acquired by the Responsible Entity. In exchange, you will receive as Scheme Consideration 10,000 'B' class Units in the Ellerston Fund (subject to you having provided your KYC Information). This reflects a one-for-one exchange ratio, with no cash payment required to receive an equivalent number of 'B' class Fund Units as your Scheme Consideration.
- In addition, under the Ellerston Unit Offer, you may elect to 'top up' up your holding of 10,000 Units in the Fund by subscribing for additional Units. To do so, you will be required to pay a fixed dollar amount of your choice up to your Maximum Dollar Amount.
- Your Maximum Dollar Amount is calculated as the number of EGI Shares registered in your name as at the Election Calculation Date (being Friday, 5 June 2020) multiplied by the closing price of EGI Shares on the Election Calculation Date (being \$1.065 per Share). In this example, the Maximum Dollar Amount you can contribute as Subscription Monies for additional Ellerston Units is \$10,650 (10,000 Shares multiplied by \$1.065). By extension, if you did not hold any EGI Shares on the Election Calculation Date, your Maximum Dollar Amount will be zero and you will not be eligible to participate in the Ellerston Unit Offer.
- If the Scheme is approved and implemented, your Subscription Monies of \$10,650 (or a lesser amount, if you do not wish to utilise your Maximum Dollar Amount of \$10,650) is then applied as the subscription price for the issue to you of additional Ellerston Units.

- The actual number of additional Ellerston Units you will receive will be determined by a formula in clause 8 of the Fund constitution. That formula principally has regard to the underlying NAV of the Fund plus the Buy/Sell Spread.

Early Termination Fee

EGI and Ellerston Capital (in its capacity as the Manager) have agreed under the Scheme Implementation Deed that, subject to the Scheme becoming Effective, the EGI Management Agreement will be terminated with effect from the Implementation Date. Under the terms of the EGI Management Agreement, if that agreement is terminated before the expiry of its fixed 10 year term (of which there is still another four years to run) on or around a date corresponding to the Implementation Date, Ellerston Capital (in its capacity as the Manager) would be entitled to receive a termination payment of approximately 2.04% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules.

Through negotiation between EGI (represented by its Independent Board Committee) and Ellerston Capital in its capacity as the Manager, it has been agreed that this termination payment will be 1.50% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules (**Early Termination Fee**). Under the provisions of the Corporations Act regulating related party transactions (Chapter 2E), the payment by EGI of the Early Termination Fee will constitute the provision by EGI of a financial benefit to a related party. For the reasons explained in Section 2.5(d), it has been determined that the payment by EGI of the Early Termination Fee be made subject to EGI Shareholders approving the Early Termination Fee Resolution at the General Meeting.

The approval of the Early Termination Fee Resolution at the General Meeting is a condition for the Scheme to proceed. Similarly, the approval of the Scheme (and it becoming Effective) is also a condition for EGI to pay the Early Termination Fee to Ellerston Capital (in its capacity as the Manager).

Two year management fee waiver for EGI Shareholders who migrate and then maintain their investment in the Ellerston Fund

The annual management fee for an investment in the Ellerston Fund is 0.75% (inclusive of GST) of the pre-tax net asset value of the Ellerston Fund's portfolio. This annual management fee structure is the same as that which applies to your current investment in EGI under the existing EGI Management Agreement.

In light of the Early Termination Fee that the Manager will be receiving for the termination of the EGI Management Agreement on the Implementation Date, the Responsible Entity has determined that, for two years from the Implementation Date, no management fees will be charged on Ellerston Units issued to EGI Shareholders under the Scheme and on additional Ellerston Units issued to those Shareholders who make a valid Election to participate in the Ellerston Unit Offer. This waiver is pursuant to the discretion the Responsible Entity has to waive or reduce the management fee for certain unitholders. This discretion is referred to in the Ellerston Fund PDS (page 19), which is Appendix 7 to this Explanatory Booklet.

It is important to note that the two year management fee waiver commences on the Implementation Date of the Scheme and ends two years after that date (expected to be on or about 18 August 2022). This two year period will not be extended for a particular Shareholder if there has been a delay in that Shareholder being issued Units as a result of a delay in providing their required KYC Information by the requisite deadline. It is also important to note that any withdrawal (redemption) of Units before the end of that two year period (expected to be 18 August 2022) will not attract any management fee.

The Early Termination Fee and the associated two year management fee waiver are described in detail in Section 2.5, with that Section distinguishing between the impact those arrangements have on EGI Shareholders who (in their future new capacity as Unitholders) maintain their investment in the Ellerston Fund for the full two years following the Implementation Date and those EGI Shareholders who (in their future new capacity as Unitholders) exit their investment in the Ellerston Fund within those first two years.

KYC Information Condition

An important condition for the Scheme to proceed relates to the minimum level of KYC Information that needs to be received from EGI Shareholders shortly before the Scheme is due to be implemented. The Independent Custodian must receive KYC Information from those persons registered as EGI Shareholders at 7.00pm on the Business Day before the Second Court Date (currently scheduled to be Thursday, 6 August 2020) holding between them at least 75% of the then total number of EGI Shares on issue. This is referred to in this Explanatory Booklet as the **KYC Information Condition**.

Therefore, if you want the Scheme to proceed, it is imperative that you complete and return your KYC Information to the Independent Custodian in a timely manner. Different cut-off dates apply for the receipt of your KYC Information depending on whether or not you wish to make an Election to participate in the Ellerston Unit Offer (as described below).

The operation of the KYC Information Condition and its implications are described further in Sections 1.13, 1.14, 6.8 and 12.5).

For Shareholders wishing to make an Election – return your completed green Election and Subscription Form

In order to receive your Ellerston Units as Scheme Consideration and the additional Ellerston Units you wish to subscribe for under the Ellerston Unit Offer, you must complete and return to the Independent Custodian the green Election and Subscription Form accompanying this Explanatory Booklet in accordance with the instructions on that form. That form has fields for the provision of your KYC Information. Please complete every part of the KYC Information fields that are relevant to the type of EGI Shareholder that you are.

Your completed original green Election and Subscription Form (together with your Subscription Monies and your supporting KYC Information documents - see section J of the form) must be received by 7.00pm on the Election Cut-Off Date (being Thursday, 16 July 2020) in order for you to receive Ellerston Units under the timetable for the Scheme and the Ellerston Unit Offer, as set out at page 10. A reply paid envelope is enclosed for return of the Election and Subscription Form. Please refer to Important Notices (KYC Procedure, privacy and personal information') and to Sections 1.13, 1.14, 6.8 and 12.5 for further details.

For Shareholders who do not wish to make an Election – return your completed yellow KYC Information Form

Even if you do not wish to make an Election to participate in the Ellerston Unit Offer, you must still complete and return to the Independent Custodian the accompanying KYC Information Form in order to receive your Ellerston Units as Scheme Consideration. Your KYC Information Form (including your supporting KYC Information documents – see section I of the form) must be received by 7.00pm on the KYC Cut Off Date (being Wednesday, 5 August 2020) in order for you to receive Ellerston Units under the timetable for the Scheme, as set out at page 10. A reply paid envelope is enclosed for return of the KYC Information Form. Please refer to Important Notices (KYC Procedure, privacy and personal information') and to Sections 1.13, 1.14, 6.8 and 12.5 for further details.

Formation of an Independent Board Committee

Ashok Jacob is the Chairman and a non-executive director of EGI. He is also a director and shareholder of Ellerston Capital which is the Responsible Entity of the Ellerston Fund. As noted above, Ellerston Capital also serves as the investment manager of EGI, for which Ellerston Capital receives a management fee. Ellerston Capital is also entitled to receive a fee for acting as the Responsible entity of the Ellerston Fund noting that a 2 year management fee waiver applies in respect of Ellerston Fund Units issued under the Scheme. The Scheme involves the acquisition of all EGI Shares by Ellerston Capital, in its separate capacity as the Responsible Entity of the Ellerston Fund. As part of the implementation of the Scheme, the existing investment management agreement between EGI and Ellerston Capital will be terminated effective on the Implementation Date in return for the payment by EGI to Ellerston Capital of the Early Termination Fee.

In light of Ashok Jacob's dual positions as a non-executive director of EGI and a director and shareholder of Ellerston Capital, the EGI Board formed an Independent Board Committee comprising all directors of EGI other than Ashok Jacob (**IBC**) to negotiate the terms of the Scheme on behalf of EGI, including the amount of the Early Termination Fee. The IBC also negotiated the terms of participation in the optional Ellerston Unit Offer.

IBC recommendation

Your Independent Directors unanimously recommend that you vote in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a Superior Proposal.

The Scheme and the Early Termination Fee Resolution are inter-dependent resolutions, meaning that unless each are approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital. This inter-dependency reflects the commercially integrated nature of the overall proposal that EGI Shareholders are being asked to consider and vote on. Specifically, the Scheme, the termination of the current fixed term EGI Management Agreement (which still has another four years to run), the payment of the negotiated Early Termination Fee and the two year waiver of management fees by the Responsible Entity of the Ellerston Fund collectively represent a single, integrated proposal for EGI Shareholders to vote on.

Each of your Independent Directors intends to vote all EGI Shares held or controlled by them, in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a Superior Proposal. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 2.0% of all EGI Shares on issue.

In the absence of a Superior Proposal, each of your Independent Directors (with the exception of me) also intends to make an Election to participate in the Ellerston Unit Offer in respect of some or all EGI Shares held or controlled by them. However, your

Independent Directors make no recommendation in relation to whether you should make an Election to participate in the Ellerston Unit Offer. You should form your own view as to whether you wish to make any such Election based on your individual circumstances, financial situation, taxation position, investment objectives and risk profile. You should also consider obtaining professional advice appropriate to your specific circumstances before making any Election.

In forming their unanimous recommendation that you vote in favour of the Scheme and the Early Termination Fee Resolution, your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Scheme and payment of the Early Termination Fee. These matters are described in detail in Section 2. Your Independent Directors consider that the expected advantages of the Scheme outweigh its potential disadvantages and risks. The principal reasons are twofold.

First, the Scheme provides a solution to the persistent discount to NTA at which EGI Shares have traded on ASX since EGI's listing on ASX in October 2014. If the Scheme proceeds, EGI Shareholders will become unitholders in the Ellerston Fund, being an unlisted investment vehicle with a unit price that will reflect at all times the underlying NAV of the Fund's investment portfolio. As unitholders in the Ellerston Fund, EGI Shareholders will have the ability to withdraw (redeem) all or some of their Units at a value equal to or close to the Fund's NAV, as opposed to the greater discount to NTA they would likely receive if they were to sell their EGI Shares on ASX.

Secondly and equally, for EGI Shareholders who wish to remain invested in a similar concentrated underlying global equity portfolio, the Scheme allows them to do so because the Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.

Therefore, the Scheme provides choice and flexibility for EGI Shareholders: it strikes an appropriate balance between, on the one hand, those Shareholders who are seeking liquidity at a price more closely approximate to underlying NAV and, on the other, those Shareholders who have invested in EGI's strategy for the medium to long term. In addition, as unitholders in the Ellerston Fund, EGI Shareholders will avoid the costs associated with continuing to operate EGI as an ASX listed investment company.

Independent Expert

Your Independent Directors' unanimous recommendation of the Scheme is supported by the conclusion of KPMG Corporate Finance, the Independent Expert engaged by the IBC to opine on whether the Scheme is in the best interest of EGI Shareholders. **The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of EGI Shareholders, in the absence of a superior proposal.**

The Independent Expert's Report is included in Appendix 1. I encourage you to read it before voting on the Scheme.

Scheme Meeting and General Meeting

Your vote is important and on behalf of the IBC, I encourage you to vote on this significant transaction.

EGI is closely monitoring the impact of the global COVID-19 virus pandemic and is following guidance from the Federal and State governments. In response to government restrictions on physical gatherings, there will not be a physical meeting where Shareholders and their proxies can attend in person. Instead, the Meetings will be virtual (online only) and the first meeting, being the Scheme Meeting, will commence at 11.00am (Sydney time) on Friday, 31 July 2020.

You may vote and ask questions by participating in the virtual Scheme Meeting to be held at 11.00am (Sydney time) on Friday, 31 July 2020 by logging in online at the following link: <https://agmlive.link/EGI20>. You may vote and ask questions by participating in the virtual General Meeting to be held at 12.00 noon (Sydney time) on Friday, 31 July 2020, or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later), by logging in online at the following link: <https://agmlive.link/EGIGM20>. You may also choose to appoint a proxy, attorney or, in the case of an EGI Shareholder or proxy who is a corporation, a corporate representative to attend the Meetings and to vote on your behalf. For information on how you can watch and participate in the virtual Meetings, please see Section 4.

Further information

I encourage you to read this Explanatory Booklet which contains important information in relation to the Scheme, the Early Termination Fee Resolution and the Ellerston Unit Offer. If you have any questions in relation to the Scheme, the Early Termination Fee Resolution or the Ellerston Unit Offer, please call the EGI Shareholder Information Line on 1300 671 080 within Australia or +61 2 8022 7953 if outside Australia Monday to Friday between 9.00am and 5.00pm (Sydney time). Alternatively, please contact your legal, financial, taxation or other professional adviser.

On behalf of the IBC, I recommend the Scheme to you and would like to take this opportunity once again to thank you for your support of EGI.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Dortkamp". The signature is written in a cursive, flowing style.

Paul Dortkamp

Chairman, Independent Board Committee

Letter from the Chairman of Ellerston Capital

Dear EGI Shareholder,

Thank you for your continuing support of EGI to date.

Ellerston Capital is pleased to have worked with the Independent Directors to deliver this Explanatory Booklet, offering you an opportunity to exchange your current investment in EGI Shares for an investment in Units in the Ellerston Fund, an unlisted unit trust, formed in or around November 2015, and an ASIC registered managed investment scheme. Ellerston Capital is the responsible entity of the Ellerston Fund.

The Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.

The Scheme offers choice and flexibility and delivers to you, as an EGI Shareholder, the following advantages:

- The **elimination of the persistent discount to NTA** at which EGI Shares have traded on ASX since EGI's listing on ASX in October 2014. Although the portfolio performance has been strong, EGI Shares have persistently traded at a discount to EGI's NTA. The price of Units in the Fund is expected to reflect more closely the underlying performance of the Fund Portfolio.
- **Daily liquidity at a price more closely approximate to underlying asset value.** If the Scheme is approved and implemented, EGI Shareholders (in their future new capacity as Unitholders) will have the ability to withdraw (redeem) their Fund Units on a daily basis, subject to the terms of the Fund Constitution.
- For those Shareholders who have invested in EGI's strategy for the medium to long-term, they will have the option to retain the Units they are issued on implementation of the Scheme and thereby **maintain an ongoing investment exposure to a global equity Fund** that aims to construct a concentrated portfolio of global securities using a contrarian, high conviction, benchmark independent investment approach.
- **A reduction in costs.** The overall operating costs of the unlisted Fund are expected to be lower than the operating costs that currently apply to EGI as an ASX listed company.
- The **opportunity to top up your investment in the Fund by subscribing for additional Units under the Ellerston Unit Offer** in an amount up to the approximate value of your current EGI investment. EGI Shareholders who elect to participate in this offer and remain invested for two years following the Implementation Date can effectively halve the management fee on their holding acquired under the Scheme.

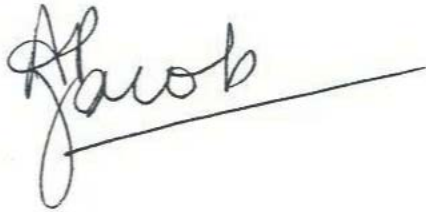
The potential disadvantages and reasons you may want to vote against the Scheme include:

- An unlisted investment vehicle may not suit some investors, who may prefer to buy and sell securities on-market.
- Due to the structure of the Scheme, the possibility of realising any value from tax assets (if applicable on implementation date) in EGI will be lost.
- The tax consequences of the Scheme and the tax structure of the Fund may not suit your financial position.

I encourage you to read this Explanatory Booklet carefully. In my separate capacity as the Chairman of Ellerston Capital (and not in my capacity as a Director of EGI), I also encourage you to vote in favour of the Scheme Resolution and the Early Termination Fee Resolution to become a Unitholder in the Ellerston Fund.

In relation to the Ellerston Unit Offer, you should form your own view as to whether you wish to make any such Election based on your individual circumstances, financial situation, taxation position, investment objectives and risk profile. You should also consider obtaining professional advice appropriate to your specific circumstances before making any Election.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ashok Jacob', with a long horizontal line extending to the right from the end of the signature.

Ashok Jacob
Chairman, Ellerston Capital

Key reasons to vote in favour of the Scheme and the Early Termination Fee Resolution

- ✓ The Independent Directors unanimously recommend the Scheme and the Early Termination Fee Resolution and intend to vote all EGI Shares they hold or control in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a Superior Proposal
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of EGI Shareholders
- ✓ Elimination of NTA discount - ability to exit at or around the Fund's NAV
- ✓ Ability to remain invested in a similar underlying global equity strategy
- ✓ Potential for increased scale
- ✓ Expected lower operating costs
- ✓ The price of Fund units is not directly subject to exogenous market forces
- ✓ The Scheme delivers a better outcome than the alternative of voluntary liquidation
- ✓ EGI's share price may fall if the Scheme does not proceed and no comparable proposal or Superior Proposal emerges
- ✓ No Superior Proposal has emerged

Potential reasons to vote against the Scheme and the Early Termination Fee Resolution

- ✗ You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme and/or the Early Termination Fee Resolution are not in your best interest
- ✗ The Scheme carries risks that you may consider unacceptable
- ✗ You may prefer to hold your investment in an ASX listed entity
- ✗ You may prefer a company structure to a trust structure
- ✗ There may be a large number of withdrawal requests
- ✗ The tax implications of the Scheme may not suit your financial position

YOUR INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME RESOLUTION AND THE EARLY TERMINATION FEE RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL

You should read this Explanatory Booklet in full before making any voting decision on the Scheme Resolution, the Early Termination Fee Resolution or any investment decision on the Ellerston Unit Offer. In particular, you should refer to Section 1 for guidance on the advantages and disadvantages of the Scheme and the Early Termination Fee Resolution. This Explanatory Booklet does not take into account the financial situation, investment objectives and particular needs of any EGI Shareholder. You should consult your legal, financial, taxation or other professional adviser concerning the impact your voting and investment decision may have on your own circumstances.

1. Summary of the Scheme, the Early Termination Fee Resolution and the Ellerston Unit Offer

1.1 Background and rationale

EGI was listed on ASX on 20 October 2014 as a public investment company for investors seeking access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio. At the time of listing, EGI entered into a 10 year investment management agreement with Ellerston Capital (**EGI Management Agreement**).

EGI has recently passed the halfway point under the term of the EGI Management Agreement. The Board considers that the EGI portfolio has achieved strong results, with the underlying cumulative net performance of the strategy in the five years to 31 October 2019 being 56.9% against the benchmark (MSCI World Index Local) return of 50.4%.

The net performance for the EGI portfolio continues to be very strong:

EGI performance as at 30 April 2020	1 month	6 months	1 year	FYTD
Net [^]	11.76%	-8.30%	-1.45%	-1.76%
Benchmark [*]	10.51%	-6.84%	-3.77%	-3.64%

Despite the strong performance of EGI's investment portfolio and EGI having one of the lowest management fee structures compared to its global equity peer group, EGI Shares have historically been relatively illiquid and have traded at a material discount to NTA. Your Independent Directors believe this is due to a lack of scale and liquidity and note that a similar discount appears to apply to several of EGI's ASX listed peer group.

On 27 March 2019, EGI announced an on market buy-back of up to 10% of its Shares, commencing 16 April 2019 for 12 months. The buy-back was initiated with a view to being value accretive to continuing Shareholders while providing a liquidity mechanism for Shareholders who wanted to exit their investment. Since 16 April 2019 and up to 7 November 2019, a total of 4,805,097 million Shares have been brought back at an average price of \$0.95 per Share. Notwithstanding this, the buy-back did not achieve a sustained narrowing of the discount to NTA that was deemed satisfactory by the EGI Board.

On 7 November 2019, EGI announced that it had resolved to eliminate this discount and to deliver to those Shareholders who desire liquidity at a price more closely approximate to underlying asset value with a clear pathway to realise their investment at or close to NTA, while also providing other Shareholders who wish to remain invested in EGI's strategy with the option to do so. As part of its 7 November 2019 announcement, EGI stated that it believed that, in the absence of a better alternative, the most appropriate pathway to achieving this dual objective was an orderly conversion of EGI's investment portfolio to a trust structure.

On 29 November 2019, a further announcement to this effect was made as part of the Chairman's speech and presentation for the 2019 Annual General Meeting.

On 17 February 2020, EGI announced that it had entered into a Scheme Implementation Deed with Ellerston Capital to give effect to the previously foreshadowed restructure. If the Scheme proceeds, eligible EGI Shareholders will exchange their current investment in an ASX listed entity for Units in the Ellerston Fund. The Ellerston Fund is an existing unlisted unit trust which is an ASIC registered managed investment scheme. Ellerston Capital is the responsible entity of the Ellerston Fund. The Ellerston Fund will pursue an investment strategy similar with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook. The price of Units in the Ellerston Fund will reflect at all times the underlying NAV of the Fund's investment portfolio, which will incorporate EGI's existing investments.

In March 2020, global equity markets including ASX experienced significant falls and volatility in response to the COVID-19 pandemic and the economic shut downs that have been instigated by governments around the world as a result. That volatility is continuing.

On 9 April 2020, EGI announced that it had entered into an amending deed to the Scheme Implementation Deed with Ellerston Capital to give effect to the following supplementary features in connection with the Scheme:

- an opportunity for Shareholders to elect to 'top up' their investment in the Ellerston Fund by subscribing for additional Units under the Ellerston Unit Offer, with this optional additional investment being for an amount up to the value of their current EGI shareholding as at the Election Calculation Date;
- the negotiation of a fee payable by EGI to Ellerston Capital (in its capacity as the Manager) on the Implementation Date for the early termination of the current investment management agreement between EGI and Ellerston Capital – this negotiated fee is lower than that to which the Responsible Entity is contractually entitled (see further Sections 2.5 and 13.5); and
- a two year waiver (commencing on the Implementation Date) of management fees in respect of Units issued to EGI Shareholders under Scheme including on additional units issued to EGI Shareholders who elect to participate in the Ellerston Unit Offer.

On 10 June 2020, EGI announced that it had entered into a second amending deed to the Scheme Implementation Deed with Ellerston Capital to give effect to the following supplementary features in connection with the Scheme:

- a condition that the Early Termination Fee be separately approved by Shareholders (see further Sections 1.5, 2.5 and 13.5); and
- a condition that KYC Information be received from a minimum percentage of Shareholders shortly before the Scheme is due to be implemented (see further Sections 1.13, 1.14, 6.8 and 12.5).

Subject to the Scheme being implemented, former EGI Shareholders participating in the Scheme and receiving Units in the Fund will have the option to either:

- retain their Units and remain invested in a strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities; or
- liquidate their investment by withdrawing their Units at a value equal to or close to the Ellerston Fund's NAV.

1.2 Withdrawal mechanism under the Ellerston Fund

Subject to the Scheme being implemented, former EGI Shareholders participating in the Scheme and receiving Units in the Fund may request the withdrawal of all or some of their Units in accordance with the constitution of the Fund, a copy of which is contained in Appendix 8.

Details of applicable withdrawal periods are set out in Section 6.7 of this Explanatory Booklet. The withdrawal price will be calculated in accordance with the constitution of the Fund and will be based on the Fund's NAV less an amount on account of the notional costs of realising Fund assets to meet redemption requests. Any withdrawal (redemption) of Units within two years of the Implementation Date (i.e. on or before 18 August 2022) will not attract any management fee. A portion of the withdrawal price may comprise an income component. **Any income included in the withdrawal price in respect of Units withdrawn within 47 days after the Implementation Date will likely not entitle the Investor to any franking credit tax offset in accordance with applicable taxation laws.**

Further details of the Fund's Unit withdrawal mechanism and the tax treatment of Unit withdrawals are included in Sections 6.7 and 10 respectively of this Explanatory Booklet.

1.3 Foreign Scheme Shareholders

Certain EGI Shareholders whose registered address is outside Australia will not be eligible under the terms of the Scheme to receive Ellerston Units: see the definition of Foreign Scheme Shareholder in the Glossary in Section 14. Instead, the Ellerston Units attributable to Foreign Scheme Shareholders will be issued by the Responsible Entity on the Implementation Date to the Independent Custodian, to be dealt with by it in accordance with the terms of the Scheme. Further details are included in Sections 1.7 and 12.8 of this Explanatory Booklet.

As at the Last Practicable Date, there are no EGI Shareholders with registered addresses outside Australia and its external territories, Singapore or the United States. It is the current intention of EGI and the Responsible Entity to treat any new Shareholders who enter the Share Register before the Scheme Record Date with registered addresses outside Australia and its external territories, Singapore and the United States, as Foreign Scheme Shareholders. However, depending on the nature and extent of any changes up to the Scheme Record Date with respect to Shareholders with registered addresses outside Australia and its external territories, Singapore or the United States, EGI and the Responsible Entity reserve the right to seek advice in the relevant foreign jurisdictions as to whether it would be lawful and not unduly onerous or impracticable to issue those Scheme

Shareholders with Units under the Scheme. EGI will announce to ASX any change to its approach regarding the delineation of Foreign Scheme Shareholders.

EGI and the Responsible Entity have determined that the votes cast on the Scheme by EGI Shareholders whose registered address is outside Australia and its external territories, Singapore and the United States will be 'tagged' for the purposes of identification at the Scheme Meeting. If the Scheme is approved by the requisite majorities at the Scheme Meeting, the 'tagged' votes by EGI Shareholders whose registered address is outside Australia and its external territories, Singapore and the United States will be drawn to the Court's attention at the Second Court Hearing.

1.4 Ellerston Unit Offer

Certain EGI Shareholders (other than those who are classified under the Scheme as Foreign Scheme Shareholders) may elect to 'top up' the Units they will receive in the Ellerston Fund as Scheme Consideration by subscribing for additional Units under the Ellerston Unit Offer.

You should form your own view as to whether you wish to make any such Election based on your individual circumstances, financial situation, taxation position, investment objectives and risk profile. You should also consider obtaining professional advice appropriate to your specific circumstances before making any Election. For example, you may wish to obtain additional Units by acquiring more EGI Shares through on market purchases prior to the Scheme Record Date (therefore increasing the number of Units that you will receive as Scheme Consideration). However, this approach will result in you incurring brokerage charges and will be subject to the prevailing trading price of EGI Shares on ASX.

The key terms of the Ellerston Unit Offer are outlined below. For a hypothetical example of how the Ellerston Unit Offer would operate, please refer to the letter from Chairman of the IBC at the beginning of this Explanatory Booklet.

(a) Election process

If you wish to elect to participate in the Ellerston Unit Offer, you must complete the accompanying green Election and Subscription Form in accordance with the instructions on that form. This form includes fields for the provision of your KYC Information. You should disregard the yellow KYC Information Form (as that form is only relevant to Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer).

Please complete every part of the KYC Information fields in the green Election and Subscription Form that are relevant to the type of EGI Shareholder that you are.

Please return the completed original green Election and Subscription Form (including payment of your Subscription Monies and all supporting documents relating to your KYC Information – see section J of the form) so that it is received by the Independent Custodian by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020). A reply paid envelope is enclosed for the return of your green Election and Subscription Form.

(b) Changes to Elections

An EGI Shareholder who makes an Election may vary, withdraw or revoke that Election by:

- in the case of a withdrawal or revocation, written notice to EGI (or its Independent Custodian) provided such notice is received on or before the Election Cut-Off Date; and
- in the case of a variation of an Election, requesting for and lodging a replacement Election and Subscription Form provided it is received on or before the Election Cut-Off Date.

Any variations, withdrawal or revocation after the Election Cut-Off Date will only be accepted at the Responsible Entity's absolute discretion.

(c) Maximum Dollar Amount

An EGI Shareholder may participate in the Ellerston Unit Offer for any amount up to that EGI Shareholder's Maximum Dollar Amount.

The Maximum Dollar Amount in respect of which an Election may be made is calculated as 'X' in accordance with the following formula:

$$X = A \times B$$

where:

A is the number of Shares held by a Shareholder making an Election as at the Election Calculation Date; and

B is the closing price of Shares on the Election Calculation Date, being \$1.065

Any excess Subscription Monies received from a Company Shareholder that has made a valid Election will be refunded (without interest) as soon as reasonably practicable after the Implementation Date.

If, as at the Scheme Record Date, the number of Shares held by a Shareholder who has made an Election is higher than the number of Shares held by that Shareholder as at the Election Calculation Date, the Maximum Dollar Amount for that Shareholder remains unchanged.

Only EGI Shareholders who hold EGI Shares as at the Election Calculation Date and the Scheme Record Date (and who are not otherwise Foreign Scheme Shareholders) will be entitled to participate in the Election Unit Offer.

(d) Issue of Ellerston Units under the Ellerston Unit Offer

The number of Ellerston Units to be issued to a Shareholder making a valid Election will be calculated in accordance with the following formula:

RSM/IP

where:

RSM is the required subscription money, being the lesser of:

- (a) the Shareholder's Subscription Monies; and
- (b) 'X' (as defined in the formula for the Maximum Dollar Amount); and

IP is the issue price of an Ellerston Unit calculated in accordance with clause 8 of the constitution of the Ellerston Fund (see Appendix 8).

(e) Payment and refund of Subscription Monies

The Election and Subscription Form includes payment instructions for the receipt of your Subscription Monies. Please also ensure that your Subscription Monies are received in accordance with the instructions on the green Election and Subscription Form by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020).

All Subscription Monies will be held by or on behalf of the Responsible Entity in the Responsible Entity Trust Account. Any interest on Subscription Monies deposited in the Responsible Entity Trust Account (less bank fees and other charges) will be to the Responsible Entity's account.

The Subscription Monies will be refunded (without interest) by the Responsible Entity to Shareholders who have made an Election in the following circumstances:

- if the Scheme does not become Effective by the End Date;
- if a Shareholder validly withdraws or revokes its Election;
- if a Shareholder making an Election holds no Scheme Shares as at the Scheme Record Date; or
- if a Shareholder making an Election holds fewer Scheme Shares as at the Scheme Record Date than it did at the Election Calculation Date, in which case the refund will be calculated based on the reduction in the number of Scheme Shares held by that Shareholder on the Scheme Record Date.

For further details on the operation of the Ellerston Unit Offer, please refer to clause 5 of the Scheme in Appendix 2 to this Explanatory Booklet.

1.5 Early Termination Fee

EGI and Ellerston Capital (in its capacity as the Manager) have agreed under the Scheme Implementation Deed that, subject to the Scheme becoming Effective, the current fixed term EGI Management Agreement (which still has another four years to run) will be terminated with effect from the Implementation Date. Under the terms of the current EGI Management Agreement, if that agreement is terminated before the expiry of its fixed term on or about a date corresponding to the Implementation Date, Ellerston Capital (in its capacity as the Manager) would be entitled to receive a termination payment equal to approximately 2.04% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules.

Through negotiation between EGI (represented by its Independent Board Committee) and Ellerston Capital in its capacity as the Manager, it has been agreed that this termination payment will be 1.50% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules (**Early Termination Fee**). As at the Last Practicable Date, the Early Termination Fee would be approximately \$1.70 million.

Ellerston Capital is a related party of EGI for the purposes of Chapter 2E of the Corporations Act. Payment of the Early Termination Fee will constitute the giving by EGI of a financial benefit to a related party under Chapter 2E of the Corporations Act. Accordingly, the General Meeting has been convened to consider and vote on the Early Termination Fee Resolution.

The passing of the Early Termination Fee Resolution at the General Meeting is also a condition for the Scheme to proceed. Similarly, the approval of the Scheme (and it becoming Effective) is a condition for EGI to pay the Early Termination Fee to Ellerston Capital (in its capacity as the Manager). The resolution to approve the Scheme and the Early Termination Fee Resolution are inter-dependent resolutions, meaning that unless each are approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital.

This inter-dependency reflects the commercially integrated nature of the overall proposal that EGI Shareholders are being asked to consider and vote on. Specifically, the Scheme, the termination of the current fixed term EGI Management Agreement (which still has another four years to run), the payment of the negotiated Early Termination Fee and the two year waiver of management fees by the Responsible Entity of the Ellerston Fund collectively represent a single, integrated proposal for EGI Shareholders to vote on.

1.6 Current status and next steps

For the Scheme to proceed, it must be approved by the requisite majorities of EGI Shareholders at the Scheme Meeting to be held on Friday, 31 July 2020 and approved by the Court. There are also other conditions that need to be satisfied or waived before the Scheme proceeds, including the approval by EGI Shareholders of the Early Termination Fee Resolution at the General Meeting and the satisfaction of the KYC Information Condition. The KYC Information Condition is explained further in Sections 1.13, 1.4, 6.8 and 12.5. The key remaining conditions are summarised in Section 11.3 and set out in full in clause 3.1 of the Scheme Implementation Deed, included as Appendix 5 to this Explanatory Booklet, and in clause 3(a) of the Scheme in Appendix 2 to this Explanatory Booklet. The Ellerston Unit Offer and the payment of the Early Termination Fee are both conditional on the Scheme proceeding.

As at the date of this Explanatory Booklet, neither EGI, any of the Independent Directors nor the Responsible Entity are aware of any circumstances that would cause any of the Scheme Conditions not to be satisfied or which could result in termination of the Scheme Implementation Deed.

EGI will make a statement regarding the status of all of the Scheme Conditions at the commencement of the Scheme Meeting.

If all of the Scheme Conditions are satisfied or waived (as applicable), the Scheme will constitute a binding arrangement between EGI and all holders of EGI Shares as at the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020) to undertake the steps required to:

- transfer all of their EGI Shares to the Responsible Entity on the Implementation Date in exchange for receipt of the Scheme Consideration (in accordance with the terms of the Scheme including the receipt of your completed KYC Information Form); and
- otherwise give effect to the Scheme.

If all of the Scheme Conditions are satisfied or waived (as applicable), all holders of EGI Shares as at the Scheme Record Date will be bound by the Scheme whether or not they:

- participate in the Scheme Meeting;
- vote at the Scheme Meeting; or
- vote against the Scheme at the Scheme Meeting.

The remainder of this Section 1 provides a summary of the key commercial elements of the Scheme and the Ellerston Unit Offer. This summary should be read in conjunction with the additional detailed information in this Explanatory Booklet.

1.7 Key features of the Scheme and the Ellerston Unit Offer

<p>The effect of the Scheme</p>	<ul style="list-style-type: none"> • The Responsible Entity will acquire all EGI Shares (other than those already held by it) so that EGI becomes wholly-owned by the Ellerston Fund and is delisted from ASX. • The portfolio of EGI's investments will be transferred to the Fund in one or a series of transactions after the Scheme is implemented. The Responsible Entity will then control a single expanded investment portfolio, comprising the Fund's existing portfolio and the assets of the EGI portfolio - the Responsible Entity may sell or manage assets to fund cash distributions to Unitholders and withdrawals by Unitholders. • The EGI Management Agreement will be terminated with effect from the Implementation Date and Ellerston Capital, in its capacity as the Manager, will receive from EGI the Early Termination Fee (being the negotiated amount, as to which see Section 13.5), subject to EGI Shareholders passing the Early Termination Fee Resolution.
<p>What you will receive</p>	<p>Subject to your completed KYC Information being received by the Election Cut-Off Date (for Shareholders making an Election to participate in the Ellerston Unit Offer) or by the KYC Information Cut-Off Date (for Shareholders not making an Election to participate in the Ellerston Unit Offer):</p> <ul style="list-style-type: none"> • Scheme Shareholders, other than Foreign Scheme Shareholders and Non-Identified Scheme Shareholders, will exchange their EGI Shares for Ellerston Units on the basis of one Unit for every Share held as at the Scheme Record Date; • Scheme Shareholders who have made a valid Election will receive additional Ellerston Units in accordance with their Election and the terms of the Scheme; and • the Ellerston Units issued under the Scheme and the Ellerston Unit Offer will be issued as fully paid and will rank equally with all other Ellerston Units on issue; <p>No brokerage, stamp duty or other issue costs will be paid by Scheme Shareholders for the issue of their Ellerston Units (either under the Scheme or the Ellerston Unit Offer).</p>
<p>Future distributions to be reinvested in Units, unless notice given</p>	<p>EGI shareholders participating in the Scheme and receiving Units in the Fund will participate in full in the Ellerston Fund's distribution reinvestment plan (Reinvestment Plan) for all Ellerston Units issued to them under the Scheme, unless and until they notify the Responsible Entity in writing that they wish to receive their distributions in cash for all or some of their Units.</p> <p>Therefore, in the absence of any such notice, all future distributions (if any) made by the Responsible Entity in respect of Ellerston Units issued under the Scheme will be applied to the acquisition by way of issue to the Scheme Shareholder of additional Ellerston Units issued in accordance with the Reinvestment Plan.</p>
<p>What you will receive if you are a Non-Identified Scheme Shareholder</p>	<p>The Ellerston Units to which you would otherwise be entitled will be issued to the Independent Custodian on the Implementation Date.</p> <p>If you provide your KYC Information to the Independent Custodian within 59 Business Days after the Implementation Date, you will receive a transfer of your Ellerston Units from the Independent Custodian.</p> <p>On the 60th Business Day of the Implementation Date, the Independent Custodian will apply to the Responsible Entity to withdraw (redeem) the Ellerston Units it is holding on</p>

	<p>behalf of the then remaining Non-Identified Shareholders. The withdrawal proceeds will be paid into a dedicated trust account established and operated by the Independent Custodian.</p> <p>If you provide your KYC Information to the Independent Custodian after the 60th Business Day of the Implementation Date (and within approximately one year after that date), you will receive the net proceeds of withdrawal of the Ellerston Units attributable to you. For further details, see Sections 1.13, 1.14, 6.8 and 12.5.</p>
<p>What you will receive if you are a Foreign Scheme Shareholder</p>	<p>The Ellerston Units to which you would otherwise be entitled will be issued to the Independent Custodian on the Implementation Date. The Independent Custodian will then request that these Ellerston Units be withdrawn (redeemed), with the withdrawal proceeds paid into a dedicated trust account established and operated by the Independent Custodian. The Independent Custodian will then distribute the withdrawal proceeds to those Foreign Scheme Shareholders whose completed KYC Information Form is received by the KYC Cut-off Date and, subsequently, to those Foreign Scheme Shareholders whose completed KYC Information is received within 12 months from the date that the Independent Custodian deposits into the trust account the withdrawal proceeds of the Ineligible Units. For further details, see Section 12.8.</p>
<p>Important: your KYC Information must be completed and returned to receive your Scheme Consideration and (for Shareholders who make a valid Election) your additional Ellerston Fund Units</p>	<p>To receive an issue of Ellerston Fund Units as your Scheme Consideration and, in the case of Shareholders who make a valid Election, your additional Ellerston Fund Units, you must first provide your KYC Information to the Independent Custodian. Your KYC Information is to be provided in either the accompanying:</p> <ul style="list-style-type: none"> • green Election and Subscription Form - for Shareholders who wish to make an Election; or • yellow KYC Information Form - for Shareholders who do not wish to make an Election. <p>A reply paid envelope is enclosed for the return of either form that applies to you.</p> <p>The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.</p> <p>The KYC Information includes details of the identification documentation that the Responsible Entity is required by law to collect from an EGI Shareholder before that EGI Shareholder can be issued Units under the Scheme.</p> <p>Please complete every part of the Election and Subscription Form or the KYC Information Form (as applicable) that is relevant to the type of EGI Shareholder that you are.</p> <p><i>For shareholders making an Election</i></p> <p>If your completed Election and Subscription Form (including your Subscription Monies and all supporting documents relating to your KYC Information) is received <u>on or before the Election Cut-off Date</u>, your Scheme Consideration and additional Ellerston Units will be issued to you on the Implementation Date (with documentary evidence to be sent to you within 5 Business Days of the Implementation Date).</p> <p>If your completed Election and Subscription Form (including your Subscription Monies and all supporting documents relating to your KYC Information – see section J of the form) is received <u>after the Election Cut-off Date</u>, you be deemed to have not made a valid Election and will therefore not be allowed to participate in the Ellerston Unit Offer.</p>

In addition, if you do not provide your completed Election and Subscription Form (including your Subscription Monies) by the Election Cut-off Date:

- the Ellerston Fund Units to which you would otherwise be entitled will be issued by the Responsible Entity to the Independent Custodian on the Implementation Date;
- all of your EGI Shares will be acquired by the Responsible Entity on the Implementation Date (assuming all of the Scheme Conditions have been satisfied or waived by that date);
- you will not be entitled to participate in the Ellerston Unit Offer; and
- you will only be entitled to receive a transfer of the Ellerston Fund Units comprising your Scheme Consideration from the Independent Custodian if you provide your KYC Information before the 60th Business Day after the Implementation Date.

For shareholders NOT making an Election

If your completed KYC Information Form (including all supporting documents relating to your KYC Information) is received on or before the KYC Cut-off Date, your Scheme Consideration will be issued to you on the Implementation Date (with documentary evidence to be sent to you within 5 Business Days of the Implementation Date).

If your completed KYC Information Form (including all supporting documents relating to your KYC Information – see section I of the form) is received after the KYC Cut-off Date, your Scheme Consideration will be issued to the Independent Custodian to be held on your behalf.

Therefore, if you do not provide your completed KYC Information Form on or before the KYC Cut-off Date:

- the Ellerston Fund Units to which you would otherwise be entitled will be issued by the Responsible Entity to the Independent Custodian on the Implementation Date; and
- all of your EGI Shares will be acquired by the Responsible Entity on the Implementation Date (assuming all of the Scheme Conditions have been satisfied or waived by that date). you will only be entitled to receive a transfer of the Ellerston Fund Units comprising your Scheme Consideration from the Independent Custodian if you provide your KYC Information before the 60th Business Day after the Implementation Date

1.8 Key features of an investment in the Ellerston Fund

The table below provides an overview of the key features of an investment in the Ellerston Fund. This overview should be read in conjunction with Sections 6, 8 and 9. Those Sections provide further information in relation to the Ellerston Fund, including its governance and management structure, investment strategy, the rights attaching to Ellerston Units, how those rights differ from the rights attached to EGI Shares and the risks associated with holding Ellerston Units.

Governance structure	If the Scheme proceeds, your current investment in EGI Shares will be restructured as an investment in Class B Units in the Ellerston Fund. The governance structure of the Ellerston Fund is different to that of EGI. The Responsible Entity has a Compliance Committee with a majority of independent members as opposed to a board with a majority of independent directors. Additionally, the Responsible Entity and the Ellerston Fund will be subject to the regulatory and compliance obligations of an Australian Financial Services Licensee and a registered managed investment scheme respectively.
Withdrawal (liquidity) mechanism	Holders of Ellerston Units will have the opportunity to apply to withdraw some or all of their Units commencing from the Implementation Date subject to the Fund's Buy/Sell Spread. See further Section 6.7.
Portfolio Manager	Bill Pridham.
Investment Strategy	The Fund's investment strategy is to construct a concentrated portfolio of securities using the Responsible Entity's distinctively contrarian, high conviction, benchmark independent investment approach. The focus is on disciplined 'bottom up' stock selection based on rigorous fundamental analysis which is overlaid with the Responsible Entity's 'top down' assessment of macroeconomic conditions and the market outlook. The trade-off between risk and potential return is improved by implementing the highest conviction ideas from a filtered universe of securities that the Responsible Entity feels are in a period of "price discovery" and offer an attractive risk/reward dynamic. In following this approach, the Responsible Entity aims to allocate capital to securities they have identified with the most compelling risk/reward profile.
Benchmark	MSCI World Mid Cap Index (NR) (AUD)
Management Fee (inclusive of GST)	0.75% pa of the Net Asset Value, calculated monthly. Holders of Units issued under the Scheme and the Ellerston Unit Offer will have the benefit of a waiver of the Management Fee for two years commencing from the Implementation Date. This waiver is pursuant to the discretion the Responsible Entity has under the constitution of the Ellerston Fund to waive or reduce the management fee for certain unitholders. This discretion is referred to in the Ellerston Fund PDS, which is Appendix 7 to this Explanatory Booklet. Any withdrawal (redemption) of Units before the end of the two year fee waiver period (expected to be 18 August 2022) will not attract any management fee. However, as noted in Section 1.2, a portion of the withdrawal price may comprise an income component. Any income included in the withdrawal price in respect of Units withdrawn within 47 days after the Implementation Date will likely not entitle the Investor to any franking credit tax offset in accordance with applicable taxation laws.

	<p>Further details of the Fund's Unit withdrawal mechanism and the tax treatment of Unit withdrawals are included in Sections 6.7 and 10 respectively of this Explanatory Booklet.</p> <p>In addition, Unit holders who remain invested in the Fund after that two year period will not be charged (on a retrospective or go-forward basis) any higher management fees to compensate for the absence of management fees charged to those Class B Unitholders who exited in the first two years.</p> <p>The Management Fee is calculated based on the Net Asset Value of the Fund. If the Net Asset Value of the Fund is less (or greater) at the end of the two year fee waiver period, the Management Fee will be correspondingly less (or greater) in dollar terms.</p>
Expenses	Estimated at 0.20% per year of the Net Asset Value
Performance Fee (excl GST)	<p>Any amount payable or amount of underperformance under the EGI Management Agreement to be carried forward.</p> <p>Performance Fee – 10% of the investment return over the Benchmark return, after recovering any underperformance in past periods.</p> <p>Calculated and accrued daily and paid from the assets of the Fund after 30 June each year</p>
High Water Mark	Yes
Buy / Sell Spread	0.25% / 0.25%
Investment Universe	<ul style="list-style-type: none"> • Securities. • Exchange Traded and OTC Derivatives • Cash and Cash-like investments
Derivatives	<ul style="list-style-type: none"> • Exchange traded derivatives 0-50% • OTC derivatives (for example foreign exchange) 0- 100%
Currency	<p>The Fund will invest predominantly outside of Australia, focusing on the United States, the United Kingdom and Europe with opportunistic allocations to Asia and emerging markets from time to time.</p> <p>The currency of denomination of investments will generally follow the location of the investments. The Responsible Entity intends that the Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.</p>
Cash	0-20%
Short selling	No
Borrowing securities	No
Gearing/leverage	The Fund does not borrow and there is no leverage on a net basis. The Fund may invest in derivatives which can provide leverage implicitly. Some derivatives may have the same effect as borrowing as it allows the Fund's assets to have a larger economic exposure. The

	use of leverage could enhance returns, although it may also increase losses and the volatility of returns.
Number of positions	Target between 20 – 40 securities.
Position limits	<ul style="list-style-type: none"> • Maximum Security position exposure: 10% of Net Asset Value at the time of investment. • Minimum Net Long exposure limit of 50% for all asset types (excluding foreign exchange). • Maximum Net Long exposure limit of 100% for all asset types (excluding foreign exchange).
Unit prices calculated	Daily
Applications	Up to the closing date or other such date determined by the Responsible Entity
Withdrawal (redemption)	<p>Daily. Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 12:00 noon (Sydney time) on a Business Day to be processed for that Business Day.</p> <p>As noted above (under the row head 'Management Fee'), any withdrawal (redemption) of Units before the end of the two year fee waiver period (expected to be 18 August 2022) will not attract any management fee.</p>
Distribution frequency	Half yearly each 30 June and 31 December where the Fund has distributable income
Minimum initial application	\$25,000 (The Responsible Entity reserves the right to accept smaller amounts at its discretion)
Minimum holding	N/A
Minimum withdrawal amount	\$5,000
Service Providers:	State Street Australia Limited
RE Custodian Details, Registry and Auditor	<p>Link Market Services</p> <p>Ernst & Young</p>

1.9 Independent Board Committee

Ashok Jacob is the Chairman and a non-executive director of EGI. He is also a director and shareholder of Ellerston Capital being the Responsible Entity of the Ellerston Fund. Ellerston Capital also serves as the investment manager of EGI, for which Ellerston Capital receives a management fee. Ellerston Capital is also entitled to receive a fee for acting as the Responsible entity of the Ellerston Fund. The Scheme involves the acquisition of all EGI Shares by Ellerston Capital, in its separate capacity as the Responsible Entity of the Ellerston Fund. As part of the implementation of the Scheme, the existing investment management agreement between EGI and Ellerston Capital will be terminated effective on the Implementation Date. On termination of the agreement, Ellerston Capital will be entitled to receive from EGI the Early Termination Fee (subject to approval by EGI Shareholders of the Scheme and the passing by the EGI Shareholders of the Early Termination Fee Resolution). See further Section 13.5.

In light of Ashok Jacob's dual positions as a non-executive director of EGI and a director and shareholder of Ellerston Capital, the EGI Board formed an Independent Board Committee comprising all directors of EGI other than Ashok Jacob (**IBC**) to

negotiate the terms the Scheme including the amount of the Early Termination Fee. The IBC also negotiated the terms of participation in the optional Ellerston Unit Offer.

1.10 Independent Directors' recommendation and intentions

Your Independent Directors unanimously recommend that EGI Shareholders vote in favour of the Scheme Resolution and the Early Termination Fee Resolution, in the absence of a Superior Proposal. Subject to that same qualification, each Independent Director intends to vote all EGI Shares held or controlled by them in favour of the Scheme Resolution and the Early Termination Fee Resolution. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 2.0% of all EGI Shares on issue.

The Scheme Resolution and the Early Termination Fee Resolution are inter-dependent resolutions, meaning that unless each is approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital. This inter-dependency reflects the integrated nature of the overall proposal that EGI Shareholders are being asked to consider and vote on. Specifically, the Scheme, the termination of the current fixed term EGI Management Agreement (which still has another four years to run), the payment of the negotiated Early Termination Fee and the two year waiver of management fees by the Responsible Entity of the Ellerston Fund collectively represent a single, integrated proposal for EGI Shareholders to vote on.

In forming their unanimous recommendation your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Scheme. These matters are described in more detail in Section 2 and in the Independent Expert's Report in Appendix 1 to this Explanatory Booklet. Your Independent Directors consider that the expected advantages of the Scheme outweigh its potential disadvantages and risks.

In the absence of a Superior Proposal, your Independent Directors (with the exception of Paul Dortkamp) also intend to make an Election to participate in the Ellerston Unit Offer in respect of some or all EGI Shares held or controlled by them. However, your Independent Directors make no recommendation in relation to whether you should make an Election to participate in the Ellerston Unit Offer. You should form your own view as to whether you wish to make any such Election based on your individual circumstances, financial situation, taxation position, investment objectives and risk profile. You should also consider obtaining professional advice appropriate to your specific circumstances before making any Election.

1.11 Independent Expert's conclusion

The IBC engaged the Independent Expert, KPMG Corporate Finance, to prepare a report expressing an opinion on whether the Scheme is fair and reasonable and in the best interest of EGI Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of EGI Shareholders, in the absence of a superior proposal.

The Independent Expert's Report is included in Appendix 1. You should read that report as part of your assessment of the Scheme. Section 1 contains a summary of the key conclusions of the Independent Expert in relation to the Scheme.

1.12 Conditions

The remaining Scheme Conditions are as follows:

- the KYC Information Condition being satisfied;
- the Scheme being approved by EGI Shareholders at the Scheme Meeting by:
 - unless the Court orders otherwise, a majority in number of the EGI Shareholders present and voting at the Scheme Meeting (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative); and
 - at least 75% of the total number of votes which are cast at the Scheme Meeting by EGI Shareholders (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative);
- the Court approving the Scheme;
- the Independent Expert maintaining its opinion that the Scheme is in the best interest of EGI Shareholders;
- EGI Shareholders passing the Early Termination Fee Resolution at the General Meeting with a simple majority of all votes cast; and;

- there being no breach of any EGI Warranties and no breach of any Responsible Entity Warranties prior to the Delivery Time on the date of the Second Court Hearing.

The Scheme Conditions are discussed in more detail in Section 11.3 and are set out in full in the Scheme Implementation Deed, included as Appendix 5 to this Explanatory Booklet and in clause 3(a) of the Scheme in Appendix 2 to this Explanatory Booklet.

As at the date of this Explanatory Booklet, neither EGI, nor any of the Independent Directors are aware of any circumstances that would cause any of the Scheme Conditions not to be satisfied or which could result in termination of the Scheme Implementation Deed.

EGI will make a statement regarding the status of all of the Scheme Conditions at the commencement of the Scheme Meeting.

1.13 **IMPORTANT! KYC Information Condition**

As a condition of the Scheme proceeding, the Independent Custodian must receive KYC Information from those persons registered as EGI Shareholders at 7.00pm on the Business Day before the Second Court Date (currently scheduled to be Thursday 6 August 2020) holding between them at least 75% of the then total number of EGI Shares on issue. This is referred to in this Explanatory Booklet as the **KYC Information Condition**.

Therefore, if you want the Scheme to proceed, it is imperative that you complete and return your KYC Information to the Independent Custodian in a timely manner. Different cut-off dates apply for the receipt of your KYC Information depending on whether or not you wish to make an Election to participate in the Ellerston Unit Offer (as described below). Under the Scheme Implementation Deed, the Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn appointed the Independent Custodian to collect, process and retain KYC Information on its behalf. The Independent Custodian (Mainstream Fund Services Pty Ltd) is obliged under the terms of its Custody Agreement with EGI to comply with all applicable Privacy Laws. The Independent Custodian has published a privacy policy effective March 2018 which can be accessed on its webpage. The Independent Custodian uses established technology and physical security measures to ensure a high level of protection for client information. The Independent Custodian takes reasonable steps to ensure the security of any personal information once it is collected. This includes protecting it from misuse, interference and loss, unauthorised access, modification or disclosure. Effective 22 February 2018, the Independent Custodian has in place policies and procedures to ensure that data breaches are reported to the Office of the Australian Information Commissioner (OAIC) and to the individuals affected under the Australian Notifiable Data Breach Scheme. Accordingly, your Independent Directors are satisfied that the Independent Custodian has robust systems to protect the privacy and confidentiality of your KYC Information.

To receive on the Implementation Date an issue of Ellerston Fund Units as your Scheme Consideration and, in the case of Shareholders who make a valid Election, your additional Ellerston Fund Units, **you must provide your KYC Information to EGI before the dates noted below**. Your KYC Information is to be provided in either the accompanying:

- green Election and Subscription Form - for Shareholders who wish to make an Election; or
- yellow KYC Information Form - for Shareholders who do not wish to make an Election.

A reply paid envelope is enclosed for the return of either form that applies to you.

The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.

The KYC Information includes details of the identification documentation that the Responsible Entity is required by law to collect from an EGI Shareholder before that EGI Shareholder can be issued Units under the Scheme.

Please complete every part of the Election and Subscription Form or the KYC Information Form (as applicable) that is relevant to the type of EGI Shareholder that you are.

For shareholders making an Election

If your completed Election and Subscription Form (including your Subscription Monies and all supporting documents relating to your KYC Information) is received on or before the Election Cut-off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020), you will receive your Scheme Consideration and additional Ellerston Units within 5 Business Days of the Implementation Date.

If your completed Election and Subscription Form (including your Subscription Monies and all supporting documents relating to your KYC Information - see section J of the form) is received after the Election Cut-off Date, you will be deemed to have not made a valid Election and will therefore not be allowed to participate in the Ellerston Unit Offer. In addition, you will only will receive your Scheme Consideration as soon as reasonably practicable after your completed Election and Subscription Form (including all supporting documents relating to your KYC Information) is received. In those circumstances, your Ellerston Units will only rank equally with other Ellerston Units, including with respect to distributions and the management fee waiver arrangements, as from the date your Ellerston Units are issued, which will be later than the date of issue of Ellerston Units to those Scheme Shareholder who have provided their KYC Information.

Therefore, if you do not provide your completed Election and Subscription Form (including your Subscription Monies and all supporting documents relating to your KYC Information) by the Election Cut-off Date:

- all of your EGI Shares will still be acquired by the Responsible Entity on the Implementation Date (assuming all of the Scheme Conditions have been satisfied or waived by that date and the Scheme becomes Effective);
- you will not be entitled to participate in the Ellerston Unit Offer; and
- the Ellerston Fund Units comprising your Scheme Consideration will be issued on the Implementation Date to the Independent Custodian to be held on your behalf until the 60th Business Day after the Implementation Date. On that date, the Independent Custodian will request the withdrawal (redemption) of those Units unless you have before then provided your KYC Information.

For shareholders NOT making an Election

To receive your Scheme Consideration, including in the case of Foreign Scheme Shareholders, you must complete and return the accompanying KYC Information Form to the Independent Custodian. A reply paid envelope is enclosed for the return of your KYC Information Form. The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.

If your completed KYC Information Form (including all supporting documents relating to your KYC Information – see section I of the form) is received on or before the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020, you will receive your Scheme Consideration within 5 Business Days of the Implementation Date (or in the case of Foreign Scheme Shareholders as soon as practicable after the withdrawal process is completed).

If your completed KYC Information Form (including all supporting documents relating to your KYC Information) is received after the KYC Information Cut-Off Date, the Ellerston Fund Units comprising your Scheme Consideration will be issued on the Implementation Date to the Independent Custodian to be held on your behalf until the 60th Business Day after the Implementation Date. On that date the Independent Custodian will request that your units be withdrawn (redeemed) from the Ellerston Fund, with the withdrawal proceeds held on your behalf and then paid to you if and only if you provide your KYC Information within 1 year thereafter, after which those moneys will be dealt with under the Unclaimed Money Act 1995 (NSW). See further 1.14 below.

1.14 What happens if the KYC Information Condition is satisfied but you do not provide your KYC Information?

This Section 1.14 outlines the potential implications for you if the KYC Information Condition is satisfied (meaning that KYC Information has been received from Shareholders holding between them shortly before the Scheme is due to be implemented at least 75% of the then total number of EGI Shares on issue) and if the Scheme becomes Effective but you do not provide your KYC Information before the KYC-Cut Off Date. The potential implications for you are summarised below and explained in further detail in Section 12.5.

If the KYC Information Condition is satisfied and if the Scheme becomes Effective but you have not before then provided your KYC Information, then:

- you will not receive an issue of Ellerston Fund Units on the Implementation Date and the Ellerston Fund Units that would otherwise have been issued to you will instead be issued on the Implementation Date to the Independent Custodian;
- all of your EGI Shares will be transferred by operation of the Scheme on the Implementation Date to the Responsible Entity;
- you will then have a further 59 Business Days from the Implementation Date to provide your KYC Information to the Independent Custodian (including all supporting documents relating to your KYC Information), promptly following which the Independent Custodian and the Company will procure the transfer to you of Units held by the Independent Custodian and the Company on your behalf;

- on the 60th day following the Implementation Date, the Independent Custodian will apply to withdraw (redeem) any remaining Units it is holding for Non-Identified Scheme Shareholders who have not within the preceding 59 Business Days delivered their KYC Information;
- the Independent Custodian will deposit the withdrawal proceeds into a designated trust account;
- you will then have a further 12 months to provide your KYC Information to the Independent Custodian (including all supporting documents relating to your KYC Information), promptly following which the Independent Custodian and the Company will procure the release to you your share of the net withdrawal proceeds, plus any distributions net of any taxes and other costs, fees and charges; and
- after that 12 month period concludes, the Independent Custodian will arrange for the balance of the withdrawal proceeds in the designated trust account to be released to the New South Wales State Revenue Office as 'unclaimed money' under the Unclaimed Money Act 1995 (NSW).

1.15 Taxation implications

If the Scheme proceeds, all holders of EGI Shares as at the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020) will have all of their EGI Shares transferred to the Responsible Entity on the Implementation Date (currently proposed to be Tuesday, 18 August 2020) and receive an issue of Units on a one for one basis, in accordance with the terms of the Scheme. This will constitute a disposal of EGI Shares and an acquisition of Units for Australian taxation purposes.

A general outline of the taxation implications for Australian resident EGI Shareholders in relation to disposing of their EGI Shares under the Scheme, acquiring Units under the Scheme, acquiring additional Units under the Ellerston Unit Offer, withdrawing Units under the Fund's constitution and/or retaining Units following implementation of the Scheme is provided in Section 10. The information in that Section is general in nature and should not be relied on by EGI Shareholders as tax advice. EGI Shareholders should obtain their own professional advice on the taxation implications relevant to them arising from the Scheme and the Ellerston Unit Offer in their own individual circumstances. In particular, EGI Shareholders should note that, depending on the timing of and price at which they acquired their EGI Shares, there may be differences in the tax consequences for them.

The Responsible Entity of the Fund has applied for a class ruling from the Australian Taxation Office (ATO) which addresses some of the tax consequences of the Scheme and transactions which may occur subsequent to the implementation of the Scheme. A copy of the ruling will be made available to investors on the websites of both EGI and the Ellerston Fund once issued by the ATO. Although it is not anticipated to be the case, when the binding class ruling is issued by the ATO, it is possible that it may express a view contrary to that set out in this Explanatory Booklet.

1.16 Warranties provided by EGI Shareholders

The Scheme provides that EGI Shareholders who hold EGI Shares as at the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020) are taken to have warranted to EGI and the Responsible Entity that:

- all their EGI Shares (including any rights and entitlements attaching to those shares) transferred to the Responsible Entity under the Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their EGI Shares (together with any rights attaching to those shares) to the Responsible Entity under the Scheme; and
- they have no existing right to be issued any EGI Shares, EGI options, EGI performance rights or any other EGI securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

1.17 Representations from EGI Shareholders based in the United States who participate in the Ellerston Unit Offer

EGI Shareholders that are based in the United States and who elect to participate in the Ellerston Unit Offer will be deemed to have provided the following representations to both EGI and the Responsible Entity:

- You are both (i) an "accredited investor" (as defined in Rule 501(a) under the US Securities Act of 1933 (**Securities Act**) (an "AI")) and (ii) a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act of 1940 (a "QP")) (an "AI/QP").

- You are acquiring the Ellerston Units for your own account or as a fiduciary or agent for one or more other persons each of whom is an AI/QP for whom you are authorised to act and as to which you have and are exercising investment discretion and you are not purchasing the Ellerston Units with a view to any distribution thereof.
- You understand that the Ellerston Units will be subject to restrictions on resale. The Ellerston Units have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred without registration under the Securities Act (which you acknowledge the Ellerston Fund has no obligation to do) unless the Ellerston Units are offered, sold, pledged, transferred or otherwise disposed of in a transaction exempt from, or not subject to the registration requirements of the Securities Act and the securities laws of any state in the United States or any other jurisdiction.
- You agree that if you or any other persons each of whom is an AI/QP for whose account you are acquiring the Ellerston Units decides to sell or otherwise transfer any Ellerston Units, you will only do so and you will inform such other persons each of whom is an AI/QP that it may only do so, if the offer and sale of such Ellerston Units are:
 - (i) made in the United States both (A) in a transaction exempt from the registration requirements of the Securities Act and (B) to persons each of whom is a QP; or
 - (ii) made outside the United States in "offshore transactions" in accordance with Regulation S under the Securities Act, and, in the case of (i) or (ii) above, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.
- You have not subscribed for the Ellerston Units as a result of any "general solicitation" or "general advertising" (within the meaning of Rule 502(c) under the Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine, on a web site or in or on any similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.
- You made and relied upon your own assessment of the Ellerston Fund and the Ellerston Unit Offer and have conducted your own investigation with respect to the Ellerston Units and the fund including, without limitation, the particular tax consequences of subscribing, owning or disposing of the Ellerston Units in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction. You understand that the Ellerston Fund may be a "passive foreign investment company" (as defined in Section 1297 of the US Internal Revenue Code of 1986).

1.18 Competing proposals

Your Independent Directors' recommendation of the Scheme is qualified as applying in the absence of a Superior Proposal. As at the date of this Explanatory Booklet, no Superior Proposal has been received and your Independent Directors are not aware of any approach that may result in a Superior Proposal emerging.

If a Competing Proposal for EGI emerges prior to the Scheme Meeting, your Independent Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that the Scheme is presently the most favourable proposal for all your EGI Shares.

There are no exclusivity provisions in favour of the Responsible Entity under the Scheme Implementation Deed.

1.19 Implementation timetable

If all necessary approvals and conditions for the Scheme are satisfied or waived (as applicable), it is proposed that the Scheme will be implemented on the Implementation Date (currently proposed to be Tuesday, 18 August 2020). The Scheme will apply to and bind all persons registered as EGI Shareholders as at the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020). These persons are referred to in the Scheme and in this Explanatory Booklet as **Scheme Shareholders**. Importantly, the Scheme provides that the Scheme Shareholders will not have their EGI Shares transferred to the Responsible Entity or an RE Custodian unless:

- on the Implementation Date (currently proposed to be Tuesday, 18 August 2020), the Responsible Entity procures that the name of each Scheme Shareholder entitled to receive Ellerston Units and who has as at the Scheme Record Date provided the Responsible Entity with KYC Information in respect of the Scheme Shareholder is entered in the Ellerston Fund's register of members as the holder of those Ellerston Units (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares); and
- on the Implementation Date (currently proposed to be Tuesday, 18 August 2020), the Responsible Entity procures that the name of the Independent Custodian is entered in the Ellerston Fund's register of members as the holder of the Ineligible Units (with such holding details as the Independent Custodian notifies).

Only once these steps have occurred will all EGI Shares be transferred to the Responsible Entity or an RE Custodian under the Scheme. In addition the Responsible Entity has executed a Deed Poll in favour of all Scheme Shareholders under which, subject to the Scheme becoming Effective, the Responsible Entity undertakes to provide the Scheme Consideration in accordance with the Scheme (a copy of the Deed Poll is contained in Appendix 6 to this Explanatory Booklet).

Having regard to the above matters, the IBC considers that Scheme Shareholders who have provided their completed KYC Information to the Responsible Entity before the Scheme Record Date are not exposed to any risk that their Shares will be transferred to the Responsible Entity or an RE Custodian without the Scheme Consideration first having been provided to them.

As noted in Section 1.13, if a Scheme Shareholder has not provided their completed KYC Information before the Scheme Record Date, their EGI Shares will still be transferred to the Responsible Entity on the Implementation Date and their Scheme Consideration will only be provided as soon as reasonably practicable after their completed KYC Information is received.

Accordingly, if you are a Scheme Shareholder but have not provided the Independent Custodian with your KYC Information, you will **NOT** receive the Scheme Consideration even though your EGI Shares will be transferred to the Responsible Entity or an RE Custodian on the Implementation Date. In such circumstances, you will only receive your Scheme Consideration once you have provided the Independent Custodian with your KYC Information.

The key dates and times in relation to the Scheme are set out at the beginning of this Explanatory Booklet. Sections 11 and 12 describe in further detail the procedural aspects of the Scheme and how it will be implemented.

2. Relevant considerations for EGI Shareholders

2.1 Introduction

The purpose of this Section is to identify significant issues for EGI Shareholders to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting and the General Meeting, EGI Shareholders should carefully consider the factors discussed below as well as the other information contained in this Explanatory Booklet.

Your Independent Directors recommend that you consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your individual circumstances.

2.2 Independent Directors' recommendation and intentions

For the reasons noted in Section 1.9, an IBC was formed to negotiate the terms of the Scheme with Ellerston Capital. The Independent Directors of EGI as at the date of this Explanatory Booklet are Messrs Sam Brougham, Paul Dortkamp and William Best.

Mr Ashok Jacob, the Chairman of EGI, has a material personal interest in the outcome of the Scheme in his separate capacity as a director and shareholder of Ellerston Capital, being the Responsible Entity of the Ellerston Fund, and the acquirer of EGI Shares under the Scheme. Accordingly, in his capacity as a Director of EGI, Mr Ashok Jacob does not desire to make and does not consider himself justified in making a voting recommendation in relation to the Scheme.

Profiles of each member of the EGI Board can be found in EGI's 2019 Annual Report which is available on ASX's website or EGI's website.

The interests of the Directors in the Scheme are disclosed in Section 13.2 of this Explanatory Booklet.

For the reasons set out in Section 2.3, your Independent Directors unanimously believe that:

- the expected benefits of the Scheme outweigh its potential disadvantages and risks; and
- the Scheme is in the best interest of EGI Shareholders, in the absence of a Superior Proposal.

Accordingly, your Independent Directors unanimously recommend that EGI Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal. As the Scheme is conditional on the passing of the Early Termination Fee Resolution, your Independent Directors also unanimously recommend that EGI Shareholders vote in favour of the Early Termination Fee Resolution at the General Meeting.

Subject to that same qualification, each Independent Director intends to vote all EGI Shares they hold or control in favour of the Scheme Resolution and the Early Termination Fee Resolution and (with the exception of Paul Dortkamp) intends to make an Election to participate in the Ellerston Unit Offer in respect of some or all EGI Shares held or controlled by them. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 2.0% of all EGI Shares on issue.

No Superior Proposal from another party has been received as at the date of this Explanatory Booklet.

You are not obliged to accept the Independent Directors' recommendation. Some of the reasons why you may decide to vote against the Scheme are set out in Section 2.4.

You should note that if you decide to vote against the Scheme, the Scheme will nevertheless proceed if it is approved by the requisite majority of Shareholders, approved by the Court and if the other Scheme Conditions are satisfied or waived (see Sections 11 and 12).

2.3 Key reasons for Independent Directors' recommendation

(a) The Independent Expert has concluded that the Scheme is 'fair and reasonable' and in the best interest of EGI Shareholders

Your Independent Directors engaged KPMG Corporate Finance as the Independent Expert to prepare a report expressing an opinion as to whether or not the Scheme is fair and reasonable and in the best interest of EGI Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of EGI Shareholders, in the absence of a Superior Proposal.

Fairness

In concluding that the Scheme is 'fair', the Independent Expert has compared the value of Shareholders' existing interest in EGI, being an EGI Share, on a control basis, to the value of the Scheme Consideration to be received by Scheme Shareholders, being the value of an Ellerston Unit.

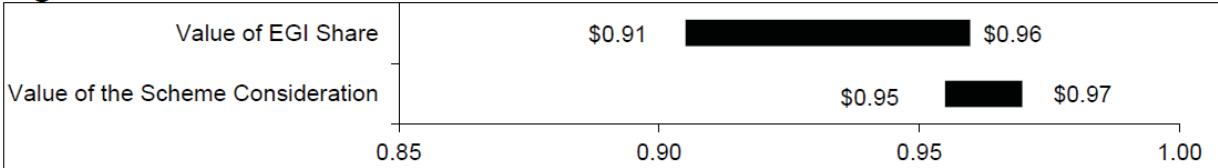
The value the Independent Expert has attributed to an EGI Share is based on a net asset methodology, based on the current or most recent listed market prices of the underlying investments in the EGI's investment portfolio. In assessing the value of an Ellerston Unit, the Independent Expert has applied the same net asset methodology to that adopted for the valuation of an EGI Share.

The Independent Expert states:⁴

Assessment of fairness

A comparison of our assessed value per EGI Share on a control basis to the Scheme Consideration is illustrated in the figure below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance Analysis

We have assessed the value of an EGI Share on a control basis to be in the range of \$0.91 to \$0.96 per share. We have assessed the value of the Scheme Consideration to be in the range of \$0.95 to \$0.97 per Ellerston Unit received...

According to RG 111, the Scheme should be considered fair if the consideration offered to Scheme Shareholders is equal to or higher than our assessed value of an EGI Share. As our assessed value range of the Scheme Consideration (\$0.95 to \$0.97 per Ellerston Unit) sits at the high end or above our assessed value range for an EGI Share (\$0.91 to \$0.96 per EGI Share), we consider the Scheme to be fair.

Reasonableness

In concluding that the Scheme is 'reasonable', the Independent Expert has assessed the implications of the Scheme for EGI Shareholders (including its advantages and disadvantages), the alternatives to the Scheme which are available to EGI, and the consequences of the Scheme not proceeding.

Other considerations including COVID-19 pandemic

In addition, the Independent Expert has considered a number of other matters including the impact of the global COVID-19 pandemic. On this point, the Independent Expert states:⁵

⁴ Independent Expert's Report, Part One – Section 4.1, page 10
⁵ Independent Expert's Report, Part One – Section 4.5, page 16

COVID-19 pandemic

The timing of the Scheme corresponds with a period of unprecedented social and community disruption, as governments seek to counter the COVID-19 pandemic. The continued global spread of COVID-19 has led to concerns regarding the sustainability of global economic activity and sparked major sell offs in global equity markets resulting in significant market volatility over a compressed timeframe and the accelerated progression to a bear market.

Our valuation of EGI and the Scheme Consideration is based on a net assets methodology, specifically referencing NTA and/or NAV. In accordance with this methodology, the valuation reflects the value of the underlying investment portfolio of EGI, pre and post the Proposed Scheme. As EGI's investment portfolio is marked-to-market based on the latest traded share price of its underlying pool of investments, our valuation reflects the impact of the current equity market downturn. Whilst the prevailing market conditions depresses our valuation of EGI and the Scheme Consideration, the impact on value is consistent across both calculations given the Scheme Consideration effectively comprises of the same assets transferred from the EGI portfolio. Consequently, the current market conditions do not impact on our overall conclusion in relation to the fairness of the Proposed Transaction.

The Independent Expert has also specifically considered the Early Termination Fee, as part of its conclusion that the Scheme is fair and reasonable and in the best interest of Shareholders.⁶ The Independent Expert's Report is included in full in Appendix 1 to this Explanatory Booklet. That report should be read in its entirety, including the assumptions on which the conclusions are based, as part of your assessment of the Scheme and before voting on the Scheme.

(b) Elimination of NTA discount - ability to exit at or around NAV

Trading in EGI Shares has been relatively illiquid since EGI listed on ASX on 20 October 2014. Since listing, EGI Shares have also persistently traded at a discount to EGI's NTA. This illiquidity and discount to NTA have limited EGI Shareholders' ability to manage their investment in respect of acquisitions and disposals of EGI shares on-market.

The price of Units in the Ellerston Fund is expected to reflect more closely the underlying performance of the Ellerston Fund investment portfolio, which will include EGI's current investment portfolio. For EGI Shareholders who desire liquidity at a price more closely approximate to underlying asset value, the Scheme provides a pathway to realise their investment at a value equal or close to NTA. Specifically, the Ellerston Fund has a liquidity facility whereby unitholders will be able to withdraw their Units. The withdrawal price will be calculated in accordance with the constitution of the Fund and will be based on the Fund's NAV less an amount on account of the notional costs of realising Fund assets to meet redemption requests. Therefore, EGI Shareholders participating in the Scheme and receiving Units in the Fund will have the ability to apply to withdraw (redeem) their Ellerston Units at a value equal or close to the Fund's NAV.

For EGI Shareholders participating in the Scheme and receiving Units in the Fund, the ability to withdraw (redeem) Units at a value equal or close to the Fund's NAV offers a superior liquidity mechanism compared to the discount to the NTA they would receive if they attempt to sell their EGI Shares on ASX.

(c) Ability to remain invested in a similar underlying global equity strategy

For EGI Shareholders who wish to remain invested in a similar concentrated underlying global equity portfolio, the Scheme provides this choice and flexibility. EGI Shareholders participating in the Scheme and receiving Units in the Fund will have the option to retain those Units and thereby maintain their investment in a vehicle with an investment strategy that has a similar underlying global equity strategy.

In addition, for EGI Shareholders who wish to remain invested in a similar concentrated underlying global equity portfolio, the Ellerston Unit Offer provides the opportunity to 'top up' their investment in the Ellerston Fund by making an Election to participate in the Ellerston Unit Offer: see further Section 1.4.

Please refer to Sections 6, 8 and 9 for further information in relation to the Ellerston Fund, including its governance and management structure, investment strategy, the rights attaching to Ellerston Units, how those rights differ from the rights attached to EGI Shares and the risks associated with holding Ellerston Units.

(d) Potential for increased scale

If the Scheme proceeds, it will effectively be a merger of EGI and the Ellerston Fund, with the Ellerston Fund controlling what would become a single enlarged investment portfolio comprising the current respective investment portfolios of EGI and the

⁶ See Independent Expert's Report, Part One – Sections 4.5, Sections 10 and 13

Ellerston Fund. The primary advantage of being a larger investment vehicle is that management expenses are spread across a higher level of funds under management, reducing the management expense ratio. Management expenses and other operating costs are discussed further below.

(e) Expected lower operating costs

If the Scheme proceeds, EGI Shareholders would become investors in an unlisted unit trust as opposed to shareholders of an ASX listed company. Therefore, EGI Shareholders would no longer be subject to the costs associated with administering EGI as a listed investment company. These costs include annual ASX listing fees and non-executive directors' fees, and the costs associated with satisfying EGI's periodic financial reporting obligations to ASX.

See Section 6.11 for further details comparing EGI's current operating costs to the expected operating costs of the Ellerston Fund.

(f) The price of Fund units is not directly subject to exogenous market forces

As an unlisted unit trust, the price of Ellerston Fund Units is not subject directly to exogenous market forces such as momentum and broader investor sentiment applicable to the share market generally. The impact of exogenous market forces on listed securities (including EGI Shares) has recently been demonstrated by the global COVID-19 pandemic which has resulted in heightened volatility in the market prices of many listed securities. It should be noted that the price of Units is likely to be impacted by the value of the Fund's underlying investments (which are expected to fluctuate in their market price and therefore value over time).

(g) The Scheme delivers a better outcome than voluntary liquidation

An alternative transaction structure considered by your Independent Directors was a liquidation of the EGI investment portfolio with the net proceeds being distributed to EGI Shareholders as a final dividend or capital return, following payment of EGI's creditors. Your Independent Directors consider that the Scheme is preferable to this alternative strategy. A voluntary liquidation of the EGI portfolio would likely result in:

- EGI being forced to sell all assets in its investment portfolio at a point where some or all of those investments have not realised their long term value and, in the context of the current COVID-19 pandemic and consequent global economic shut down, at a point where some or all of those investments have sustained material declines in their market price; and
- all Shareholders being forced to exit their EGI investment including those who have invested in EGI's strategy for the medium to long term and who wish to maintain in substance the current profile of their EGI investment.

Your Independent Directors consider that the Scheme strikes a balance between those Shareholders who are seeking liquidity at a level closer to NTA and those who have invested in EGI's strategy for the medium to long term.

(h) The market price of EGI Shares may fall if the Scheme does not proceed and no comparable or Superior Proposal emerges

EGI Shares closed at \$1.035 on 6 November 2019, being the last ASX trading day prior to EGI first announcing that the Board was proposing an orderly conversion of the Company's investment portfolio to an unlisted trust structure as the most appropriate path to liquidity at a price more closely approximate to the underlying asset value of EGI's investment portfolio.

The Independent Expert's Report considers the trading prices of EGI Shares since 7 November 2019: see section 8.10 of that report. In that section, the Independent Expert states:

For the period between the announcement of the Scheme and 31 January 2020, EGI shares have traded between 4.2 percent and 11.9 percent below NTA. On average, EGI shares traded at 7.9 percent below NTA over this period. It appears the market views the Proposed Transaction positively, as indicated by the narrowing of the share price discount to the NTA, post announcement.

Since the beginning of February 2020, the Australian share market has experienced volatility and downward pressure as the result of the COVID-19 pandemic. EGI Shares have also declined since February 2020, albeit experiencing some recovery during April 2020.

If the Scheme does not proceed and no comparable or Superior Proposal emerges, your Independent Directors consider that the market price of EGI Shares on ASX may fall below current trading levels. There may also be an increase in the market price discount to EGI's NTA.

The Independent Expert shares this view, stating that:⁷

Should the Scheme not be approved, and the Proposed Transaction not be implemented, EGI will remain a LIC with its shares trading on the ASX. Scheme Shareholders will continue to hold their interests in EGI and the underlying investment portfolio of EGI. Irrespective of whether the Scheme is approved or not, a portion of the costs relating to the Scheme will have been incurred. The costs related to the Scheme are detailed in Section 4.4 of this report.

To the extent the announcement of the Scheme narrowed the discount of the trading price in EGI Shares to the NTA, the EGI share price may fall to the discount levels experienced prior the announcement of the Scheme. The Independent Expert's Report is included in full in Appendix 1 to this Explanatory Booklet. That report should be read in its entirety, including the assumptions on which the conclusions are based, as part of your assessment of the Scheme and before voting on the Scheme.

(i) No Superior Proposal has emerged

Since 17 February 2020 (being the date EGI announced the Scheme) and up to the date of this Explanatory Booklet, no alternative proposal has emerged.

If a Competing Proposal for EGI emerges prior to the Scheme Meeting, your Independent Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that **the Scheme is presently the most favourable proposal for all your EGI Shares.**

There are no exclusivity provisions in favour of the Responsible Entity under the Scheme Implementation Deed.

2.4 Potential disadvantages of the Scheme

There are some potential reasons to vote against the Scheme that EGI Shareholders should consider in deciding how they should vote at the Scheme Meeting.

(a) You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interest

You may disagree with the reasons put forward by the Independent Directors in Section 2.3 as to why they are recommending the Scheme. You may also disagree with the Independent Expert's conclusions. You are not obliged to accept the Directors' recommendation or the views of the Independent Expert.

(b) The Scheme carries risks that you may consider unacceptable

There are a number of risks that may result from implementation of the Scheme and holding Ellerston Units. Further information about these risks is set out in Sections 9.3 and 9.4.

(c) You may prefer to hold your investment in an ASX listed entity

As investors in a publicly listed company, some EGI Shareholders may prefer to hold securities listed on ASX in preference to holding units in an unlisted trust. There may also be additional administrative and compliance requirements in managing an investment in a unit trust that do not apply to investors buying and selling shares on the market via a broker.

(d) You may prefer a company structure to a trust structure

In respect of distributions that are made from the Ellerston Fund, some investors may prefer a corporate structure which allows for the payment of franked dividends as opposed to distributions of a unit trust, which generally are taxed in the hands of unit holders.

(e) There may be a large number of withdrawal requests

The ability of Scheme Shareholders (in their future capacity as Unitholders in the Ellerston Fund) and other Unitholders to withdraw from the Ellerston Fund creates a risk that the Fund has insufficient scale to carry out its investment strategy or maintain a management expense ratio otherwise acceptable to investors.

⁷ Independent Expert's Report, Part One – Section 4.7, page 17

(f) The tax implications of the Scheme may not suit your financial position

Implementation of the Scheme may have taxation implications for EGI Shareholders. A general guide to the taxation implications of the Scheme is set out in Section 10. This guide is expressed in general terms only and EGI Shareholders should seek professional taxation advice regarding the tax implications applicable to their own circumstances.

2.5 Early Termination Fee and two year management fee waiver

(a) Background

As set out in Section 5.6, the current terms of the EGI Management Agreement provide that if the agreement is terminated, Ellerston Capital in its capacity as the Manager is entitled to receive a termination payment from EGI.

As part of the agreed terms for proposing the Scheme, if the Scheme proceeds, the EGI Management Agreement will be terminated on the Implementation Date. Assuming an Implementation Date of mid-August 2020, this termination payment would be approximately 2.04% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules.

Through negotiation between EGI (represented by its Independent Board Committee) and Ellerston Capital in its capacity as the Manager, it has been agreed that this termination payment will be 1.50% of the net tangible asset backing of each security in each class of shares in EGI's asset portfolio as calculated under the ASX Listing Rules (**Early Termination Fee**).

Therefore, the Early Termination Fee represents *less* than what Ellerston Capital as the Manager is contractually entitled to receive in terms of management fees under the EGI Management Agreement if that agreement remained on foot for its full term and was not terminated. In those circumstances, Ellerston Capital in its capacity as the Manager would receive a further four years of management fees and would also be eligible to receive annual performance fees. The Early Termination Fee equates to only two years of the Manager's current management fee entitlement.

Your Independent Directors also note that EGI Shareholders indirectly pay the current management fee through it being reflected in the value of EGI Shares available for sale on market (which is the only practical means of exit and which also incurs brokerage). The prevailing market value of EGI Shares reflects management fees accrued to date.

In light of the Early Termination Fee that Ellerston Capital (in its capacity as Manager) would be receiving for the termination of the EGI Management Agreement on the Implementation Date, the Responsible Entity has determined that, for two years from the Implementation Date, no management fees will be charged by it on Ellerston Units issued to EGI Shareholders under the Scheme and on additional Ellerston Units issued to those Shareholders who make a valid Election to participate in the Ellerston Unit Offer. These fees will be waived and not simply deferred. This waiver is pursuant to the discretion the Responsible Entity has to waive or reduce the management fee for certain unitholders. This discretion is referred to in the Ellerston Fund PDS (page 19), which is Appendix 7 to this Explanatory Booklet.

It is important to note that the two year management fee waiver commences on the Implementation Date of the Scheme and ends two years after that date (expected to be on or about 18 August 2022). This two year period will not be extended for a particular Shareholder if there has been a delay in that Shareholder being issued Units as a result of the failure to provide the required KYC Information by the requisite deadline. It is also important to note that any withdrawal (redemption) of Units before the end of that two year period (expected to be 18 August 2022) will not attract any management fee.

For the avoidance of doubt, the Responsible Entity will not allow anyone other than former EGI Shareholders to receive an issue of Class B Units, so no other class of investor will have the benefit of the two year management fee waiver.

Sections 2.5(b) and (c) distinguish the position on the Early Termination Fee and two year management fee waiver arrangements for those EGI Shareholders who (in their future new capacity as Unitholders) remain invested in the Ellerston Fund for the full two years following the Implementation Date and those who wish to exit before then. Sections 2.5(d) to (j) inclusive address the Shareholder approval requirements for the Early Termination Fee.

(b) EGI shareholders who remain invested in the Ellerston Fund for the full two years following the Implementation Date

For those EGI Shareholders who (in their future new capacity as Unitholders) maintain their investment in the Ellerston Fund for the full two years following the Implementation Date, the Early Termination Fee and the two year management fee waiver is expected to deliver for them a fee neutral outcome compared to if the Scheme does not proceed (and the status quo is thereby preserved).

The two year management fee waiver also applies to additional Ellerston Fund Units acquired under the Ellerston Unit Offer. Therefore, to the extent EGI Shareholders elect to participate in the Ellerston Unit Offer, the two year management fee waiver is expected to deliver a fee benefit (saving), compared to the status quo. Specifically, if a Shareholder elects to participate in the Ellerston Unit Offer to their maximum entitlement, their management fee would be effectively halved for two years.

(c) EGI Shareholders who wish to exit the Ellerston Fund within two years of the Implementation Date

For EGI Shareholders who (in their future new capacity as Unitholders) wish to exit their investment in Ellerston Fund within the first two years of the Implementation Date, they will not be charged any management fees or other exit fees. However, as noted in Section 1.2, a portion of the withdrawal price may comprise an income component. **Any income included in the withdrawal price in respect of Units withdrawn within 47 days after the Implementation Date will likely not entitle the Investor to any franking credit tax offset in accordance with applicable taxation laws.** Further details of the Fund's Unit withdrawal mechanism and the tax treatment of Unit withdrawals are included in Sections 6.7 and 10 respectively of this Explanatory Booklet.

Further, from the perspective of those EGI Shareholders who wish to exit their investment in the Ellerston Fund within the first two years, the Early Termination Fee may be viewed as a disadvantage compared to how the current EGI Management Fee arrangements operate. Viewed in this isolated context of a pure fee comparison between the status quo and the Scheme and disregarding any other aspect of the Scheme, the Early Termination Fee (and the associated two year management fee waiver) may be regarded as a disadvantage for EGI Shareholders who wish to exit the Ellerston Fund within the first two years after implementation.

However, for those EGI Shareholders who (in their future new capacity as Unitholders) wish to exit their investment in the Ellerston Fund within the first two years, the Scheme offers them both:

- the **opportunity** to do so; that is, daily liquidity, as opposed to the current significant illiquidity of EGI Shares; and
- a **mechanism** to achieve a Unit withdrawal price that is close to Net Asset Value of the Ellerston Fund per Unit (as opposed to the current significant discount of EGI Shares to their NTA).

Therefore, for EGI Shareholders who (in their future new capacity as Unitholders) wish to exit their investment in the Ellerston Fund within the first two years after implementation, it is open for them to conclude, on balance, that the disadvantage arising from the Early Termination Fee and the associated two year management fee waiver, while it may exist in a purely fee related comparison context, may not be elevated to the point of being a reason for them to vote against the Scheme. By voting against the Scheme, EGI Shareholders who wish to exit would in effect be allowing any disadvantage on this discrete and isolated fee comparison point to displace the overriding advantage that will enable them to exit their investment at a higher price than the prevailing price of EGI Shares (which are illiquid and trade on ASX at a material discount to their NTA). Simply put, this category of EGI Shareholders may conclude that the extent of any fee disadvantage for them does not outweigh the economic benefit of achieving an exit price at that is close to Net Asset Value of the Fund per unit that the Scheme offers them.

(d) Approval of the Early Termination Fee at the General Meeting

Your Independent Directors recognise that the payment of the Early Termination Fee by EGI to Ellerston Capital (in its capacity as the Manager) would constitute the provision of a financial benefit by EGI to a related party (Ellerston Capital) for the purposes of Chapter 2E of the Corporations Act. Chapter 2E provides that for a public company to give a financial benefit to a related party, the public company must either obtain member approval (and give the benefit within 15 months of member approval) or the giving of the benefit must fall within an exception in sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act allows a public company to provide a financial benefit to a related party without member approval if the financial benefit is given on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in the preceding bullet point.

Although the negotiated amount of the Early Termination Fee is less than the contractual termination fee entitlement under the EGI Management Agreement, and although that original contractual termination fee entitlement was negotiated at arm's length in 2014, there is no readily available, reliable comparable market data as to other negotiated reduced termination fees where the management agreement has been terminated before the conclusion of its agreed fixed term, giving rise to a fee entitlement greater than the arm's length negotiated amount. In the absence of readily available, reliable comparable market data, the proposed payment of the Early Termination Fee is to be separately approved by Shareholders under Chapter 2E (section 208(1)) of the Corporations Act. Ashok Jacob, as a director, the Chairman and a shareholder of Ellerston Capital (in its capacity as the Manager) has a personal interest in the amount of the Early Termination Fee and its receipt. The voting exclusion referred to in

Section 2.5(i) will apply to him as well as to Ellerston Capital (in any capacity). None of the Independent Directors have a personal interest in the amount of the Early Termination Fee or its receipt by Ellerston Capital.

Your Independent Directors have convened the General Meeting in order to obtain EGI Shareholders' approval for EGI to pay the Early Termination Fee to Ellerston Capital. Information regarding the convening and holding of the General Meeting is set out at section 4.2 of this Explanatory Booklet, as well as the Notice of General Meeting included as Appendix 4 to this Explanatory Booklet.

(e) Inter-dependency with Scheme Resolution

The General Meeting has been convened to consider and vote on the proposal for EGI to pay the Early Termination Fee to the Manager. The approval of the Early Termination Fee Resolution is a condition for the Scheme to proceed. Similarly, the approval of the Scheme (and it becoming Effective) is a condition for EGI to pay the Early Termination Fee to Ellerston Capital (in its capacity as the Manager). The Scheme and the Early Termination Fee Resolution are inter-dependent resolutions, meaning that unless each are approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital.

This inter-dependency reflects the integrated nature of the overall proposal that EGI Shareholders are being asked to consider and vote on. Specifically, the Scheme, the termination of the current fixed term EGI Management Agreement (which still has another four years to run), the payment of the negotiated Early Termination Fee and the two year waiver of management fees by the Responsible Entity of the Ellerston Fund collectively represent a single, integrated proposal for EGI Shareholders to vote on.

(f) Independent Directors' recommendation

Your Independent Directors unanimously recommend that Shareholders vote in favour of the Early Termination Fee Resolution at the General Meeting. The Independent Expert has also specifically considered the Early Termination Fee as part of its conclusion that the Scheme is fair and reasonable and in the best interest of EGI Shareholders.⁸

(g) Eligibility to vote at the General Meeting

Subject to the voting exclusion noted in Section 2.5(i), each person who is registered on the EGI Share Register as a EGI Shareholder as at the Voting Entitlement Time 7.00pm (Sydney time) on Wednesday, 29 July 2020 is entitled to attend and vote at the General Meeting, either online, by proxy or attorney or, in the case of a corporate EGI Shareholder or proxy, by a representative.

Section 4 of this Explanatory Booklet sets out the instructions for how to vote at the General Meeting. A separate General Meeting Proxy Form for the General Meeting is enclosed with this Explanatory Booklet.

(h) Approval threshold

The Early Termination Fee Resolution requires the approval of a simple majority (more than 50%) of the votes cast by EGI Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate EGI Shareholder or proxy, by a representative.

(i) Voting exclusions

As at the Last Practicable Date, Ellerston Capital held 2,233,865 EGI Shares, representing approximately 2.1% of the EGI Shares on issue. All of these EGI Shares are held by Ellerston Capital in its capacity as responsible entity of the Ellerston Global Equity Managers Fund (**GEM Fund**), which is a separate fund to the Ellerston Fund of which Ellerston Capital is also the Responsible Entity. As Ellerston Capital is the recipient of the Early Termination Fee (albeit, in its separate capacity as the Manager), in accordance with section 224(1) of the Corporations Act Ellerston Capital and its associates will not cast a vote (in any capacity) on the Early Termination Fee Resolution.

Ashok Jacob has a relevant interest in 3,096,038 EGI Shares, representing approximately 2.94% of the total number of EGI Shares on issue. As director and Chairman and shareholder of Ellerston Capital (being the related party to whom the Early Termination Fee would be payable), Ashok Jacob is an associate of Ellerston Capital. In accordance with section 224(1) of the Corporations Act, Ashok Jacob and his associates will not cast a vote (in any capacity) on the Early Termination Fee Resolution.

(j) Disclosure requirements under the Corporations Act

⁸ See Independent Expert's Report, Part One – Sections 4.5, Sections 10 and 13.

This Explanatory Booklet forms the explanatory statement regarding the Early Termination Fee Resolution that is required to be provided to EGI Shareholders under Chapter 2E of the Corporations Act. Section 219 of the Corporations Act stipulates that certain matters must be addressed in the explanatory statement. Below is a table that identifies the matters which must be addressed, and the relevant location within the Explanatory Booklet at which those matters are addressed.

Section	Requirement	Where addressed in this Explanatory Booklet
219(1)(a)	The related parties to whom the proposed resolution would permit financial benefits to be given	<p>Ellerston Capital (as Manager): see further Section 2.5(d)</p> <p>Ashok Jacob as the Chairman and a direct or indirect shareholder of Ellerston Capital: see further letter from Ashok Jacob at page 24</p>
219(1)(b)	The nature of the financial benefits	Payment of the Early Termination Fee to Ellerston Capital (as Manager) on the Implementation Date: see further Section 2.5(a)
219(1)(c)	<p>In relation to each director of EGI:</p> <ul style="list-style-type: none"> • if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or • if not—why not; or <p>if the director was not available to consider the proposed resolution—why not</p>	Section 2.2
219(1)(d)	<p>in relation to each such director:</p> <ul style="list-style-type: none"> • whether the director had an interest in the outcome of the proposed resolution; and • if so—what it was 	Sections 2.5(d) and 13.5
219(1)(e)	<p>all other information that:</p> <ul style="list-style-type: none"> • is reasonably required by members in order to decide whether or not it is in the company's interests to pass the proposed resolution; and • is known to the company or to any of its directors. 	<p>Sections 2.5, Section 13.5</p> <p>Appendix 4</p> <p>Remainder of this Explanatory Booklet</p>

2.6 Other relevant considerations

(a) Different governance structure

If the Scheme proceeds, your current investment in EGI Shares will be restructured as an investment in Ellerston Units. The governance structure of the Ellerston Fund will be different to that of EGI. The Responsible Entity has a compliance committee with a majority of independent members as opposed to a board with a majority of independent directors. Additionally, the Responsible Entity and the Ellerston Fund are subject to the regulatory and compliance obligations of an Australian Financial Services Licensee and a registered managed investment scheme respectively.

Section 8.3 provides a comparison of the rights attaching to your EGI Shares and the Ellerston Units.

(b) The KYC Information Condition

In addition to the need to obtain Shareholder approval and Court approval of the Scheme and separate Shareholder approval of the Early Termination Fee Resolution, the Scheme is subject to the satisfaction of the KYC Information Condition. The purpose and effect of the KYC Information Condition, together with its operation and implications, are explained in Sections 1.13, 1.14, 6.8 and 12.5.

It is open for EGI and the Responsible Entity to jointly waive the KYC Information Condition or reduce the 75% threshold. As at the date of this Explanatory Booklet, neither EGI nor the Responsible Entity presently intend to waive the KYC Information Condition or reduce the 75% threshold, however they reserve the right to do so.

(c) The Scheme also has other conditions

The Scheme is also subject to a number of other conditions. The Scheme Conditions are outlined in Section 11.3 and are set out in full in clause 3.1 of the Scheme Implementation Deed in Appendix 5 to this Explanatory Booklet and in clause 3(a) of the Scheme in Appendix 2 to this Explanatory Booklet. All these Scheme Conditions need to be satisfied (or alternatively waived, in the case of certain conditions that are capable of being waived) in order for the Scheme to proceed.

Your Independent Directors have reviewed the Scheme Conditions and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Explanatory Booklet, your Independent Directors are not aware of any matter that would result in a breach or non-fulfilment of any of the Scheme Conditions.

(d) The Scheme delivers an 'all or nothing' outcome

If all of the Scheme Conditions are satisfied or waived (as applicable):

- it will bind all persons registered as EGI Shareholders as at the Scheme Record Date (being Scheme Shareholders), including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against it, meaning that all persons who are Scheme Shareholders will relinquish ownership of their EGI Shares and will be entitled to receive the Scheme Consideration, subject to the receipt of their completed KYC Information Form; and
- EGI will become wholly owned by the Fund and will be delisted from ASX.

Conversely if all of the Scheme Conditions are not satisfied or waived (as applicable), the status quo will be preserved, meaning that:

- EGI Shareholders will retain all of their Shares;
- the existing EGI Board will continue to operate EGI's business including under the EGI Management Agreement;
- the expected advantages of the Scheme, as outlined in Section 2.3, will not be realised and equally some of the potential disadvantages, as outlined in Section 2.4, will no longer be relevant; and
- EGI Shareholders will retain their current investment in EGI Shares and in doing so will continue to retain the benefits of that investment and continue to be exposed to the risks associated with that investment. Those risks include ones that are specific to EGI's business (see Section 9.2).

(e) Transaction costs

EGI Shareholders

If the Scheme proceeds, EGI Shareholders will not be required to pay any brokerage charges on the disposal of their EGI Shares under the Scheme nor will they be required to pay any brokerage, stamp duty or other costs for the issue of their Ellerston Units. The impact of the Early Termination Fee and the associated two year management fee waiver arrangements are explained in Section 2.5.

EGI

As at the date of this Explanatory Booklet, EGI has incurred (or expects to incur) costs of approximately \$850,000 in developing the Scheme to the point that it is capable of being submitted to EGI Shareholders as a formal offer for their consideration. These costs include negotiations with the Responsible Entity, the retention of advisers, engagement of the Independent Expert and preparation of this Explanatory Booklet and are included in the current EGI NTA.

If the Scheme does not proceed and no Superior Proposal is implemented, EGI's results for the financial year ending 30 June 2020 will be negatively impacted by the transaction costs incurred in proposing the Scheme. Those transaction costs may also impact the capacity of EGI to pay a dividend or the amount of any dividend in FY2021 and potentially in subsequent financial years.

(f) Competing proposals

Your Independent Directors' recommendation of the Scheme is qualified as applying in the absence of a Superior Proposal. As at the date of this Explanatory Booklet, no Superior Proposal has been received and your Independent Directors are not aware of any approach that may result in a Superior Proposal emerging.

If a Competing Proposal for EGI emerges prior to the Scheme Meeting, your Independent Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that the Scheme is presently the most favourable proposal for all your EGI Shares.

There are no exclusivity provisions in favour of the Responsible Entity under the Scheme Implementation Deed.

2.7 What are your choices?

<p>Vote in favour of the Scheme Resolution and the Early Termination Fee Resolution</p>	<p>This is the choice unanimously recommended by your Independent Directors, in the absence of a Superior Proposal.</p> <p>To follow your Independent Directors' unanimous recommendation, you should vote in favour of the Scheme Resolution at the Scheme Meeting and in favour of the Early Termination Fee Resolution at the General Meeting. For a summary of how to vote on the Scheme and the Early Termination Fee Resolution, please refer to Section 4 of this Explanatory Booklet.</p> <p>If the Scheme is implemented, Scheme Shareholders may apply to withdraw some or all of their Ellerston Fund Units commencing from the Implementation Date.</p> <p>Holders of Ellerston Fund Units will have the opportunity to withdraw each Business Day by providing a withdrawal request prior to 12.00pm (Sydney time) on a Business Day, or any cut off time determined by the Ellerston Fund.</p> <p>More information is contained at Section 7.2 of the Ellerston Fund PDS, which is contained at Appendix 7 to this Explanatory Booklet.</p>
<p>Vote against the Scheme Resolution and the Early Termination Fee Resolution</p>	<p>If, despite your Independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme Resolution at the Scheme Meeting or against the Early Termination Fee Resolution at the General Meeting or you may vote against both.</p> <p>However, if all of the Scheme Conditions are satisfied or waived (as applicable), the Scheme will bind all persons registered as EGI Shareholders on the Scheme Record Date, including those who were not present at the Scheme Meeting or the General Meeting, those who voted against the Scheme Resolution or the Early Termination Fee Resolution or those who did not vote at all.</p> <p>Therefore, all persons who are Scheme Shareholders will relinquish ownership of their EGI Shares and will be entitled to receive the Scheme Consideration, subject to the receipt of their completed KYC Information Form.</p> <p>Accordingly, even if you do not support the Scheme and intend to vote against it or to not vote at all, you should still complete and return the yellow KYC Information Form so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020).</p>
<p>Vote in favour of the Scheme but against the Early Termination Fee Resolution (or vice versa)</p>	<p>Although this voting course is open, Shareholders who support the Scheme should also vote in favour of the Early Termination Fee Resolution, as the passing of the Early Termination Fee Resolution is a condition to the Scheme proceeding.</p> <p>It is conceivable that some Shareholders may support the Scheme but not the Early Termination Fee Resolution, even though they have been proposed as a single integrated proposal. It is open for those Shareholders to vote in favour of the Scheme but against the Early Termination Fee Resolution. However, you should note that unless the Early Termination Fee Resolution is passed by EGI Shareholders, then the Scheme will not proceed.</p>
<p>Decide whether or not to make an Election to participate in the Scheme</p>	<p>EGI Shareholders may, if they wish to do so, subscribe for additional Ellerston Units by participating in the Ellerston Unit Offer. Participation is entirely optional and involves making an Election to subscribe for additional Units in the Ellerston Fund for an amount up to the value of your current investment in EGI as at the Election Calculation Date. Participation in the Ellerston Unit Offer is not open to Foreign Scheme Shareholders or EGI Shareholders who were not Shareholders on the Election Calculation Date.</p> <p>If, after reading this Explanatory Booklet and considering your own personal investment objectives and financial situation, you wish to elect to receive additional Ellerston Fund Units, you must complete the accompanying green Election and Subscription Form in accordance with the instructions on that form. This form includes fields for the provision of your KYC Information. You should disregard the yellow KYC Information Form (as that form is only relevant to Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer).</p> <p>Please complete every part of the KYC Information fields in the green Election and Subscription Form that are relevant to the type of EGI Shareholder that you are.</p> <p>Please return the completed original green Election and Subscription Form (including payment of your Subscription Monies and all supporting documents relating to your KYC Information – see section J of the form) so that it is received by the Independent Custodian by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020). A reply paid envelope is enclosed for the return of your Election and Subscription Form.</p> <p>The Election and Subscription Form also includes payment instructions for the receipt of your Subscription Moneys. Please also ensure that your Subscription Monies are received in accordance with the instructions on the Election and</p>

	Subscription Form by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020).
Sell your EGI Shares	<p>The existence of the Scheme does not preclude you from selling some or all of your EGI Shares on market for cash, if you wish, provided you do so before close of trading in EGI Shares on ASX on the Effective Date (currently proposed to be Friday, 7 August 2020) You will not be able to sell your EGI Shares on market after the Effective Date, as this will be the last day of trading in EGI Shares on ASX before trading in EGI Shares on ASX is suspended.</p> <p>You may however seek to sell your EGI Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be Tuesday, 11 August 2020).</p> <p>If you are considering selling your EGI Shares, you should have regard to the prevailing trading prices of EGI Shares and compare those to the Scheme Consideration. You may ascertain current trading prices of EGI Shares through ASX's website (www.asx.com.au) or by contacting your stockbroker.</p> <p>EGI Shareholders who sell some or all of their EGI Shares:</p> <ul style="list-style-type: none"> • will receive payment for the sale of their EGI Shares sooner than they would receive their Scheme Consideration; • may incur a brokerage charge if the EGI Shares are sold on market; • will not be able to receive the Scheme Consideration or be entitled to the benefits of any Superior Proposal, if one emerges (but only for those EGI Shares they have sold, if they have chosen to sell some but not all of their EGI Shares); and • may be liable for tax on the disposal of their EGI Shares (as may also be the case for Scheme Shareholders, as to which see Section 10).
Do nothing	<p>EGI Shareholders who do not vote at the Scheme Meeting will:</p> <ul style="list-style-type: none"> • if the Scheme is not implemented - retain their EGI Shares; and • if the Scheme is implemented - have their EGI Shares compulsorily transferred to the Responsible Entity (along with the EGI Shares held by all other EGI Shareholders), by operation of the Scheme, and be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme. Accordingly, even if you do not intend to vote at all, you should still complete and return the yellow KYC Information Form so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020).

3. Frequently asked questions

Set out below are summary answers to some frequently asked questions about the Scheme. This information is a summary only and is not intended to address all relevant issues for EGI Shareholders. This Section 3 should be read subject to, and in conjunction with, the remainder of this Explanatory Booklet.

A. QUESTIONS ABOUT THE SCHEME

Question	Answer	Further information
What are EGI Shareholders being asked to consider?	<p>EGI Shareholders are being asked to consider and vote on a proposed restructure of their current investment in EGI Shares.</p> <p>This restructure is being proposed under a scheme of arrangement between EGI and its Shareholders. If the Scheme is approved and implemented, EGI Shareholders participating in the Scheme will receive one Ellerston Unit for each EGI Share they hold on the Scheme Record Date.</p> <p>The Ellerston Fund is an unlisted unit trust. The responsible entity of the Ellerston Fund is Ellerston Capital Limited.</p> <p>EGI Shareholders will be asked to consider and vote on the Scheme at the Scheme Meeting. If all of the Scheme Conditions are satisfied or waived (in accordance with the Scheme Implementation Deed), the Scheme will constitute a binding arrangement between EGI and each Scheme Shareholder, as a result of which they are entitled to receive Units in the Fund.</p> <p>EGI Shareholders are also being asked to consider and vote on the Early Termination Fee Resolution to allow payment of the Early Termination Fee to Ellerston Capital (in its capacity as the Manager) in connection with the Scheme. The Scheme is conditional on EGI Shareholder approval of the Early Termination Fee Resolution, and so if the Early Termination Fee Resolution is not approved, the Scheme will not proceed.</p>	Sections 1, 11 and 12
If the Scheme proceeds, what will be the effect?	<p>If the Scheme proceeds:</p> <ul style="list-style-type: none"> • Scheme Shareholders will receive an issue of a new class of fully paid units in the Fund (Class B units), at an exchange ratio of one new Unit for every one EGI Share held on the Scheme Record Date – this is subject to Scheme Shareholders delivering their KYC Information to the Independent Custodian • all EGI Shares will be acquired by Ellerston Capital in its capacity as the Responsible Entity of the Ellerston Fund; • EGI will become wholly-owned by the Ellerston Fund and will be delisted from ASX; • Scheme Shareholders who have made a valid Election will receive additional Ellerston Units in accordance with their Election and the terms of the Scheme; • the portfolio of EGI's investments will ultimately be transferred to the Fund after the Scheme is implemented; • the current investment management agreement between EGI and Ellerston Capital will be terminated with effect on the Implementation Date and EGI will pay Ellerston Capital the Early Termination Fee (see further Section 13.5); and 	Sections 1, 11 and 12

Question	Answer	Further information
	<ul style="list-style-type: none"> • Scheme Shareholders who receive Ellerston Units (both under the Scheme and the Ellerston Unit Offer) may request the withdrawal (redemption) of all or some of their Units in accordance with the constitution of the Fund after the Implementation Date. 	
Why is the Scheme being proposed?	<p>The Scheme is being proposed to address the persistent discount to NTA at which EGI Shares have traded since the Company's listing on ASX in October 2014.</p> <p>If the Scheme proceeds, EGI Shareholders will become Unitholders in the Ellerston Fund, being an unlisted investment vehicle with a Unit price that will reflect at all times the underlying NAV of the Fund's investment portfolio. As Unitholders in the Ellerston Fund, EGI Shareholders will have the ability to withdraw (redeem) all or some of their Units at a value equal to or close to the Fund's NAV, as opposed to the likely greater discount to NTA they would receive if they were to sell their EGI Shares on ASX.</p> <p>Your Independent Directors consider that the Scheme provides a solution to this issue. Equally, for EGI Shareholders who wish to remain invested in a similar concentrated underlying global equity portfolio, the Scheme allows them to do so because the Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.</p>	Sections 1.1 and 2.2
Am I entitled to participate in the Scheme?	If you remain an EGI Shareholder as at the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020), you will be entitled to participate in, and will be bound by, the Scheme.	Sections 11 and 12.5
What are the key conditions that need to be satisfied before the Scheme can proceed?	<p>The key remaining conditions that must be satisfied are:</p> <ul style="list-style-type: none"> • EGI Shareholders approving the Scheme by passing the Scheme Resolution by the requisite majorities at the Scheme Meeting; • EGI Shareholders passing the Early Termination Fee Resolution at the General Meeting; • the KYC Information Condition being satisfied; • the Court approving the Scheme; • there being no breach of any EGI Representations and Warranties and no breach of any Responsible Entity Representations and Warranties prior to the Delivery Time on the date of the Second Court Hearing. <p>EGI will make a statement at the commencement of the Scheme Meeting regarding the status of these conditions.</p> <p>As at the date of this Explanatory Booklet, neither EGI nor the Responsible Entity is aware of any reason why the Conditions will not be satisfied.</p>	Section 11.3
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved by EGI Shareholders or is not approved by the Court and you still hold any EGI Shares at either of those points in time:</p> <ul style="list-style-type: none"> • you will not receive the Scheme Consideration; • any additional Units you have applied for under the Ellerston Unit Offer will not be issued; • you will retain your current investment in EGI Shares and in doing so will continue to retain the benefits of an investment in EGI Shares and continue to be exposed to the risks presently 	Section 2

Question	Answer	Further information
	<p>associated with this investment. These include general risks of holding shares and risks that are specific to EGI's business as described in Section 9.2;</p> <ul style="list-style-type: none"> • the expected advantages of the Scheme, as outlined in Section 2.3, will not be realised; • equally some of the potential disadvantages of the Scheme identified in Section 2.4 will no longer be relevant; • EGI will have incurred substantial costs (being approximately \$850,000) and expended management time and resources for a proposed restructure that does not proceed; and • the Independent Directors consider that the price of EGI Shares on ASX may fall if no comparable or Superior Proposal emerges. 	
What are the risks of the Scheme?	<p>The risks associated with the Scheme include but are not limited to:</p> <ul style="list-style-type: none"> • the risk that the Scheme is not approved by EGI Shareholders at the Scheme Meeting or the Early Termination Fee Resolution is not passed by EGI Shareholders at the General Meeting or the KYC Information Condition is not satisfied, in which case EGI will have incurred substantial costs associated with a failed Scheme; and • the Scheme may deliver cost savings in operating synergies following its implementation. However, it is possible that the integration of EGI and the Ellerston Fund will be more difficult or take more time than currently anticipated, and could delay the realisation of scale, synergy and other benefits expected to result from the Scheme. 	Section 9
What are the risks of being a Unitholder in the Ellerston Fund?	<p>The Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook. Accordingly, the risks of being a Unitholder in the Ellerston Fund are similar in many respects to the risks to which you are currently exposed as an EGI Shareholder.</p>	Section 9
What are the choices for EGI Shareholders?	<p>EGI Shareholders may:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme Resolution at the Scheme Meeting and in favour of the Early Termination Fee Resolution at the General Meeting; • vote against the Scheme Resolution at the Scheme Meeting and against the Early Termination Fee Resolution at the General Meeting; • vote in favour of the Scheme Resolution at the Scheme Meeting but against the Early Termination Fee Resolution at the General Meeting (or vice versa) (noting that in order for the Scheme to be implemented both the Scheme Resolution AND the Early Termination Fee Resolution must be approved); • sell their EGI Shares before trading is suspended on the Effective Date; or • do nothing. <p>EGI Shareholders who support the Scheme may also Elect to participate in the Ellerston Unit Offer.</p>	Sections 1.4, 1.6 and 2.7
What happens if a Competing Proposal for EGI emerges?	<p>Although no Competing Proposal has emerged as at the date of this Explanatory Booklet, it is possible that one could emerge. If an unsolicited Competing Proposal for EGI is received before the Scheme</p>	Sections 2.3(i) and 2.6(f)

Question	Answer	Further information
	Meeting, the Independent Directors will carefully consider it to determine whether it is a Superior Proposal and will inform you of any material developments which may affect the Independent Directors' view that the Scheme is presently the most favourable proposal for all your EGI Shares.	
Can I sell my EGI Shares now?	<p>Yes. EGI Shareholders may sell their EGI Shares on ASX or Chi-X at the prevailing market price at any time before the close of trading on ASX on the Effective Date (currently proposed to be Friday, 7 August 2020). You will not be able to sell your EGI Shares on market after the Effective Date, as this will be the last day of trading in EGI Shares on ASX and Chi-X before trading in EGI Shares on ASX is suspended.</p> <p>You may however seek to sell your EGI Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020).</p> <p>If you sell your EGI Shares before the Scheme Record Date you:</p> <ul style="list-style-type: none"> • will receive the proceeds from the sale of your EGI Shares sooner than you would receive your Scheme Consideration under the Scheme (noting that your sale proceeds may vary from the Scheme Consideration); • may incur a brokerage charge if you sell your EGI Shares on market; • will not be able to participate in the Scheme or a Superior Proposal, if one emerges; and • may be liable for tax on the disposal of their EGI Shares, (as may also be the case for Scheme Shareholders, as to which see Section 10 further details). 	Section 2.7
Will I be giving any warranties in respect of my EGI Shares?	<p>Yes. Each Scheme Shareholder will be deemed to have warranted to EGI and the Responsible Entity that all of their EGI Shares will, at the date of transfer under the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their EGI Shares to the Responsible Entity (together with all rights and entitlements attaching to such shares).</p> <p>You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date</p>	Section 1.16 and Appendix 2
Under what circumstances can the Responsible Entity terminate the Scheme Implementation Deed?	<p>The Responsible Entity can terminate the Scheme Implementation Deed at any time before the Delivery Time on the Second Court Date if the Independent Board Committee withdraws or adversely changes their recommendation that EGI Shareholders vote in favour of the Scheme or has recommended or made a statement supporting a Competing Proposal.</p> <p>The Scheme Implementation Deed may be terminated in other certain circumstances, details of which are summarised in Section 11.4. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.</p>	Section 11.4
What is happening with the existing EGI Management Agreement?	<p>EGI and Ellerston Capital (in its capacity as the Manager) have agreed under the Scheme Implementation Deed that, subject to the Scheme becoming Effective, the EGI Management Agreement will be terminated with effect from the Implementation Date.</p> <p>On that date, Ellerston Capital will be entitled to receive from EGI the Early Termination Fee, being 1.50% of the net tangible asset value of each security in each class of the Company's asset portfolio as calculated under the ASX Listing Rules as at the Implementation Date.</p>	Section 13.5

Question	Answer	Further information
	<p>The amount of the Early Termination Fee was negotiated between the Independent Directors and Ellerston Capital (in its capacity as the Manager) and is lower than the amount to which Ellerston Capital (in its capacity as the Manager) is contractually entitled under the EGI Management Agreement.</p> <p>Payment of the agreed Early Termination Fee by EGI to Ellerston Capital (in its capacity as the Manager) requires the approval of EGI Shareholders under Chapter 2E of the Corporations Act. EGI has convened the General Meeting for EGI Shareholders to consider and vote on the Early Termination Fee Resolution.</p>	

B. QUESTIONS ABOUT THE SCHEME CONSIDERATION

Question	Answer	Further Information
What will I receive if the Scheme is implemented?	<p>If the Scheme is approved and implemented, EGI Shareholders will receive one Ellerston Unit for each EGI Share they hold on the Scheme Record Date (currently proposed to be 7.00pm on Tuesday, 11 August 2020), provided they have returned their KYC Information to the Independent Custodian. The timing for the receipt of your KYC Information is as follows:</p> <ul style="list-style-type: none"> • For Shareholders making an Election to participate in the Ellerston Unit Offer - you must complete and return your green Election and Subscription Form (which has fields for the provision of your KYC Information) by the Election Cut-Off Date (being 7.00pm (Sydney time) on Thursday, 16 July 2020). • For Shareholders not making an Election to participate in the Ellerston Unit Offer - you must complete and return your yellow KYC Information Form by the KYC Information Cut-Off Date (being 7.00pm on Wednesday, 5 August 2020). <p>Failure to provide your KYC Information by these dates will not affect the entitlement of the Responsible Entity to acquire your Shares on the Implementation Date but this delay will affect the nature of the Scheme Consideration you will receive on the Implementation Date (and before your Shares are so acquired).</p>	Sections 1 and 12
If I am a Foreign Scheme Shareholder, what consideration will I receive if the Scheme is implemented?	<p>Foreign Scheme Shareholders will not receive Ellerston Units under the Scheme. Instead, the Ellerston Units that would otherwise have been issued to them will be issued to the Independent Custodian on the Implementation Date (Ineligible Units).</p> <p>The Independent Custodian will apply to withdraw (redeem) the Ineligible Units as soon as reasonably practicable and in any event, not more than 20 Business Days after the Implementation Date.</p> <p>The Independent Custodian will pay the withdrawal proceeds into a dedicated trust account. The release of those proceeds to each Foreign Scheme Shareholder will require them to first provide their KYC Information to the Independent Custodian and will be less all applicable taxes and charges incurred by the Independent Custodian in connection with the withdrawal.</p>	Section 12.8
When and how will I receive my Scheme Consideration?	<p>If all approvals and conditions for the Scheme are satisfied or waived (as applicable), the Scheme Consideration will be provided to all Scheme Shareholders on the Implementation Date (currently proposed to be Tuesday, 18 August 2020). The nature of the Scheme Consideration you will receive on the Implementation Date will depend on whether or not you have provided your KYC Information to the Independent Custodian before the KYC Information Cut-Off Date. For Scheme Shareholders who have provided their KYC Information to the Independent Custodian before the KYC Information Cut-Off Date, they will receive an issue of</p>	Sections 1.13, 1.14, 6.8, 12.5 and 12.7

Question	Answer	Further Information
	<p>Ellerston Fund Units as their Scheme Consideration on the Implementation Date.</p> <p>For Scheme Shareholders who have not provided their KYC Information to the Independent Custodian before the KYC Information Cut-Off Date, the Ellerston Funds Units attributable to them will be issued on the Implementation Date to the Independent Custodian, to be dealt with by it in accordance with the Scheme.</p>	
What is the Customer Identification Procedure?	<p>The Ellerston Fund is an unlisted unit trust. Accordingly, in order for the Responsible Entity to be 'reasonably satisfied' of the identity of the holders of the Ellerston Units, the Responsible Entity is required to collect certain customer identification information (and verify that information) in compliance with the AML/CTF Act before it can issue Ellerston Units to Scheme Shareholders entitled to receive Ellerston Units.</p> <p>Customer identification information may include detailed know your customer (KYC) information in relation to a Scheme Shareholder, such as, for an individual Scheme Shareholder, their name, address, and date of birth and for a Scheme Shareholder that is a corporation, details of their directors and beneficial owners, and where a Scheme Shareholder is a trustee, details of the trust and beneficiaries.</p> <p>Failure to provide your KYC Information by the KYC-Information Cut-Off Date will affect the nature of the Scheme Consideration you will receive on the Implementation Date.</p>	Sections 1.13, 1.14, 6.8 and 12.5
What am I required to provide as part of the Customer Identification Procedure?	<p>Your required KYC Information is contained in the Election and Subscription Form (for those Shareholders who wish to make an Election to participate in the Ellerston Unit Offer) or in the KYC Information Form (for those Shareholders who do not wish to make any such Election). Both forms accompany this Explanatory Booklet. In order to receive Ellerston Units as your Scheme Consideration, you must complete and return to the Independent Custodian either form in accordance with the instructions on the relevant form. Please complete every part of the form that is relevant to the type of EGI Shareholder that you are. You will also be required to provide certified copies of certain identification documents.⁹ Please refer to section J of the Election and Subscription Form or section I of the KYC Information Form (whichever is applicable to you) for further details.</p>	Sections 1.13, 1.14, 6.8 and 12.5
Why am I required to complete the Customer Identification Procedure?	<p>In 2006 the Federal Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).</p> <p>The purpose of this legislation is to enable Australia's financial sector to maintain international business relationships, detect and prevent money laundering and terrorism financing by meeting the needs of law enforcement agencies and to bring Australia in line with international standards.</p> <p>The Responsible Entity is required to comply with the AML/CTF Act before issuing Units under the Scheme, the Ellerston Unit Offer or otherwise.</p>	Sections 1.13, 1.14, 6.8 and 12.5
What will happen if I have not completed the Customer Identification Procedure by the KYC Information Cut-Off Date?	<p>Your KYC Information must be received by the Independent Custodian on or before 7.00pm on either the Election Cut-Off Date (for Shareholders making an Election to participate in the Ellerston Unit Offer) or the KYC Information Cut-Off Date (for Shareholders not making such an Election) if you are a Scheme Shareholder and you are to receive your Ellerston Units on the Implementation Date.</p>	Sections 1.13, 1.14, 6.8 and 12.5

⁹ Note that if it is not possible for you to obtain certified copies due to COVID-19 pandemic measures implemented, recommended or adopted to prevent the spread of the COVID-19 virus, uncertified copies may be acceptable. Please inform us that this is the case when providing us with the relevant documents.

Question	Answer	Further Information
	<p>If your KYC Information is received by the Independent Custodian after this time, the Ellerston Funds Units attributable to you will be issued on the Implementation Date to the Independent Custodian, to be dealt with by it in accordance with the Scheme.</p> <p>Failure to return your KYC Information on time will not affect the Responsible Entity's entitlement under the Scheme to receive a transfer of all of your Shares on the Implementation Date.</p>	
<p>What are the tax implications of the Scheme?</p>	<p>The tax implications for the Scheme Shareholders if the Scheme is approved and implemented will depend on the specific taxation circumstances of each Scheme Shareholder.</p> <p>Section 10 of this Explanatory Booklet provides a general outline of the Australian income tax consequences for Scheme Shareholders who dispose of their EGI Shares under the Scheme.</p> <p>You should consult with your tax adviser regarding the tax consequences of disposing of your EGI Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.</p>	<p>Section 10</p>
<p>Will I have to pay brokerage fees or stamp duty?</p>	<p>No, you will not have to pay brokerage or stamp duty on either the transfer of your EGI Shares to the Responsible Entity or the receipt of Ellerston Units under the Scheme.</p> <p>If you dispose of your EGI Shares before the Scheme Record Date, brokerage fees may be payable.</p>	<p>Appendix 2, Appendix 7, Appendix 8</p>

C. QUESTIONS ABOUT THE ELLERSTON FUND

Question	Answer	Further Information
What is the Ellerston Fund?	<p>The Ellerston Fund is an existing unlisted unit trust, established in New South Wales, Australia in or around November 2015 and registered with ASIC so that it is a registered managed investment scheme.</p> <p>The Ellerston Fund pursues an investment strategy that that has a similar underlying global equity portfolio to EGI.</p>	Section 6
Who is the responsible entity of the Ellerston Fund?	<p>Ellerston Capital Limited ACN 110 397 674.</p> <p>As the Responsible Entity, Ellerston Capital Limited will be responsible for the management and governance of the Fund. Ellerston Capital Limited is currently the investment manager of EGI.</p>	Sections 6 and 7
Why does EGI wish to 'convert' to an unlisted unit trust?	<p>Your Independent Directors consider that an unlisted unit trust is a preferable vehicle through which to offer investors exposure to EGI's investment strategy.</p> <p>Your Independent Directors also consider that a unit trust offers significant benefits to EGI Shareholders, including but not limited to improved liquidity and lower operating costs.</p>	Sections 1.1 and 2.3
What is the Withdrawal Facility and how does it work?	<p>The Ellerston Fund will implement a Withdrawal Facility. Subject to certain withdrawal windows and withdrawal restrictions, you will be able to withdraw (redeem) some or all of your Units by giving the Ellerston Fund registry written notice.</p>	Section 6.7 provides a summary of the key terms of the Withdrawal Facility. More information is contained at Section 7.2 of the Ellerston Fund PDS, which is contained at Appendix 7
How else will I be able to exit my investment in the Ellerston Fund?	<p>The Responsible Entity may, but is under no obligation to, offer to buy-back Units.</p> <p>With the prior written consent of the Responsible Entity, you may transfer your Units to an existing or new Unitholder.</p> <p>The Responsible Entity is not obliged to register a transfer of Units where the transferee does not meet the Responsible Entity's criteria for a Unitholder, the transfer is not duly stamped (where required), or any amount payable by the transferee to the Responsible Entity in respect of the transferor's Units remains unpaid.</p>	The Ellerston Fund constitution (clauses 12 and 19), which is contained at Appendix 8
What are the intentions of the Responsible Entity with regards to the investments of the Fund following implementation of the Scheme?	<p>The Responsible Entity intends to employ an investment strategy for its underlying global equity portfolio that is similar to that currently employed for EGI, subject to certain changes including that the Fund's portfolio of investments will generally be unhedged. Nevertheless, the Responsible Entity is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.</p>	Sections 6, 7 and Appendix 7
What are the benefits of being invested in the Ellerston Fund?	<p>The expected benefits of being a Unitholder in the Ellerston Fund compared to being an EGI Shareholder include:</p> <ul style="list-style-type: none"> • The Ellerston Fund will pursue an investment strategy with a similar underlying portfolio to EGI that focuses on a concentrated global portfolio of small to mid-cap equities securities. The Ellerston Fund will be generally unhedged but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook; • Scheme Shareholders will be able to better manage the liquidity of their current investment by applying for additional Units or requesting the withdrawal (redemption) of all or some of their Units at or close to the Fund's NAV; 	Section 2.3

Question	Answer	Further Information
	<ul style="list-style-type: none"> the costs of operating as an unlisted registered managed investment scheme are expected to be lower than operating as an ASX listed investment company; a two year waiver of management fees (commencing on the Implementation Date) applies to EGI Shareholders receiving Ellerston Fund Units under the Scheme and (for those making a valid Election) under the Ellerston Unit Offer and who maintain their investment for at least two years after the Implementation Date. Therefore, the management expense structure should be lower than what currently applies to EGI during this two year period; and unlike EGI Shares, the price of Units will not be subject directly to exogenous market forces such as broader investor sentiment applicable to the share market generally 	
What are the risks of being invested in the Ellerston Fund?	<p>Section 9.3 sets out the risks to which you will be exposed as an Ellerston Fund Unitholder.</p> <p>The risks set out in Section 9.3 are in many ways similar, but not identical to, the risks to which you are currently exposed as an EGI Shareholder.</p>	Section 9.3

D. QUESTIONS ABOUT THE ELLERSTON UNIT OFFER

Question	Answer	Further Information
What is the Ellerston Unit Offer	EGI Shareholders (other than those who are classified under the Scheme as Foreign Scheme Shareholders) may elect to 'top up' the Units they will receive in the Ellerston Fund as Scheme Consideration by subscribing for additional Units under the Ellerston Unit Offer.	Section 1.4
Can I participate in the Ellerston Unit Offer	All EGI Shareholders (other than those who are classified under the Scheme as Foreign Scheme Shareholders or those who did not hold any EGI Shares as at the Election Calculation Date) may participate in the Ellerston Unit Offer in respect of their EGI Shares (if any) held at the Election Calculation Date and the Scheme Record Date.	Section 1.4
Is there a maximum I can invest in the Ellerston Unit Offer?	<p>Yes. For each EGI Shareholder, this optional additional investment in the Ellerston Fund will be for a maximum dollar amount up to the approximate value of their current EGI Shareholding as at the Election Calculation Date, being Friday, 5 June 2020.</p> <p>Please note that if you acquire further EGI Shares after the Election Calculation Date, those additional EGI Shares will not increase your capacity to participate in the Ellerston Unit Offer.</p>	Section 1.4
What are the Independent Directors' intentions in relation to the Ellerston Unit Offer?	<p>In the absence of a Superior Proposal, each of your Independent Directors (with the exception of Paul Dortkamp) also intends to make an Election to participate in the Ellerston Unit Offer in respect of some or all EGI Shares held or controlled by them on the Election Calculation Date and the Scheme Record Date.</p> <p>However, your Independent Directors make no recommendation in relation to whether you should make an Election to participate in the Ellerston Unit Offer. You should form your own view as to whether you wish to make any such Election based on your individual circumstances, financial situation, taxation position, investment objectives and risk profile. You should also consider obtaining professional advice appropriate to your specific circumstances before making any Election.</p>	Section 1.10

Question	Answer	Further Information
What should I do if I want to participate in the Ellerston Fund Offer?	<p>If you wish to elect to receive additional Ellerston Fund Units, you must complete the accompanying green Election and Subscription Form in accordance with the instructions on that form. This form includes fields for the provision of your KYC Information – see section J of the form. You should disregard the yellow KYC Information Form (as that form is only relevant to Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer).</p> <p>Please return the completed original green Election and Subscription Form so that it is received by the Independent Custodian by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020). A reply paid envelope is enclosed for the return of your green Election and Subscription Form.</p> <p>The Election and Subscription Form also includes payment instructions for the receipt of your Subscription Monies. Please also ensure that your Subscription Monies are received in accordance with the instructions on the green Election and Subscription Form by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020)</p>	Sections 1.4, 1.7 and 1.13
Can I vary, withdraw or revoke my Election?	<p>Yes. You can vary your Election at any time before the Election Cut-Off Date. To do so, you need to request a replacement Election and Subscription Form and submit this before the Election Cut-Off Date.</p> <p>You can also withdraw or revoke your Election by providing written notice to the Independent Custodian but will need to do so before the Election Cut-Off Date.</p> <p>Any variation, withdrawal or revocation after the Election Cut-Off Date will only be accepted at the Responsible Entity's absolute discretion.</p>	Section 1.4
Will the two year waiver of management fees apply to Units issued under the Ellerston Unit Offer?	Yes. The two year waiver of management fees by the Responsible Entity will commence on the Implementation Date and will apply to all Units issued under the Scheme as well as under the Ellerston Unit Offer.	Sections 1.8 and 6.10
Instead of participating in the Ellerston Unit Offer, can I just purchase more EGI Shares on market?	Yes. You may wish to obtain additional Units by acquiring more EGI Shares through on market purchases prior to the Scheme Record Date (therefore increasing the number of Units that you will receive as Scheme Consideration). However, this approach will result in you incurring brokerage charges and will be subject to the prevailing trading price of EGI Shares on ASX.	Section 1.4
Where can I find further information on the Ellerston Unit Offer?	Please refer to Section 1.4 and the PDS of the Ellerston Fund, at Appendix 7 to this Explanatory Booklet for further details on the Ellerston Unit Offer, include information on refunds of Subscription Monies and when the amount of Units issued to you under the Ellerston Unit Offer may be reduced.	Section 1.4

E. QUESTIONS ABOUT YOUR INDEPENDENT DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
Who are the Independent Directors?	The Independent Directors are all of the EGI directors other than Mr Ashok Jacob, being: <ul style="list-style-type: none"> (a) Mr Paul Dortkamp; (b) Mr Samuel Brougham; and (c) Mr William Best 	Sections 2.2 and 13
What do the Independent Directors recommend?	The Independent Directors unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting and in favour of the Early Termination Fee Resolution at the General Meeting, in the absence of a Superior Proposal.	Section 2.2
How are the Independent Directors going to vote?	Each Independent Director intends to vote all EGI Shares held or controlled by them in favour of the Scheme Resolution and the Early Termination Fee Resolution, in the absence of a Superior Proposal.	Section 2.2
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of EGI Shareholders, in the absence of a superior proposal. The Independent Expert's Report is at Appendix 1 to this Explanatory Booklet.	Section 2.2 and Appendix 1

F. QUESTIONS ABOUT VOTING

Question	Answer	Further Information
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held as a virtual (online only) meeting at 11.00am (Sydney time) on Friday, 31 July 2020. There will be no physical meeting where EGI Shareholders and proxies can attend in person. You can watch and participate in the Scheme Meeting by logging in online at https://agmlive.link/EGI20 .	Section 4
When and where will the General Meeting be held?	The General Meeting will be held as a virtual (online only) meeting at 12.00 noon (Sydney time) on Friday, 31 July 2020 or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later). There will be no physical meeting where EGI Shareholders and proxies can attend in person. You can watch and participate in the General Meeting by logging in online at https://agmlive.link/EGIGM20 .	Section 4
What am I being asked to vote on?	As an EGI Shareholder, you are being asked to vote at the Scheme Meeting on whether the Scheme should proceed and to vote at the General Meeting on whether the Early Termination Fee Resolution should be passed.	Section 4
What voting majority is required to approve the Scheme?	For the Scheme to proceed, the Scheme Resolution must be passed by: <ul style="list-style-type: none"> • a majority in number (more than 50%) of EGI Shareholders present and voting at the Scheme Meeting (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative) (Headcount Test); and 	Section 4

Question	Answer	Further Information
	<ul style="list-style-type: none"> at least 75% of the total number of votes which are cast at the Scheme Meeting by EGI Shareholders (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative). <p>The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting.</p> <p>The Court must also approve the Scheme before it can become Effective.</p>	
What voting majority is required to approve the Scheme?	The Early Termination Fee Resolution requires the approval of a simple majority (more than 50%) of the votes cast by EGI Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate EGI Shareholder or proxy, by a representative.	Section 4
How do the Scheme Resolution and the General Meeting Resolution inter-relate?	<p>In order for the Scheme to proceed, EGI Shareholders must pass the Scheme Resolution at the Scheme Meeting and the Early Termination Fee Resolution at the General Meeting by the required majorities.</p> <p>The Scheme Resolution and the Early Termination Fee Resolution are inter-dependent resolutions, meaning that unless each are approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital.</p> <p>This inter-dependency reflects the commercially integrated nature of the overall proposal that EGI Shareholders are being asked to consider and vote on. Specifically, the Scheme, the termination of the current fixed term EGI Management Agreement (which still has another four years to run), the payment of the negotiated Early Termination Fee and the two year waiver of management fees by the Responsible Entity of the Ellerston Fund collectively represent a single, integrated proposal for EGI Shareholders to vote on.</p>	N/A
Am I entitled to vote?	If you are registered as an EGI Shareholder on the Share Register at 7.00pm on Wednesday, 29 July 2020, you will be entitled to attend and vote at the Meetings (subject to the voting exclusions that apply to Ellerston Capital and Ashok Jacob).	Section 4
Is voting compulsory?	<p>Voting is not compulsory. However, the Scheme will only be successful if it is approved by the required majorities of EGI Shareholders and if the Early Termination Fee Resolution is passed at the General Meeting. Therefore voting is important and the Independent Directors encourage you to vote.</p> <p>If the Scheme is approved and implemented, you will be bound by the Scheme whether or not you were present at the Scheme Meeting, whether or not you voted and whether or not you voted in favour of it or against it.</p>	Section 4
How do I vote in person?	<p>You may watch and participate in the virtual Scheme Meeting to be held at 11.00 am (Sydney time) on Friday, 31 July 2020 by logging in online at https://agmlive.link/EGI20</p> <p>You can watch and participate in the General Meeting to be held at 12.00 noon (Sydney time) on Friday, 31 July 2020 or as soon as reasonably practicable after the Scheme Meeting has concluded by logging in online at https://agmlive.link/EGIGM20 following the conclusion or adjournment of the Scheme Meeting.</p>	Section 4
How do I vote if I'm unable to participate in the virtual Meetings or if I don't wish to participate in the virtual Meetings?	If you are unable to watch and participate in the virtual Meetings by logging in online or if you do not wish to do so, you may vote by completing and lodging the Scheme Meeting Proxy Form for the Scheme Meeting, and the General Meeting Proxy Form for the General Meeting. The Proxy Forms can be lodged by mail or by fax.	Section 4

Question	Answer	Further Information
	<p>Alternatively, you may choose to appoint a proxy for the Meetings online.</p> <p>You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.</p> <p>Please note that if you wish to revoke your proxy appointments, you will need to advise the Share Registry of this revocation prior to the commencement of the Scheme Meeting. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Scheme Meeting or the General Meeting. This means that if you appoint a proxy prior to the Scheme Meeting or the General Meeting but then decide to attend the Scheme Meeting or the General Meeting yourself, your proxy retains the ability to vote, not you.</p> <p>Full details of how to vote and how to lodge the Proxy Forms, corporate representative appointment or power of attorney or appoint a proxy online are set out in Section 4.5 of this Explanatory Booklet.</p>	
<p>When will the results of the Meetings be known?</p>	<p>The results of the Meetings will be available during the Meetings and will be announced online and to ASX shortly after the conclusion of the Meetings.</p> <p>Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme will only proceed if Court approval of the Scheme is obtained and all of the other Scheme Conditions are satisfied or waived.</p>	<p>Sections 4 and 12</p>
<p>What should I do if I wish to support the Scheme and Early Termination Fee Resolution?</p>	<p>If you support the Scheme and Early Termination Fee Resolution you should participate in the virtual Scheme Meeting by logging in online and voting in favour of the Scheme Resolution. You should also participate in the virtual General Meeting by logging in online and voting in favour of the Early Termination Fee Resolution. Alternatively, you may lodge proxy votes in favour of the Scheme Resolution and Early Termination Fee Resolution.</p> <p>You should also complete the accompanying KYC Information Form, or if you are eligible and wish to participate in the Ellerston Unit Offer, the Election and Subscription Form in accordance with the instructions on the relevant form. Please complete every part of the KYC Information Form or Election and Subscription Form that is relevant to the type of EGI Shareholder that you are.</p> <p>Please return the relevant form so that it is received by the Independent Custodian by the relevant deadlines being:</p> <ul style="list-style-type: none"> • in relation to the Election and Subscription Form, by the Election Cut-Off Date (being 7.00pm (Sydney time) on Thursday, 16 July 2020; or • in relation to the KYC Information Form, by the KYC Information Cut-Off Date (7.00pm (Sydney time) on Wednesday, 5 August 2020). <p>A reply paid envelope is enclosed for the return of your relevant form.</p>	<p>Sections 4, 6.8 and 12.5</p>
<p>What should I do if I wish to oppose the Scheme or the Early Termination Fee Resolution?</p>	<p>If you do not support the Scheme or the Early Termination Fee Resolution:</p> <ul style="list-style-type: none"> • you should attend the Scheme Meeting or the General Meeting, either by logging online personally or by proxy, and vote against the Scheme Resolution or the Early Termination Fee Resolution or both Resolutions; and/or • if Shareholders pass the Scheme Resolution at the Scheme Meeting and the Early Termination Fee Resolution at the General Meeting, you may wish to oppose the approval of the Scheme, by filing and serving a notice of opposition and any other supporting 	<p>Sections 4.5 and 12.3</p>

Question	Answer	Further Information
	documents on EGI by at least one day before the Second Court Date and attending the Second Court Hearing.	
Can I be bound by the Scheme if I do not vote or if I voted against its approval?	Yes, if the Scheme is approved and implemented your EGI Shares will be transferred to the Responsible Entity and, you will receive the Scheme Consideration for each of your EGI Shares (subject to you having provided your KYC Information), even if you were not present at the Meetings, you did not vote or you voted against the Scheme or the Early Termination Fee Resolution or both.	Sections 11.2 and 12 and Appendix 2
What are my alternatives?	As an EGI Shareholder you have the option of voting on the Scheme and Early Termination Fee Resolution, selling your shares prior to the Scheme Record Date and/or not voting on the Scheme.	Section 2.7

G. GENERAL QUESTIONS

Question	Answer	Further Information
Do I have to sign anything in relation to the Scheme?	<p>You are required to sign and return:</p> <ul style="list-style-type: none"> to the Independent Custodian, your KYC Information (provision for which is contained in the green Election and Subscription Form for Shareholders who wish to participate in the Ellerston Unit Offer or in the yellow KYC Information Form for Shareholders who do not wish to participate in the Ellerston Unit Offer); and if you wish to vote by proxy, to the Share Registry, your Scheme Meeting Proxy Form and your General Meeting Proxy Form, <p>by the dates specified in the Important Dates and Times section at page 10 of this Explanatory Booklet.</p> <p>If the Scheme becomes Effective and the Scheme is implemented, EGI will automatically have authority to sign a transfer document on behalf of all Scheme Shareholders.</p> <p>You should be aware that, if you are a Scheme Shareholder, you will be deemed to have warranted to EGI, and authorised EGI to warrant to the Responsible Entity on your behalf, that:</p> <ul style="list-style-type: none"> all of your EGI Shares are fully paid and free from all encumbrances (for example, mortgages or other Security Interests); and you have full power and capacity to transfer your EGI Shares to the Responsible Entity. <p>You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.</p>	Section 11.2 and Appendix 2
What will happen if the Scheme is approved by the Court?	If the Court makes orders approving the Scheme, EGI will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme. It is expected that this will occur on the Business Day immediately following the Second Court Hearing.	Section 12 and Appendix 2
What happens on the Implementation Date?	On the Implementation Date, the Responsible Entity will acquire all of the EGI Shares and you will receive your Scheme Consideration (provided you have given your KYC Information to the Independent Custodian before the KYC Information Cut-Off Date)	Section 12 and Appendix 2
What other information is available and who can help answer my questions about the Scheme?	If you have any questions about the Scheme, please contact the EGI Shareholder Information Line on 1300 671 080 within Australia or +61 2 8022 7953 if outside Australia Monday to Friday between 9.00am and 5.00pm (Sydney time).	

Question	Answer	Further Information
	For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser	

4. How to vote

4.1 Scheme Meeting

The notice convening the Scheme Meeting is contained in Appendix 3 to this Explanatory Booklet. A personalised Scheme Meeting Proxy Form for the Scheme Meeting accompanies this Explanatory Booklet.

In response to the global COVID-19 pandemic and government restrictions on physical gatherings, the Scheme Meeting will be held as a virtual (online only) meeting at 11.00am (Sydney time) on Friday, 31 July 2020. There will be no physical meeting where EGI Shareholders and proxies can attend in person. A virtual Scheme Meeting is also permitted by amendments made under section 5 of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, issued by the Commonwealth Treasurer dated 5 June 2020. A virtual Scheme Meeting has been authorised by the Court at the First Court Hearing.

You can watch and participate in the virtual Scheme Meeting by logging in online at <https://agmlive.link/EGI20>. Please refer to section 4.4 below for further details on how to watch and participate in the Scheme Meeting.

For the Scheme to be approved by EGI Shareholders, votes in favour of the Scheme must be received from:

- a majority in number (more than 50%) of EGI Shareholders present and voting at the Scheme Meeting (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting by EGI Shareholders (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative).

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting.

The purpose and effect of the Scheme are as summarised earlier and are more particularly described in Section 11 of this Explanatory Booklet.

4.2 General Meeting

The notice convening the General Meeting is contained in Appendix 4 to this Explanatory Booklet. A personalised Proxy Form for the General Meeting accompanies this Explanatory Booklet.

In response to the global COVID-19 pandemic and government restrictions on physical gatherings, the General Meeting will be held as a virtual (online only) meeting at 12.00 noon (Sydney time) on Friday, 31 July 2020 or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later). There will be no physical meeting where EGI Shareholders and proxies can attend in person. A virtual general meeting is also permitted by amendments made under section 5 of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, issued by the Commonwealth Treasurer dated 5 May 2020.

The Early Termination Fee Resolution is conditional on the Scheme Resolution being passed by Shareholders at the Scheme Meeting. If the Scheme Resolution is not approved by Shareholders at the Scheme Meeting then the General Meeting will not proceed.

You can watch and participate in the virtual General Meeting by logging in online at <https://agmlive.link/EGIGM20> following the conclusion or adjournment of the Scheme Meeting. Please refer to section 4.4 below for further details on how to watch and participate in the General Meeting.

The Early Termination Fee Resolution requires the approval of a simple majority (more than 50%) of the votes cast by EGI Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate EGI Shareholder or proxy, by a representative.

The purpose and effect of the Early Termination Fee Resolution are as summarised earlier and are more particularly described in Section 2.5 of this Explanatory Booklet.

4.3 Your vote is important

Your Independent Directors urge all EGI Shareholders to vote on the Scheme at the Scheme Meeting and on the Early Termination Fee Resolution at the General Meeting. The Scheme affects your Shareholding and your votes at the Meetings are important in determining whether the Scheme proceeds.

Your Independent Directors encourage all EGI Shareholders to vote in favour of the Scheme and the Early Termination Fee Resolution either by personally participating in the virtual (online only) Scheme Meeting to be held at 11.00am on Friday, 31 July 2020 and by participating in the virtual (online only) General Meeting to be held at 12.00 noon (Sydney time) on Friday, 31 July 2020 or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later); or by appointing a proxy, an attorney or, in the case of an EGI Shareholder or proxy who is a corporation, a corporate representative to participate in the Meetings and vote on your behalf.

You may appoint a proxy to vote on your behalf by either:

- completing and returning the Scheme Meeting Proxy Form and the General Meeting Proxy Form which accompanies this Explanatory Booklet; or
- appointing a proxy online via www.linkmarketservices.com.au by following the instructions on that website.

For your proxy appointment to be effective:

- your Scheme Meeting Proxy Form and the General Meeting Proxy Form must be received by the Share Registry (whether by mail, by fax, or by lodging your proxy online) by 11.00am (Sydney time) on Wednesday, 29 July 2020; or
- if you choose to appoint a proxy online – this appointment must be done by 11.00am (Sydney time) on Wednesday, 29 July 2020.

Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the Scheme Meeting. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Scheme Meeting. This means that if you appoint a proxy prior to the Meetings but then decide to attend the Meetings yourself, your proxy retains the ability to vote, not you.

Further information on your voting alternatives is provided in Section 2.7.

4.4 Guide to participating in the virtual Meetings

In order to watch and participate in the virtual Meetings, please follow the steps below.

Before you begin

Ensure your browser is compatible. You can easily check your current browser by going to the website: whatismybrowser.com

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 "Mavericks" & OS X v10.10 "Yosemite" and after
- Internet Explorer 9 and up (please note Internet Explorer 8 is not supported)

The Meetings are viewable from desktops and laptops. To attend and vote at the Meetings you must have your shareholder number and postcode. If you are an appointed proxy you will need your proxy number which will be provided to you by the Share Registry via email prior to the Meetings. Please make sure you have this information before proceeding.

Step 1

Open your web browser and go to the following links for the relevant meetings:

- for the Scheme Meeting - <https://agmlive.link/EGI20> and select the Scheme Meeting; and
- for the General Meeting – <https://agmlive.link/EGIGM20> and select the General Meeting.



Step 2

For each of the Meetings, you will need to separately login to the portal using your full name, email address, and company name (if applicable). Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Scheme Meeting'** or **'Register and Watch General Meeting'** button (as applicable). Once you have logged in you will see the presentation slides that will be addressed during the relevant Meeting on the right.

Note: After you have logged in we recommend that you keep your browser open for the duration of the Meeting. If you close your browser, your session will expire. If you attempt to log in again, you will be sent a recovery link via email for security purposes.

Navigating

At the bottom of the webpage under the presentation there are three boxes. Refer to each section below for operating instructions.

- Get a voting card
- Ask a Question
- Downloads

Get a voting card

To get a voting card - click on the 'Get a voting card' box at the top of the webpage or below the videos. This will bring up a box which looks like this.

Voting Card ✕

Please provide your Shareholder or Proxy details

SHAREHOLDER DETAILS

Shareholder Number Post Code

[Outside Australia](#)

SUBMIT DETAILS AND VOTE

OR

PROXY DETAILS

Proxy Number

SUBMIT DETAILS AND VOTE

If you are an individual or joint Shareholder you will need to register and provide validation by entering your details in the top section:

- **ASX registered holders:** Shareholder number and postcode
- **Proxy holders:** If you are an appointed Proxy, please enter the Proxy Number previously sent to you via email by the Share Registry in the PROXY DETAILS section. Once you have entered your appropriate details, click the blue '**SUBMIT DETAILS AND VOTE**' button.

Once you have registered, your voting card will appear with the relevant resolution to be voted on by Shareholders at the Scheme Meeting (as set out in the Notice of Scheme Meeting) or the General Meeting (as set out in the Notice of General Meeting). Shareholders and proxies can either submit a Full Vote or a Partial Vote. You can move between the two tabs by clicking on '**Full Vote**' or '**Partial Vote**' at the top of the voting card.

Name of EGI shareholder
X123456789 ✕

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the 'shareholder' instruction.

Full Vote

Partial Vote

Resolution 1

For

Against

Abstain

To consider and, if thought fit, to pass the following resolution:

That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between EGI and the holders of its fully paid ordinary shares, designated the Scheme, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and, subject to approval of the Scheme by the Court and the passing of the Early Termination Fee Resolution, the Board of Directors of EGI is authorised to implement the Scheme with any such alterations or conditions.

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on the a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes you would like to vote on the resolution. The total amount of votes that you are entitled to vote for will be listed under the resolution. When you enter the number of votes in a certain box it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as "No Instruction" and therefore will not be counted.

Once you have finished voting on the resolution, scroll down to the bottom of the box and click the blue **'Cast Vote'** or **'Cast Partial Vote'** button.

Note: You are able to close your voting card during the meeting without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page. You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made .If at any point you have submitted your voting card and wish to make a change while voting is still open you can do

so by clicking the 'Edit Card' button and making the required change. Once you have completed your card select the blue 'Cast Vote' or 'Cast Partial Vote' button. The voting card remains editable until the voting process is closed at the relevant Meeting. Once voting has been closed, all voting cards, submitted and un-submitted, will automatically be submitted and cannot be changed.

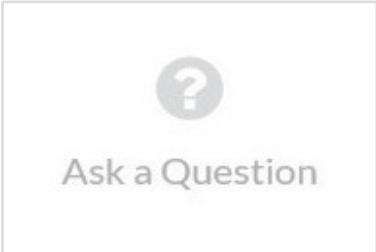
Immediately prior to the conclusion of the voting process, a red bar with a countdown timer will appear at the top of the Slide windows advising the remaining voting time available to shareholders. Please make any changes required to your voting cards at this point and submit your voting cards. If an additional resolution is proposed during the meeting, there will be a short delay while the resolution is added to the voting card. Once the resolution has been added you will be notified by the Chairman during the meeting. In order to vote on the extra resolution you will need to reopen your voting card to cast your vote by clicking the 'Edit Card' button.

Note: Registration for the Meetings opens 30 minutes before the Scheme Meeting begins.

How to ask a question

Note: Only shareholders are eligible to ask questions.

You will only be able to ask a question after you have registered to vote. If you would like to ask a question, click on the 'Ask a Question' box either at the top or bottom of the webpage.



Ask a Question ✕

We welcome any questions that you may have and will endeavour to answer all questions during the Meeting. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.

Regarding

Question

Submit Question

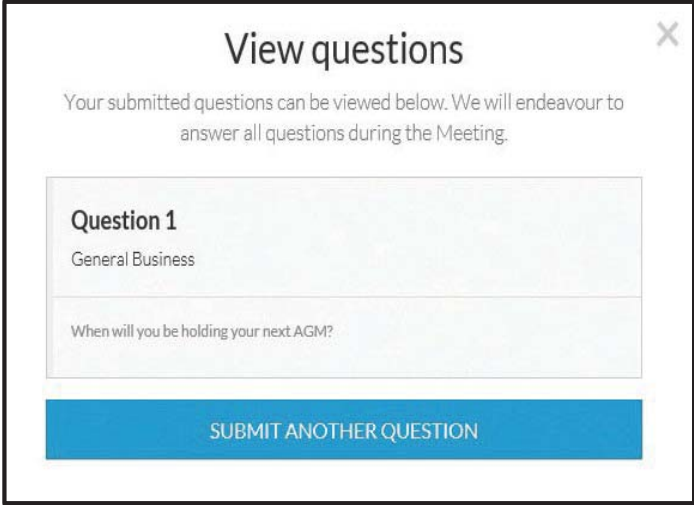
The 'Ask a Question' box will then pop up with two sections for completion.

In the 'Regarding' section click on the drop-down arrow and select the resolution.

After you have selected the resolution category, click in the 'Question' section and type your question. When you are ready to submit your question - click the blue 'Submit Question' button. This will send the question to the Management/Board. Note that not all questions are guaranteed to be answered during the Meetings, but we will do our best to answer your question.

Once you have asked a question a 'View Questions' box will appear. At any point you can click on 'View Questions' and see all the questions you have submitted. All shareholders will be able to view the response to the questions you have asked.

Note: You can submit your questions by this method one hour before the Meetings begins, if you have registered to vote. You can continue to submit questions up until the close of voting. If your question has been answered and you would like to exercise your right of reply, you can do so by submitting another question.



Documents

If you would like to refer to the Explanatory Booklet at any stage during the Meetings, you can do so by clicking the "Downloads" link and then clicking the "Explanatory Booklet" link.

When you click on these links the file will open in another tab in your browser.

Closing of voting process

You will be notified prior to the closing of the voting process.

Prior to the conclusion of the voting process, a red bar with a countdown timer will appear at the top of the Slide screens advising the remaining voting time. If you have not yet submitted your vote at this point, you will be required to do so now.

Once the timer reaches zero, any votes you have placed will automatically be submitted.



4.5 How to vote

(a) Voting entitlement

If you are registered as an EGI Shareholder by the Share Registry at the Voting Entitlement Time (7.00pm (Sydney time) on Wednesday, 29 July 2020), you will be entitled to vote at the Meetings.

Voting at the Meetings will be conducted by poll.

(b) Voting in person

EGI Shareholders wishing to vote in person or their attorneys or, in the case of an EGI Shareholder or proxy which is a corporation, corporate representatives, should participate in the virtual Scheme Meeting and virtual General Meeting by logging in online at:

- https://agmlive.link/EGI20_ - for the Scheme Meeting; or
- <https://agmlive.link/EGIGM20> - for the General Meeting.

EGI Shareholders, their attorneys or in the case of EGI Shareholders or proxies which are corporations, corporate representatives, who plan to participate in the virtual Meetings should log in online 15 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, to register and to obtain a voting card.

Following the conclusion or adjournment of the Scheme Meeting, EGI Shareholders, their attorneys or in the case of EGI Shareholders or proxies which are corporations, corporate representatives, who plan to participate in the virtual General Meeting should log in online to register and obtain a voting card.

Voting by attorney

If an EGI Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to that EGI Shareholder's shareholding in EGI, that EGI Shareholder must deliver the instrument appointing the attorney to the Share Registry for notation.

EGI Shareholders wishing to vote by attorney at the Meetings must, if they have not already presented an appropriate power of attorney to EGI for notation, deliver to the Share Registry (at the address or facsimile number provided in Section 4.5(c) of this Explanatory Booklet) the original instrument appointing the attorney or a certified copy of it by 11.00am (Sydney time) on Wednesday, 29 July 2020.

Any power of attorney granted by an EGI Shareholder will, as between EGI and that EGI Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant EGI Shareholder is lodged with EGI.

Voting by corporate representative

To vote at the Meetings, an EGI Shareholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Meetings, an EGI Shareholder or proxy which is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry by 11.00am (Sydney time) on Wednesday, 29 July 2020.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

(c) Voting by proxy

EGI Shareholders wishing to appoint a proxy to vote on their behalf at the Meetings must either complete and sign or validly authenticate the personalised Scheme Meeting Proxy Form (in relation to the Scheme Meeting) and General Meeting Proxy Form (in relation to the General Meeting), both of which accompany this Explanatory Booklet. Alternatively, EGI Shareholders may lodge their proxies for the Meetings online. A person appointed as a proxy may be an individual or a body corporate.

Proxies participating in the virtual Meetings will receive an email from the Share Registry prior to the Meetings containing details of their Proxy Number which they will need to use for the online registration process. Proxies are asked to log in online 15 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, to register and to obtain a voting

card. Proxies who are appointed in relation to both the Scheme Meeting and General Meeting are asked to log in to the separate General Meeting link following the conclusion or adjournment of the Scheme Meeting to participate in the General Meeting.

Completed Proxy Forms for the Meetings must be delivered to the Share Registry by 11.00am (Sydney time) on Wednesday, 29 July 2020 in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

Ellerston Global Investments Limited, C/- Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235 Australia

By fax to the Share Registry on +61 2 9287 0309

Alternatively, you may choose to appoint a proxy online as follows:

Online if you wish to appoint your proxy online, you should do so by visiting www.linkmarketservices.com.au by following the instructions on that website. Online appointments of proxies for both Meetings must be done by 11.00am (Sydney time) on Wednesday 29 July 2020.

Undirected proxies

If an EGI Shareholder nominates the chairman of the Scheme Meeting or the General Meeting as that EGI Shareholder's proxy, the person acting as chairman of the Scheme Meeting or the General Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at the Scheme Meeting or the General Meeting.

If a proxy appointment is signed or validly authenticated by that EGI Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Scheme Meeting or the General Meeting may at his election act as proxy in respect of any or all items of business to be considered at the Scheme Meeting or the General Meeting.

Scheme Meeting

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary or any EGI Director which do not contain a direction as to how to vote will be voted in support of the Scheme resolution at the Scheme Meeting (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).

The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).

General Meeting

Proxy appointments in favour of the Chairman of the General Meeting, the company secretary or any EGI Director which do not contain a direction as to how to vote will be voted in support of the Early Termination Fee Resolution at the General Meeting (in the absence of a Superior Proposal from another party prior to the date of the General Meeting).

The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the Early Termination Fee Resolution (in the absence of a Superior Proposal from another party prior to the date of the General Meeting). Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the Scheme Meeting. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Meetings. This means that if you appoint a proxy prior to the Meetings but then decide to attend the Meetings yourself, your proxy retains the ability to vote, not you.

4.6 Further information

Please refer to the Notice of Scheme Meeting and the Notice of General Meeting in Appendix 3 and Appendix 4 to this Explanatory Booklet (respectively) for further information on voting procedures and details of the resolutions to be voted on at the Meetings.

The results of the Meetings will be available online during the Meetings and will be announced to ASX shortly after the conclusion of the Meetings.

5. Profile of EGI

5.1 Introduction

EGI is an Australian public company that seeks to provide investors with exposure to global equities security markets utilising the Manager's distinctively contrarian, high conviction, benchmark independent investment approach.

EGI was listed on ASX on 20 October 2014. EGI gives investors the opportunity to access a concentrated portfolio targeting between 10 and 40 global equity securities that the Manager feels are temporarily misunderstood. The Manager aims to maximise the potential return from its highest conviction investment approach.

5.2 EGI's current investment strategy

EGI's strategy is to predominantly invest in equities, with a focus on the equities of non-Australian domiciled companies which the Manager believes are in a period of price discovery and offer an attractive risk/reward profile. The objective of EGI's investment strategy is to generate superior returns for Shareholders over time, with a focus on risk management and capital preservation.

The strategy is implemented by the Manager's investment team, comprising equity specialists with expertise across Australian and international markets.

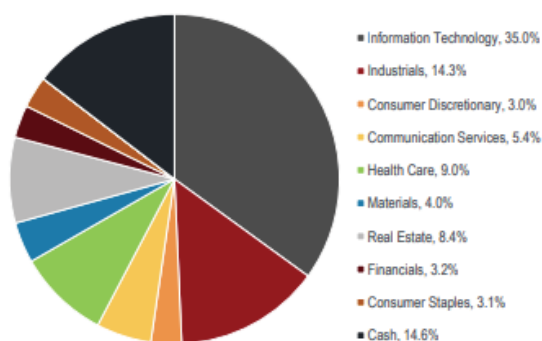
The Manager also assesses the potential impact of the macroeconomic climate and market outlook on the Company's investments, sector and geographic exposures.

The Manager may from time to time significantly increase exposure to cash or cash-like investments, which may include circumstances where the Manager believes investment opportunities are limited, to protect capital or to manage liquidity.

5.3 EGI's current investment portfolio (as at 31 March 2020)

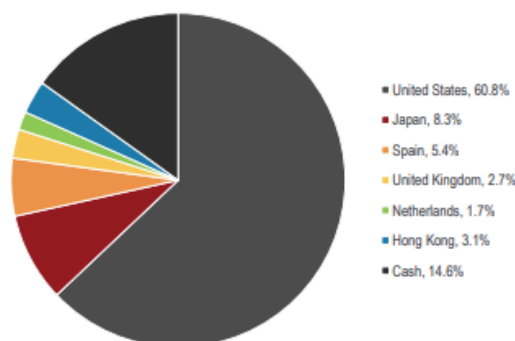
Top 10 Holdings	Country	Sector	%
Ciena Corporation	United States	Information Technology	6.09%
Keysight Technologies Inc	United States	Information Technology	5.68%
Cellnex Telecom	Spain	Communication Services	5.44%
Anritsu Corporation	Japan	Information Technology	5.00%
Digital Realty Trust	United States	Real Estate	4.60%
Amedisys	United States	Health Care	4.54%
Graphic Packaging	United States	Materials	3.99%
QTS Realty Trust	United States	Real Estate	3.84%
WillScot Corporation	United States	Industrials	3.60%
LiveRamp Holdings	United States	Information Technology	3.57%

SECTOR ALLOCATION



Source: Ellenston Capital

GEOGRAPHIC ALLOCATION



5.4 EGI Board

The Directors of EGI are listed below:

Director's name	Position
Ashok Jacob	Non-Independent Chairman
Sam Brougham	Independent Non-Executive Director
Paul Dortkamp	Independent Non-Executive Director
Bill Best	Independent Non-Executive Director

Profiles of each member of the EGI Board can be found in EGI's 2019 Annual Report which is available on ASX's website or EGI's website. The interests of the Directors in the Scheme are disclosed at Section 13.2

5.5 EGI Securities and capital structure

(a) EGI Shares on issue

As at the date of this Explanatory Booklet, there were 105,300,394 EGI Shares on issue. EGI has no other securities on issue.

(b) Substantial shareholders

Based on the substantial holding notices lodged with ASX, as at the Last Practicable Date, EGI Shareholders who control a parcel of 5% or more of the total issued EGI Shares are as set out in the table below.

Shareholder name	Interest in EGI Shares	% of issued EGI Shares
Mirabella Financial Services LLP	8,427,918	8.00%

5.6 EGI Management Agreement

(a) Powers of the Manager

EGI has no full time employees and has appointed Ellerston Capital Limited as its Manager. Investment, operational and company secretarial services are provided by the Manager under the terms of the EGI Management Agreement. This agreement gives the Manager discretion to make investments in accordance with the investment strategy subject to the following restrictions that require the written approval of the Board:

- entering into, or causing to be entered into a derivatives contract unless there are sufficient assets available to support the underlying liability;
- delegation of any of the Manager's discretionary management powers except to a related body corporate of the Manager;
- changing or encumbering any asset in the investment portfolio in any way (other than that which arises by lien in the ordinary course of business or statutory charge);
- engaging in securities lending; and
- borrowing any money or incurring any liability by way of financial accommodation.

Under the Management Agreement, the Board retains full discretion to approve or deny any proposal from the Manager.

(b) Duties of the Manager

The Manager must (amongst other things):

- keep proper books of account in relation to the Investment Portfolio, recording transactions by the Manager and provide information in relation to the Investment Portfolio to assist EGI in the preparation of reports required under any 'Relevant Law' (as defined in the Management Agreement);
- exercise reasonable due diligence and vigilance in carrying out its functions, powers and duties under the Management Agreement;
- account to EGI for any monetary benefits, fees or commissions received by the Manager or any related body corporate of the Manager (excluding EGI) in relation to the investment in the Investment Portfolio other than benefits in the nature of soft dollar receipts and 'Fees' (as defined in the EGI Management Agreement);
- act in good faith in determining any allocation of a 'Block-Booked Transaction' (as defined in the Management Agreement) to the Investment Portfolio before, during and after the Block-Booked Transaction has been entered into by the Manager;
- determine whether EGI should issue EGI Shares or options for the purpose of making additional investments and provide recommendations to EGI as to the recommended size of the issue;

- assist the Board in determining the amount of or declaring dividend or distribution (including payment of a capital of a capital nature) to be paid by EGI;
- assist EGI to manage its relations with holders of Securities and the public;
- assist EGI to comply with its continuous disclosure obligations under Section 674 of the Corporations Act and ASX Listing Rule 3.1;
- value or procure the valuation of the Investment Portfolio at least once per month during the Term;
- to the extent not expressly provided for above, make written recommendations (together with reasonable supporting information and analysis) to the Board in respect of any matter which requires the approval of the Board. Although for the avoidance of doubt the Board is under no obligation to act on any recommendation of the Manager in respect of a matter which requires Board approval.

(c) Management Fee

EGI must pay the Manager a Management Fee of 0.75% (plus GST) of the pre tax net asset value of EGI's Investment Portfolio, calculated and accrued monthly and paid monthly in arrears.

(d) Performance Fee

In addition to the Management Fee, the Manager is entitled to receive a Performance Fee from EGI equal to 15% (plus GST) of the amount by which the investment portfolio's pre-tax return exceeds the return of the MSCI World Index (Local), calculated and accrued monthly and paid annually in arrears.

The Performance Fee for each month is aggregated and paid annually in arrears. A Performance Fee is payable only if EGI's investment portfolio's pre-tax return exceeds the return of the MSCI World Index (Local) for the financial year. If the investment portfolio's pre-tax return is less than the return of the MSCI World Index (Local) for the Financial Year, no Performance Fee is payable in respect of that financial year and the negative Performance Fee amount will be carried forward to the following financial year or financial years until it has been recouped.

For the half years ended 31 December 2018 and 31 December 2019 respectively, no performance fee was payable to the Manager as the criteria for recognising performance were not met

(e) Term and termination

The initial term of the EGI Management Agreement is 10 years from 20 October 2014 (being the listing date of EGI).

The Manager may terminate the EGI Management Agreement by not less than three months written notice to EGI given not earlier than the first anniversary of the date of the agreement.

The Company may terminate the EGI Management Agreement by not less than three months written notice to the Manager where:

- EGI believes on reasonable grounds that termination of the agreement and the Manager's role as manager of the Investment Portfolio is necessary for the purposes of the Board complying with its duty to act in the best interest of the Shareholders; or
- Shareholders in general meeting pass a resolution approving termination where the Manager has had a reasonable opportunity to state its case in the materials sent to Shareholders prior to the meeting and in person at the meeting,

but any such termination cannot take effect on a date earlier than the 10 year initial term.

In addition to the above termination rights, EGI or the Manager may terminate the EGI Management Agreement at any time by written notice, where the other party defaults under the agreement (and the default is not remedied in the case of the Manager, within 20 business days of receiving notice, and in the case of EGI, within 10 business days of receiving notice) or certain prescribed events occur.

The Manager may terminate the EGI Management Agreement at any time if EGI ceases to be listed on the ASX, enters into various forms of external administration or if a person (alone or together with the person's associates) acquires a relevant interest in Shares where because of the acquisition that person's or someone else's voting power in EGI exceeds 50%.

Following termination of the EGI Management Agreement, the Manager may deal with EGI's investment portfolio for up to 30 business days from the effective date of termination of the EGI Management Agreement in order to vest control of the Investment Portfolio in EGI.

EGI and Ellerston Capital (in its capacity as the Manager) have agreed under the Scheme Implementation Deed that, subject to the Scheme becoming Effective, the EGI Management Agreement will be terminated with effect from the Implementation Date. On that date, Ellerston Capital will be entitled to receive from EGI the Early Termination Fee, being 1.50% of the net tangible asset value of each security in each class of the Company's asset portfolio as calculated under the ASX Listing Rules as at the Implementation Date.

The amount of the Early Termination Fee was negotiated between the Independent Directors and Ellerston Capital (in its capacity as the Manager) and is lower than the amount to which Ellerston Capital (in its capacity as the Manager) is contractually entitled under the EGI Management Agreement. See Sections 2.5 and 13.5 for further details.

5.7 Historical financial information

Ellerston Global Investments Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2019

Statement of Comprehensive Income

	Notes	Half-year ended	
		31 December 2019	31 December 2018
		\$	\$
Investment income			
Interest income from financial assets measured at amortised cost		48,017	113,219
Dividend and distribution income		385,596	497,819
Net foreign exchange (losses)/gains		(2,141)	87,958
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		<u>19,786,741</u>	<u>(17,129,266)</u>
Total net investment income/(loss)		<u>20,218,213</u>	<u>(16,430,270)</u>
Expenses			
Directors fees		45,375	45,375
Management and performance fees	12	492,660	472,562
Custody and administration fees		62,766	29,469
Audit and tax fees		33,768	27,984
Registry fees		38,205	38,204
Transaction costs		297,611	190,726
Withholding taxes		75,379	60,706
ASX fees		9,469	49,500
Other expenses		<u>20,342</u>	<u>18,228</u>
Total operating expenses		<u>1,075,575</u>	<u>932,754</u>
Net profit/(loss) before income tax		19,142,638	(17,363,024)
Income tax (expense)/benefit		<u>(5,133,395)</u>	<u>4,755,855</u>
Net profit/(loss) after income tax		<u>14,009,243</u>	<u>(12,607,169)</u>
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		<u>14,009,243</u>	<u>(12,607,169)</u>
Basic and diluted earnings/(losses) per share (cents per share)		13.13	(11.47)

Statement of Financial Position

		As at	
	Notes	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents	9	12,674,438	14,253,989
Receivables		1,735,277	1,869,523
Due from brokers		529,440	2,527,267
Financial assets at fair value through profit or loss	6	<u>122,217,683</u>	<u>107,479,208</u>
Total current assets		<u>137,156,838</u>	<u>126,129,987</u>
Total assets		<u>137,156,838</u>	<u>126,129,987</u>
Current liabilities			
Payables		218,501	290,460
Management and performance fees payable	12	171,447	81,706
Due to brokers		-	2,439,644
Current tax liability		704,556	-
Financial liabilities at fair value through profit or loss	7	<u>91,796</u>	<u>48,294</u>
Total current liabilities		<u>1,186,300</u>	<u>2,860,104</u>
Non-current liabilities			
Deferred tax liability		<u>5,772,970</u>	<u>2,152,790</u>
Total non-current liabilities		<u>5,772,970</u>	<u>2,152,790</u>
Total liabilities		<u>6,959,270</u>	<u>5,012,894</u>
Net assets		<u>130,197,568</u>	<u>121,117,093</u>
Equity			
Issued capital	10	103,845,971	107,164,313
Retained earnings		21,122,500	7,113,257
Dividend profit reserve	8	<u>5,229,097</u>	<u>6,839,523</u>
Total equity		<u>130,197,568</u>	<u>121,117,093</u>

The above financial information is taken from the most recently released EGI Half Yearly report, as at 31 December 2019. This historical information should be read in conjunction with that report. All references to notes are to those notes included in the EGI Half Yearly report, as at 31 December 2019.

5.8 Subsequent material changes in the financial position of EGI

On 12 February 2020, EGI announced the declaration of an interim dividend of 1.5 cents per Share, fully franked at the 27.5% corporate tax rate, with a record date of 6 March 2020 and a payment date of 27 March 2020. The Dividend Reinvestment Plan did not operate in conjunction with this dividend.

On 17 February 2020, EGI announced the Scheme to give effect to the previously foreshadowed orderly conversion of the Company's investment portfolio to a trust structure.

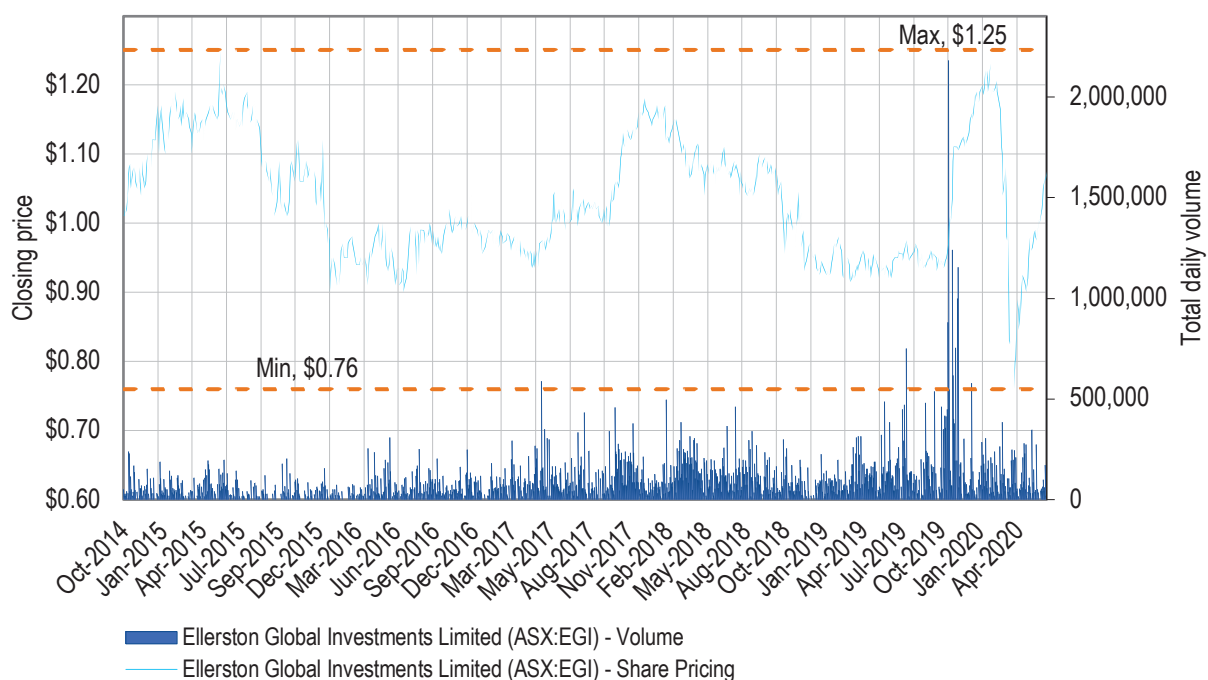
On 9 April 2020, EGI announced amendments to the Scheme dealing with the proposed Ellerston Unit Offer, the Early Termination Fee and the proposed two year waiver of management fees for Ellerston Fund Units issued to EGI Shareholders under the Scheme and the Ellerston Unit Offer.

EGI continues to release weekly NTA announcements to ASX.

No other significant matter or circumstance has arisen since 31 December 2019 and up to the Last Practicable Date which would impact on the financial position of the Company as disclosed in the Statement of Financial Position as at 31 December 2019 or on the results and cash flows of the Company for the period ended on that date.

5.9 Recent EGI Share price performance

The following chart illustrates the movement in the share price of EGI from 10 October 2014 to the Last Practicable Date.



5.10 EGI's dividend history

Since listing on ASX in October 2014, EGI has paid the following dividends:

Balance Date	Dividend Type	Cents Per EGI Share	Franked %	Record date	Pay date
30/06/2020	Interim	1.50	100.00	06/03/2020	27/03/2020
30/06/2019	Final	1.50	100.00	05/09/2019	04/10/2019
30/06/2019	Interim	1.50	100.00	07/03/2019	05/04/2019
30/06/2018	Final	1.50	100.00	06/09/2018	05/10/2018
30/06/2018	Interim	1.50	100.00	26/04/2018	18/05/2018
30/06/2018	Special Cash	1.00	100.00	26/04/2018	18/05/2018
30/06/2017	Final	1.50	100.00	06/09/2017	06/10/2017
30/06/2017	Interim	1.00	100.00	14/03/2017	07/04/2017
30/06/2016	Final	1.00	100.00	06/09/2016	07/10/2016

30/06/2016	Interim	1.00	100.00	16/03/2016	08/04/2016
30/06/2015	Final	1.00	100.00	21/09/2015	08/10/2015

5.11 Franking credits and dividend profit reserve

Having paid an interim dividend of \$0.015 per Share in respect of the half year ended 31 December 2019 (on 27 March 2020), EGI's franking credit account balance based on a corporate tax rate of 27.5%, was reported as \$1.4 million. This balance would permit EGI to pay fully franked dividends of \$3.6 million based on a corporate tax rate of 27.5%.

To the extent that any current period profits or prior period accumulated profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings. The closing balance of the dividend profit reserve as of 31 December 2019 was \$5,229,097, which represents 4.97 cents per Share.

5.12 Risks

There are a number of general and specific risks associated with an investment in EGI. These risks include:

- manager risk;
- counterparty and credit risk;
- derivatives risk;
- past performance and history;
- leverage risk;
- general investment risk;
- foreign investment and emerging markets risk valuation;
- currency and foreign jurisdiction risk;
- concentration risk;
- regulatory risk;
- tax risk;
- liquidity risk and discount to NTA;
- performance fee incentive;
- personnel risk;
- potential conflicts of interest;
- interest rate risk;
- dividend risk;
- operational costs;
- accounting policy risk;
- market risk;
- the future capital requirements of EGI; and
- other risks.

Further information on these risks is set out at Section 9.2 of this Explanatory Booklet.

5.13 Public information available for inspection

EGL is a “disclosing entity” for the purposes of section 111AC(1) of the Corporations Act, and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require EGL to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market. EGL has an obligation under the Listing Rules (subject to some exceptions) to notify ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of EGL Shares. Pursuant to the Corporations Act and the Listing Rules, EGL is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the EGL Directors and an audit or review report, respectively.

Copies of each of these documents and ASX notifications can be obtained free of charge on the EGL website at <https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments/> or by visiting the ASX website at <https://www.asx.com.au/asx/share-price-research/company/EGL>

ASIC also maintains a record of documents lodged with it by EGL and these may be obtained from the ASIC website at www.asic.gov.au.

Additionally, copies of documents lodged with ASIC in relation to EGL may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services. The following documents are available for inspection free of charge prior to the Meetings and during normal business hours at the registered office of EGL (being Level 11, 179 Elizabeth Street, Sydney, New South Wales):

- EGL’s company register;
- EGL’s constitution;
- EGL’s annual reports for FY17 and FY18;
- EGL’s full year statutory accounts for the year ended 30 June 2019; and
- EGL’s half year statutory accounts for the 6 months ended 31 December 2019.

6. Profile of the Ellerston Fund

6.1 Introduction

This Section provides an overview of the Ellerston Fund. Appendix 7 to this Explanatory Booklet contains the Ellerston Fund PDS, and Appendix 8 to this Explanatory Booklet contains the Ellerston Fund constitution, both of which set out in further detail information regarding the Ellerston Fund. This Section 6 should be read subject to, and in conjunction with, the Ellerston Fund PDS, the Ellerston Fund constitution and the remainder of this Explanatory Booklet.

The Ellerston Funds PDS refers throughout to the 'Manager'. Those references are to the Responsible Entity acting in its capacity as the investment manager of the Ellerston Fund. In this Section 6, references to the 'Responsible Entity' are references to the Responsible Entity acting in its capacity as the investment manager of the Ellerston Fund. Information about the Responsible Entity in its capacity as the investment manager of the Ellerston Fund is provided in Section 7. Section 7 should also be read subject to, and in conjunction with, the Ellerston Fund PDS, the Ellerston Fund constitution and the remainder of this Explanatory Booklet.

6.2 Overview of the Ellerston Fund

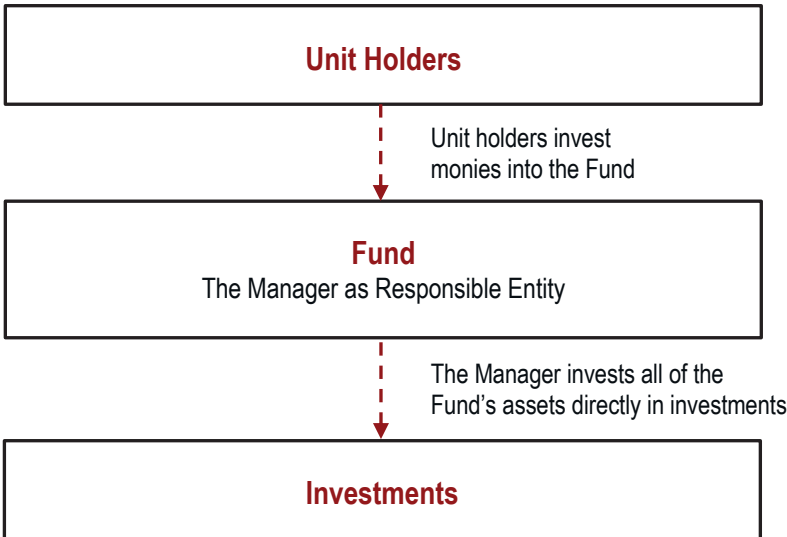
The Ellerston Fund is an Australian unit trust registered with ASIC and is a managed investment scheme under the Corporations Act.

The Ellerston Fund invests directly and may invest through other managed investment schemes (both registered as such under the Corporations Act and un-registered schemes) of which the Manager is responsible entity/trustee. However it currently does not do so. To the extent that it does, the Manager will waive or set off additional management and performance fees payable to it in respect of such investments so that Unit holders only bear the fees set out below in Section 6.10 of this Explanatory Booklet.

The Responsible Entity does not anticipate investing through other schemes of which it is not the responsible entity/trustee.

6.3 Structure of the Ellerston Fund

The following diagram depicts the investment structure of the Ellerston Fund:



There are currently 26,239,940 Ellerston Fund Units on issue held by seven unitholders. The currently issued Ellerston Fund Units are classified as 'Class A Units'. If the Scheme is approved and implemented, the Responsible Entity intends to issue new Ellerston Fund Units to Scheme Shareholders, in accordance with the terms of the Scheme, with these Units to be classified as 'Class B' Units'. Accordingly, if the Scheme is implemented, the structure of the units on issue in the Ellerston Fund immediately following the Implementation Date will be as follows:

Class of units	Number of units on issue
Class A Units (being the Units currently on issue)	26,239,940
Class B Units (being the new Units issued as Scheme Consideration)	105,300,394

Note: above table does not take into account any additional Class B Units from valid Elections to participate in the Ellerston Unit Offer.

6.4 Investment strategy of the Ellerston Fund

(a) Investment Objective

The investment objective of the Ellerston Fund is to generate a 3% outperformance over the MSCI World Mid Cap Index (NR) (AUD) over a rolling 5 year period, with a focus on risk management and capital preservation. The Responsible Entity aims to achieve this by investing in a concentrated portfolio primarily targeting between 20 and 40 Securities. The Ellerston Fund will be denominated in Australian dollars and currency exposures will be generally unhedged. The Ellerston Fund seeks to:

- provide investors with access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio; and
- increase the value of the Ellerston Fund by allocating capital to a limited number of securities in which the Responsible Entity has the highest conviction.

(b) Investment Strategy

The Ellerston Fund's investment strategy is to construct a concentrated portfolio of securities using the Responsible Entity's distinctively contrarian, high conviction, benchmark independent investment approach. The trade-off between risk and potential returns is improved by implementing the highest conviction ideas from a filtered universe of securities that the Responsible Entity feels are in a period of price discovery and offer an attractive risk/reward dynamic. The focus is on disciplined 'bottom up' stock selection based on rigorous fundamental analysis. This is overlaid with the Responsible Entity's 'top down' assessment of macroeconomic conditions and the market outlook.

The strategy will be implemented by the Responsible Entity's highly experienced investment team, made up of equity specialists with deep expertise across international and Australian markets.

The Ellerston Fund will have a broad investment universe and will have a mid - small cap bias. The Responsible Entity will seek to invest capital where it believes the most compelling risk/reward opportunities exist.

The filters employed by the Responsible Entity aim to identify and capture all the opportunities that fit its investment criteria. The Responsible Entity is looking for equity investments that are in what we would call "a period of price discovery". This may be the result of a spin-off, fallen angel, new CEO being appointed, corporate restructure or post IPO to name a few. Essentially, it is a period of time that creates a window of opportunity to make an investment with an attractive risk/reward dynamic.

The Responsible Entity may from time to time significantly increase exposure to cash or cash-like investments, which may include circumstances where the Responsible Entity believes investment opportunities are limited, to protect capital or to manage liquidity.

In following this approach, the Responsible Entity aims to allocate capital to securities they have identified with the most compelling risk/reward profile.

(c) Portfolio Construction Summary

To achieve the target return profile, the Responsible Entity will construct a portfolio of long positions based on the risk/reward profile of securities within the investment criteria.

Individual security analysis is qualitative, focusing on management, strategy and factors affecting the business, industry and quantitative, focusing on areas such as earnings, cash flow, liquidity, capital structure and balance sheet strength.

Once the security analysis is complete, the risk/reward profile understood, and the level of conviction assessed, an appropriate position size is determined for inclusion in the portfolio.

The Responsible Entity will also assess the potential impact of the macroeconomic climate and market outlook on the Fund’s investments, sector and geographic exposures. This ‘top down’ view can be particularly important in establishing the level of conviction in a particular security and therefore its weight in the investment portfolio.

The Responsible Entity will use the strategy, its investment experience and skill to meet the Ellerston Fund’s return objective.

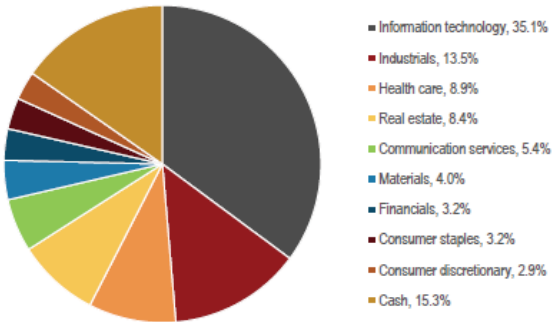
There is no guarantee that the investment objective will be achieved.

6.5 Investment portfolio of the Ellerston Fund

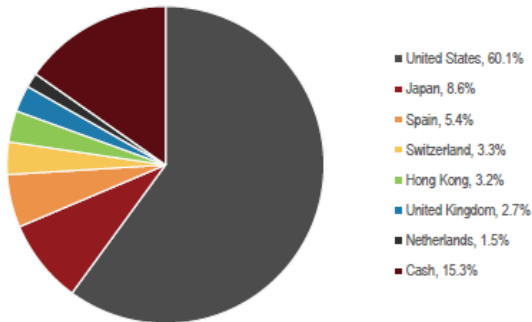
(a) Investment portfolio of the Ellerston Fund

Top 10 holdings	Country	Sector	%
Ciena Corporation	United States	Information Technology	6.3%
Keysight Technologies Inc	United States	Information Technology	5.8%
Cellnex Telecom	Spain	Communication Services	5.4%
Anritsu Corporation	Japan	Information Technology	5.1%
Amedisys	United States	Health Care	4.6%
Digital Realty Trust	United States	Real Estate	4.6%
Graphic Packaging	United States	Materials	4.0%
QTS Realty Trust	United States	Real Estate	3.9%
LiveRamp Holdings	United States	Information Technology	3.5%
WillScot Corporation	United States	Industrials	3.5%

SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



Source: Ellerston Capital

(b) Transfer of EGI investment portfolio

If the Scheme is implemented, EGI will become a wholly owned subsidiary of Ellerston Capital in its capacity as the Responsible Entity of the Ellerston Fund. Shortly following implementation of the Scheme the investment portfolio of EGI, as set out in Section 5.3, will be transferred to the Ellerston Fund and form part of its then expanded investment portfolio.

6.6 Ellerston Fund constitution

The Ellerston Fund is a registered managed investment scheme under the Corporations Act.

The operation of the Ellerston Fund is governed by the Corporations Act and its constitution. The constitution addresses matters such as the duration of the Fund, applications for Units, the issue and transfer of Units, Unit pricing, Unit redemptions (withdrawals), circumstances in which the Responsible Entity may compulsorily redeem (withdraw) Units, Unitholder meetings, Unitholders' rights to income of the Fund, the Responsible Entity's powers, fee entitlement and right to be indemnified from the Fund's assets, how the Responsible Entity of the Fund may be changed, the liability of Unitholders, how complaints and disputes are to be addressed and how the constitution may be amended.

If the Scheme is approved and implemented, Scheme Shareholders agree by operation of the Scheme to become a Unitholder of the Fund and to be bound by its constitution. The full terms of the Fund's constitution are set out in Appendix 8. The key rights of Unitholders under the constitution are summarised in Section 8.3.

6.7 Withdrawal Facility

The Ellerston Fund will implement a Withdrawal Facility. Through the Withdrawal Facility you will be able to withdraw some or all of your investment by giving the Ellerston Fund registry written notice. Set out below is a summary of the key terms of the Withdrawal Facility. More information regarding the Withdrawal Facility is contained at Section 7.2 of the Ellerston Fund PDS, which is contained at Appendix 7 to this Explanatory Booklet.

(a) Withdrawal windows

Scheme Shareholders may apply to withdraw some or all of their Ellerston Units commencing from the Implementation Date.

Holders of Ellerston Fund Units will have the opportunity to withdraw each Business Day by providing a withdrawal request prior to 12.00pm (Sydney time) on a Business Day, or any cut off time determined by the Ellerston Fund.

(b) Minimum withdrawal amount

The minimum withdrawal amount is \$5,000 unless otherwise approved by the Responsible Entity. Withdrawal requests may be restricted or a Unitholder's Units may be redeemed in its entirety if the processing of a withdrawal request would result in the Ellerston Fund Unitholder holding less than \$5,000 of Units.

(c) Withdrawal Price

The Withdrawal Price for the Ellerston Units will be its Net Asset Value per unit, as at the relevant Business Day, less the Buy/Sell Spread.

The Responsible Entity expects that redemptions will be processed and typically paid within five Business Days, however the Ellerston Fund Constitution provides that it may take up to 21 days from the relevant transaction day until an Ellerston Fund Unitholder receives their withdrawal proceeds. This is because the ability to fund the withdrawals is generally dependent on the ability of the Responsible Entity to realise the Ellerston Fund's investments. In some circumstances withdrawals may be suspended.

The Withdrawal Price may consist of income of the Fund where the Responsible Entity so determines. This may result in investors being required to include amounts in their assessable income for income tax purposes.

(d) Restrictions on withdrawals

If the Ellerston Fund is liquid, no withdrawals, or payment of withdrawal proceeds are permitted where the calculation of the Net Asset Value or redemptions are suspended. Suspensions may occur for up to 120 days including where:

- it is impracticable or impossible for the Responsible Entity to calculate the Net Asset Value of the Ellerston Fund, for example because of financial market disruptions or closures;
- the Responsible Entity reasonably considers that if the withdrawal requests were met immediately, Ellerston Fund Unitholders who continue to hold Ellerston Fund Units may bear or suffer a material disadvantage including, but not limited to, bearing a disproportionate burden of tax or other expenses or bearing a material diminution in the value of the Ellerston Fund;
- the Responsible Entity is unable to realise Ellerston Fund property to satisfy redemption requests;

- the Responsible Entity reasonably considers it to be in the interests of Ellerston Fund Unitholders; or
- it is otherwise legally permitted.

Unitholders will be notified in writing of any material changes to their redemption rights.

(e) Withdrawals when the Fund is not liquid

The withdrawal process, including the calculation of the Withdrawal Price, described above applies only when the Ellerston Fund is 'liquid' (as defined in the Corporations Act). If the Fund is no longer liquid, Ellerston Fund Units may only be redeemed under a redemption offer made to all Ellerston Fund Unitholders, in accordance with the Constitution and the Corporations Act. Ellerston Fund Unitholders will be notified in writing of any material changes to their redemption rights.

6.8 KYC Procedure

The Ellerston Fund has determined that, to comply with anti-money laundering and counter-terrorism financing laws, the Responsible Entity is required to undertake the KYC Procedure to verify the identity of any EGI Shareholders who stand to receive the Scheme Consideration (regardless of whether the EGI Shareholder is a Scheme Shareholder or a Foreign Scheme Shareholder). The Responsible Entity has appointed EGI as its agent to collect KYC Information from EGI Shareholders. EGI has in turn instructed the Independent Custodian to collect KYC Information from EGI Shareholders, on EGI's behalf.

(a) For Shareholders making an Election to participate in the Ellerston Unit Offer

If, after reading this Explanatory Booklet and considering your own personal investment objectives and financial situation, you wish to elect to receive additional Ellerston Fund Units, you must complete the accompanying green Election and Subscription Form in accordance with the instructions on that form. This form includes fields for the provision of your KYC Information. You should disregard the yellow KYC Information Form (as that form is only relevant to Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer).

Please complete every part of the KYC Information fields in the green Election and Subscription Form that are relevant to the type of EGI Shareholder that you are.

Please return the completed original green Election and Subscription Form (including all supporting documents relating to your KYC Information – see section J of the form) so that it is received by the Independent Custodian by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020). A reply paid envelope is enclosed for the return of your green Election and Subscription Form.

The Election and Subscription Form also includes payment instructions for the receipt of your Subscription Moneys. Please also ensure that your Subscription Monies are received in accordance with the instructions on the green Election and Subscription Form by the Election Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 July 2020).

Important note: if the Scheme proceeds and you have not returned your Election and Subscription Form to the Independent Custodian by the Election Cut-Off Date (including your Subscription Monies), you will be deemed to have not made a valid Election and will therefore not be allowed to participate in the Ellerston Unit Offer. In addition, you will not receive your Units in the Ellerston Fund under the Scheme unless and until you return your Election and Subscription Form to the Independent Custodian by the KYC Information Cut-Off Date. Failure to return your Election and Subscription Form on time will not affect the timing of the transfer of your EGI Shares under the Scheme. Specifically, if the Scheme is approved by the requisite majority of Shareholders and by the Court, your EGI Shares will still be transferred to (and acquired by) the Responsible Entity on the Implementation Date, even if you have failed to return your Election and Subscription Form by the KYC Information Cut-Off Date.

If the Scheme does not proceed, all Subscription Monies will be refunded as soon as reasonably practicable without interest.

Please note that the extent of your participation in the Ellerston Unit Offer is based on the approximate value of your current investment in EGI as at the Election Calculation Date. Accordingly, if you acquire further EGI Shares after the Election Calculation Date, those additional EGI Shares will not increase your ability to participate in the Ellerston Unit Offer.

(b) For Shareholders who do not wish to make an Election to participate in the Ellerston Unit Offer

If, after reading this Explanatory Booklet and considering your own personal investment objectives and financial situation, you wish to support the Scheme but you do not wish to make an Election to receive additional Ellerston Units, you should nevertheless complete the accompanying yellow KYC Information Form in accordance with the instructions on that form. You should disregard the green Election and Subscription Form (as that form is only relevant to Shareholders who wish to make an Election to participate in the Ellerston Unit Offer).

Please complete every part of the KYC Information Form that is relevant to the type of EGI Shareholder that you are. Please return the completed original yellow KYC Information Form (including all supporting documents relating to your KYC Information – see section I of the form) so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020). A reply paid envelope is enclosed for the return of your KYC Information Form.

Important note: if the Scheme proceeds and you have not returned your KYC Information Form to the Independent Custodian by the KYC Information Cut-Off Date, you will not receive your Units in the Ellerston Fund under the Scheme unless and until you return your Form. Failure to return your KYC Information Form on time will not affect the timing of the transfer of your EGI Shares under the Scheme.

If the Scheme is approved by the requisite majority of Shareholders and by the Court, the Scheme will bind all persons registered as EGI Shareholders as at the Scheme Record Date (**Scheme Shareholders**), including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against it. Therefore, all persons who are Scheme Shareholders will relinquish ownership of their EGI Shares and will be entitled to receive the Scheme Consideration, subject to the receipt of their completed KYC Information Form.

Accordingly, even if you do not support the Scheme and intend to vote against it or to not vote at all, you should still complete and return the yellow KYC Information Form so that it is received by the Independent Custodian by the KYC Information Cut-Off Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 5 August 2020)

(c) General

Irrespective of whether you wish to make an Election, if your completed KYC Information Form is received after the KYC Cut-off Date, you only will receive your Ellerston Units under the Scheme and (if applicable) the Ellerston Unit Offer as soon as reasonably practicable after your completed KYC Information Form or Election and Subscription Form is received. In those circumstances, your Ellerston Units will only rank equally with other Ellerston Units, including with respect to distributions and on management fee waiver arrangements, as from the date your Ellerston Units are issued which will be later than the date of issue of Ellerston Units to those Scheme Shareholder who have provided their KYC Information.

Therefore, if you do not provide your completed KYC Information Form before the KYC Cut-off Date:

- all of your EGI Shares will still be acquired by the Responsible Entity on the Implementation Date (assuming all of the Scheme Conditions have been satisfied or waived by that date); and
- the Units comprising your Scheme Consideration will be issued on the Implementation Date to the Independent Custodian to be held on your behalf and dealt with in accordance with the Scheme and the arrangements with the Independent Custodian.

6.9 Risks associated with the Ellerston Fund

There are a number of general and specific risks associated with an investment in the Ellerston Fund. These risks include:

- Responsible Entity risk;
- counterparty and credit risk;
- derivatives risk;
- leverage risk;
- past performance and history;
- leverage risk;
- general investment risk;
- foreign investment and emerging markets risk;
- currency and foreign jurisdiction risk;
- concentration risk;
- regulatory risk;

- tax risk;
- liquidity risk;
- performance fee incentive;
- personnel risk;
- potential conflicts of interest;
- interest rate risk;
- distribution risk;
- operational costs;
- accounting policy risk;
- market risk; and
- future capital requirements.

Further information on these risks is set out at Section 9.3 of this Explanatory Booklet.

6.10 Fee Template

The below table sets out the fees and other costs that you may be charged as a Unitholder in the Fund. 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.

More detailed information regarding the fees and costs, including worked examples of the application of the below fees and costs is set out in Section 6 of the Ellerston Fund PDS, which is contained in Appendix 7 to this Explanatory Booklet.

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

TYPE OF FEE AND COST	AMOUNT ¹	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
Management Costs: The fees and costs for managing your investment payable to the manager		
Management Fee	0.75% (inclusive of GST) per year of the Net Asset Value.	Calculated and accrued daily and paid from the assets of the Fund monthly in arrears. The Management Fee is reflected in the Unit price. The amount of this fee may be negotiated with the Manager. Refer to Section 6.2 of the Ellerston Fund PDS for more details. Holders of Units issued under the Scheme and the Ellerston Unit Offer will have the benefit of a

		waiver on the charging of the Management Fee for two years commencing from the Implementation Date. This waiver is pursuant to the discretion the Responsible Entity has to waive or reduce the management fee for certain unitholders. This discretion is referred to in Ellerston Fund PDS, which is Appendix 7 to this Explanatory Booklet.
Expenses	Estimated at 0.20% per year of the Net Asset Value	Calculated and accrued daily and paid from the assets of the Fund when the amounts are due. These expenses are reflected in the Unit price. Refer to Section 6.2 for more details.
Performance Fee	10% of the investment return over the Benchmark return, after recovering any underperformance in past periods. Estimated at 0.30% p.a. of the Net Asset Value of each Unit.	Calculated and accrued daily and paid from the assets of the Fund after 30 June each year in arrears. The performance fee is reflected in the Unit price. Refer to Section 6.2 for more details.
Fees and costs for managing your investment not payable to the Manager⁴		
Indirect Costs	Estimated at 0.25% p.a. of the Net Asset Value.	Indirect Costs are variable and are deducted from the assets of the Fund when they are incurred. These costs are not charged separately and are not paid to the Manager.
Service fees		
Switching fee: The fee for changing investment options.	Nil	Not applicable

6.11 Comparison of EGI's current operating costs with the expected operating costs of the Ellerston Fund

EGIs operating costs have generally been between 0.35% and 0.45% of NTA per annum. The operating costs for the Ellerston Fund are estimated at 0.20% p.a. of the Net Asset Value.

7. Further information regarding the Responsible Entity

7.1 Introduction

This Section provides an overview of information regarding the Responsible Entity. Appendix 7 to this Explanatory Booklet contains the Ellerston Fund PDS, and Appendix 8 to this Explanatory Booklet contains the Ellerston Fund constitution, both of which set out in further detail information regarding the Responsible Entity. This Section 7 should be read subject to, and in conjunction with, the Ellerston Fund PDS, the Ellerston Fund constitution and the remainder of this Explanatory Booklet.

7.2 Overview of the Responsible Entity

The Responsible Entity is Ellerston Capital Limited ACN 110 397 674. Ellerston Capital is a specialist investment manager providing a range of innovative equity and alternative strategies.

The Responsible Entity has been managing money since 2002 and as at the Last Practicable Date manages over \$4.2 billion in long only Australian, global and Asian equities, Australian market neutral, global long-short equity and private equity strategies.

The Responsible Entity's investment products are designed to take advantage of the strengths and capabilities of its experienced investment team and also the opportunities which the Responsible Entity's investment management team feels exist in the market place.

7.3 Profile of the Ellerston Fund's investment portfolio manager

The Responsible Entity acts as the investment manager of the Ellerston Fund. The following individual is employed by the Responsible Entity and is responsible for making decisions with regard to the investments of the Ellerston Fund:

Name	Biography
Bill Pridham	<p>Bill Pridham, as Portfolio Manager, has overall responsibility for the Ellerston Fund. Bill is supported by a team investment professionals, each of whom have significant skill and experience in different geographies, sectors and industries.</p> <p>Bill Pridham joined Ellerston Capital in November 2015 and has 22 years of financial markets experience.</p> <p>Prior to Ellerston Capital, Bill was an Investment Manager at JGL Investments. At JGL, he managed a listed equity portfolio with a global mandate and absolute return focus. Prior to JGL Investments, Bill worked as an Investment Analyst at Kira Capital, Senior Research Analyst at QIC and CIO at MMC Asset Management. Bill started his career at UBS Australia as a Senior Research Analyst.</p> <p>Bill holds a Bachelor of Commerce from Bond University and is a CFA Charterholder.</p> <p>There have been no adverse regulatory findings against Mr. Pridham or the Manager. Updates on Ellerston Capital and the investment team are available via ellerstoncapital.com.</p>

7.4 Intentions if the Scheme is implemented

If the Scheme is implemented, the Responsible Entity intends to acquire EGI's investments (excluding investments the proceeds of which will be required to satisfy any liabilities of EGI) from EGI. Such acquisition is expected to be achieved through share buy-backs made by EGI and dividends or returns of share capital paid by EGI or a combination of both. That is, the acquisition of the investments by the Responsible Entity on behalf of the Ellerston Fund should occur through EGI's retained profits and share capital being paid to its sole shareholder, the Responsible Entity, such that the Ellerston Fund converts its investment in EGI to an investment in each of the underlying investments held by EGI. As a result of this, the investments currently held by EGI will come to form part of the assets of the Ellerston Fund.

For the first 47 days after the date that the Scheme is implemented, it is not intended by EGI or the Responsible Entity that any share buy-backs will occur or any dividends or returns of capital will be paid, except in circumstances where an investor withdraws units from the Fund during that 47 day period. It is intended that these dividends or deemed dividends will be determined by the Responsible Entity to be trust income which forms part of the Withdrawal Price such that they should only affect the tax outcomes for the withdrawing investors. Dividends paid or deemed to be paid during that 47 day period should not give rise to an entitlement for investors to franking credit tax offsets.

It is intended that EGI will pay dividends or make returns of capital during the year ending 30 June 2021 such that substantially all of its retained profits and share capital are paid to the Ellerston Fund during that year.

After EGI's investments have been acquired by the Responsible Entity, the Responsible Entity intends to manage those investments, alongside its current and future investments, in accordance with the investment strategy which is detailed in Section 6.4 of this Explanatory Booklet.

If the Scheme is implemented, the Responsible Entity also intends that EGI be removed from the official list of ASX after the Implementation Date. As noted in Section 5, EGI has no employees, meaning that implementation of the Scheme has no impact on EGI's employment arrangements.

7.5 Ellerston Capital's interests in EGI Shares

As at the Last Practicable Date, Ellerston Capital held 2,233,865 EGI Shares, representing approximately 2.1% of the EGI Shares on issue. All of these EGI Shares are held by Ellerston Capital in its capacity as responsible entity of the Ellerston Global Equity Managers Fund (**GEM Fund**), which is a separate fund to the Ellerston Fund of which Ellerston Capital is also the Responsible Entity. Accordingly, Ellerston Capital as responsible entity of the GEM Fund is entitled to vote its EGI Shares at the Scheme Meeting (as part of the same class as all other EGI Shareholders) and intends to vote all of those Shares in favour of the Scheme. EGI and the Responsible Entity have determined that the votes cast in favour of the Scheme by Ellerston Capital in its capacity as responsible entity of the GEM Fund will be 'tagged' for the purposes of identification at the Scheme Meeting. If the Scheme is approved by the requisite majorities at the Scheme Meeting, the 'tagged' votes in favour of the Scheme Resolution by Ellerston Capital as responsible entity of the GEM Fund will be drawn to the Court's attention at the Second Court Hearing.

If the Scheme is approved and implemented, the EGI Shares held by Ellerston Capital in its capacity as responsible entity of the Ellerston Global Equity Managers Fund will be entitled to participate in the Scheme on the same basis as all other EGI Shareholders. This means that Ellerston Capital in its capacity as responsible entity of the Ellerston Global Equity Managers Fund will have its Shares transferred to the Responsible Entity and will be entitled to:

- receive Ellerston Fund Units as Scheme Consideration for the acquisition of its EGI Shares under the Scheme; and
- make an Election to acquire additional Units under the Ellerston Unit Offer.

7.6 Responsible Entity's interests in the Ellerston Fund

The Responsible Entity does not hold any Ellerston Fund Units.

8. Information about the Ellerston Fund Units

8.1 Introduction

This Section provides a comparative overview of the new Ellerston Fund Units to be issued under the Scheme and the existing Ellerston Fund Units, as well as the rights attaching to your EGI Shares against those attaching to the Ellerston Fund Units which will be issued to you if you are a Scheme Shareholder and the Scheme is implemented. This Section should be read subject to, and in conjunction with, the Ellerston Fund PDS, the Ellerston Fund constitution and the rest of this Explanatory Booklet.

8.2 Comparison between new Ellerston Fund Units and existing Ellerston Fund Units

As at the Last Practicable Date, the Ellerston Fund had 26,239,940 Class A Units on issue held by seven unitholders.

If the Scheme is approved and implemented, the Responsible Entity intends to issue new Ellerston Fund Units to Scheme Shareholders, in accordance with the terms of the Scheme and the Ellerston Unit Offer, with these new Units to be classified as 'Class B' Units'.

The rights and liabilities attaching to the new Class B Units to be issued under the Scheme (and the Ellerston Unit Offer) are the same as those that apply to the existing Class A Units, except that the existing Class A Units will not be entitled to the two year waiver of management fees by the Responsible Entity, which will commence on the Implementation Date and will apply to all new Class B Units issued under the Scheme as well as under the Ellerston Unit Offer.

If the Scheme is approved and implemented, the structure of the Units on issue in the Ellerston Fund immediately following the Implementation Date will be as follows:

Class of units	Number of units on issue
Class A Units (being the Units currently on issue)	26,239,940
Class B Units (being the new Units issued as Scheme Consideration)	105,300,394

Note: above table does not take into account any additional Class B Units from valid Elections to participate in the Ellerston Unit Offer.

As the new Class B Units issued as Scheme Consideration will form part of the expanded total number of Units on issue immediately following the Implementation Date, EGI Shareholders receiving Class B Units as Scheme Consideration will, in their future capacity as Unitholders, have a diluted proportional percentage interest in the Fund compared to their current proportional shareholding interest in EGI. The extent of this dilution may be reduced by participation in the Ellerston Unit Offer (and will also depend on the extent to which other EGI Shareholders participate in the Ellerston Unit Offer). The extent of this dilution will also be impacted by the level of Unit withdrawals (redemptions) after the Implementation Date.

As an indicative illustration, the tables below sets out the capital structure of the Ellerston Fund on implementation of the Scheme, under different participation scenarios for the Ellerston Unit Offer (and without taking account of any new Unit issues and/or any Unit withdrawals (redemptions) that may occur following the Implementation Date):

0% participation by EGI shareholders in the Ellerston Unit Offer

Category of unitholders	Number of Ellerston Units	Percentage of voting power
Class A Units (being the Units currently on issue)	26,239,940	19.95%
Class B Units (being the new Units issued only as Scheme Consideration)	105,300,394	80.05%

25% participation by EGI shareholders in the Ellerston Unit Offer

Category of unitholders	Number of Ellerston Units	Percentage of voting power
Class A Units (being the Units currently on issue)	26,239,940	16.62%
Class B Units (being the new Units issued as both Scheme Consideration and under the Ellerston Unit Offer)	131,625,493	83.38%

50% participation by EGI shareholders in the Ellerston Unit Offer

Category of unitholders	Number of Ellerston Units	Percentage of voting power
Class A Units (being the Units currently on issue)	26,239,940	14.25%
Class B Units (being the new Units issued as both Scheme Consideration and under the Ellerston Unit Offer)	157,950,591	85.75%

75% participation by EGI shareholders in the Ellerston Unit Offer

Category of unitholders	Number of Ellerston Units	Percentage of voting power
Class A Units (being the Units currently on issue)	26,239,940	12.46%
Class B Units (being the new Units issued as both Scheme Consideration and under the Ellerston Unit Offer)	184,275,690	87.54%

100% participation by EGI shareholders in the Ellerston Unit Offer

Category of unitholders	Number of Ellerston Units	Percentage of voting power
Class A Units (being the Units currently on issue)	26,239,940	11.08%
Class B Units (being the new Units issued as both Scheme Consideration and under the Ellerston Unit Offer)	210,600,788	88.92%

8.3 Comparison of rights and liabilities attaching to your EGI Shares and Ellerston Fund Units

Below is a comparison, by way of summary, of rights and liabilities attaching to the Ellerston Fund Units and EGI Shares. This comparison does not purport to be exhaustive or constitute a definitive statement of all of the differences between, or the rights and liabilities attaching to EGI Shares and Ellerston Fund Units.

	EGI Shares	Ellerston Fund Units
Source of rights	EGI Shareholder rights are derived from the EGI constitution and the Corporations Act. The EGI constitution is also subject to the ASX Listing Rules and ASX Settlement Operating Rules.	Ellerston Fund Unitholders' rights are derived from the Ellerston Fund constitution, the Corporations Act and principles of equity, mainly in relation to trusts.
Voting	<p>Resolutions are decided by a show of hands unless a poll is demanded.</p> <p>In general meeting, each EGI Shareholder has one vote on a show of hands. If a poll is called, each EGI Shareholder has one vote for each EGI Share held (subject to the Share being fully paid).</p> <p>EGI Shareholders may vote in person, by proxy, by attorney, or by way of corporate representative (for corporate EGI Shareholders or proxies).</p>	<p>Ordinary resolutions are decided on a show of hands unless a poll is demanded.</p> <p>Voting on an extraordinary resolution or a special resolution must be decided on a poll.</p> <p>For each Ellerston Fund Unit held, an Ellerston Fund Unitholder is entitled to one vote on a show of hands and to one vote for the dollar of the value of the Unit on a poll.</p> <p>Ellerston Fund Unitholders may vote by person, by proxy, by attorney or by way of corporate representative (for corporate Ellerston Fund Unitholders).</p>
General Meeting	<p>Each EGI Shareholder is entitled to receive notice of, and to attend and, subject to the Corporations Act and the ASX Listing Rules, to vote at general meetings of EGI.</p> <p>The Corporations Act requires that EGI hold an AGM at least once in a calendar year and in any event within five months after the end of its financial year.</p>	<p>General meetings of the Ellerston Fund must be called in accordance with the relevant provisions of the Corporations Act for calling a meeting of members (Unitholders) of a managed investment scheme.</p> <p>Each Ellerston Fund Unitholder is entitled to receive notice or, and to attend, and subject to the Corporations act, to vote at meetings of Unitholders.</p> <p>The Ellerston Fund is not required to hold an AGM and there are no regular meetings of Unitholders.</p>
Dividends/distributions	<p>The EGI Directors may determine, declare or procure the payment of a dividend in accordance with the provisions of the Corporations Act.</p> <p>Dividends will be paid in proportion to the amounts paid on EGI Shares, subject to any rights or restrictions attached to those EGI Shares.</p>	<p>The distributable income of the Ellerston Fund for each 12 month accounting period (1 July through 30 June) referable to a class or series of Ellerston Fund Units must be distributed to Ellerston Fund Unitholders pro rata to the number of Ellerston Fund Units held in the applicable class or series</p> <p>The distributable income of the Ellerston Fund for an accounting period is equal to the Trust Income (as defined in the Ellerston Fund constitution) or such lesser amount as the Responsible Entity determines in its discretion is the distributable income of the trust.</p>

		<p>Additionally, the Responsible Entity may at any time elect that an amount (capital or income) be distributed from the Ellerston Fund to a class or series of Ellerston Fund Unitholders pro rata to the number of Ellerston Fund Units held in the applicable class or series.</p>
Dividend/distribution reinvestment	<p>The EGI constitution allows the EGI Directors to establish a plan under which EGI Shareholders may elect to reinvest cash dividends paid or payable.</p>	<p>The Ellerston Fund constitution allows for reinvestment of distributions as determined by the Responsible Entity.</p> <p>The Responsible Entity has determined that distributions will be automatically reinvested in Ellerston Fund Units unless an investor requests otherwise from the Responsible Entity. Reinvestments are not subject to the buy/sell spread that standard investments in Ellerston Fund Units are.</p>
Issue of further shares/units	<p>The EGI Directors may issue or allot further EGI Shares or any other form of security, or grant options over unissued EGI shares, on such terms and conditions that they see fit, subject to the Corporations Act and ASX Listing Rules.</p>	<p>Further Ellerston Fund Units may be issued at a particular time at an issue price in accordance with the relevant calculation method set out in the Ellerston Fund constitution or otherwise as determined by applicable ASIC legislative instrument.</p>
Transfer of shares/units	<p>EGI Shareholders may transfer EGI Shares by a proper transfer in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules or as otherwise permitted by the Corporations Act, or as otherwise approved by directors.</p> <p>In limited circumstances permitted under the ASX Listing Rules, EGI may require a holding lock to be applied to specific CHES approved securities or decline to register a transfer of EGI Shares when the transfer is not in registrable form.</p> <p>The EGI Directors may decline to register a transfer of EGI Shares which are not CHES approved securities if the ASX Listing Rules provide or would require that registration of the transfer may or should be refused.</p> <p>If the EGI Directors decline to register a transfer of EGI Shares, EGI must give the holders of those Shares, or the party lodging</p>	<p>An Ellerston Fund Unitholder may transfer their Ellerston Fund Units from time to time in the manner prescribed by the Responsible Entity, but must not do so without the express written consent of the Responsible Entity (which may be withheld in its absolute discretion).</p> <p>A transfer of Ellerston Fund Units only takes effect when recorded in the Ellerston Fund Register unless otherwise determined by the Responsible Entity.</p> <p>The Responsible Entity is not obliged to register a transfer where the transferred does not meet the Responsible Entity's criteria for a holder, the transfer is not duly stamped (where required), or any amount payable by the transferee to the Responsible Entity in respect of any of the transferor's Ellerston Fund Units remains unpaid.</p> <p>Any transfer of Ellerston Fund Units that has been made without the express written approval of the Responsible Entity will be void and those Ellerston Fund Units will immediately be forfeited and dealt with under the Withdrawal Facility, with the proceeds to be payable into the trust property of the Ellerston Fund.</p>

	the transfer, a written notice of refusal and reasons for the refusal within 5 Business Days after the date of lodgement.	
Winding up	Subject to any special or preferential rights and to any restrictions attaching to any EGI Shares or classes of EGI Shares, EGI Shareholders are entitled in a winding up to share in any surplus assets of EGI in proportion to the EGI Shares held by them, less any amounts which remain unpaid on those EGI Shares at the time of distribution.	The Responsible Entity may, subject to the Corporations Act, terminate the Ellerston Fund by providing written notice to Ellerston Fund Unitholders. On termination, the Responsible Entity will realise all fund property, pay all liabilities of the Ellerston Fund and distribute any remaining proceeds to Ellerston Fund Unitholders on a pro rata basis according to their holdings.
Nature of governing entity	<p>The EGI Board is the governing body of EGI. The EGI Directors are subject to the directors duties set out in Part 2D.1 of the Corporations Act.</p> <p>EGI has appointed Ellerston Capital as investment and administration manager and it carries out the executive management functions for EGI.</p>	<p>The Responsible Entity is the governing entity of the Ellerston Fund. Under the provisions of the Corporations Act the Responsible Entity must be an Australian public company which holds an Australian Financial Services Licence authorising it to operate a managed investment scheme.</p> <p>The Responsible Entity is required to act in accordance with the provisions of the Ellerston Fund constitution and Part 5C.2 of the Corporations Act.</p>
Directors	<p>The minimum number of directors that must sit on the EGI Board is three directors and the maximum is seven directors.</p> <p>EGI Shareholders in general meeting may increase or decrease the minimum or maximum number of EGI Directors.</p> <p>The EGI constitution and ASX Listing Rules provide for annual compulsory retirement of directors. Subject to the requirements of the Corporations Act, retiring directors are eligible for re-election.</p>	The Responsible Entity may be replaced by an extraordinary resolution of at least 50% of the votes cast by Ellerston Fund Unitholders (including Unitholders who are not present at the meeting at which the resolution is passed, whether in person or by proxy); however, Ellerston Fund Unitholders do not have the power to appoint or remove directors from the Responsible Entity.
Liability of shareholders/unitholders	The provisions of the Corporations Act provide that EGI Shareholders' individual liability is limited to any unpaid amounts on the shares held by that EGI Shareholder.	The terms of the Ellerston Fund constitution prescribe that each Ellerston Fund Unitholder's liability is limited to the amount subscribed, or agreed to be subscribed by the Ellerston Fund Unitholder, for Ellerston Fund Units.
Indemnity	EGI has indemnified each EGI Director and other officers of EGI (and any person who has previously served in either capacity) against any liability (other than for legal costs)	Under the Ellerston Fund constitution the Responsible Entity is indemnified out of the trust property for any liability incurred by it in properly performing any of its duties, exercising any of its powers in relation to the Ellerston Fund or attempting to do so.

	<p>incurred by that person as an EGI Director or officer or EGI to the extent permitted by law.</p> <p>EGI has indemnified each EGI Director and other officers of EGI (and any person who has previously served in either capacity) against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the Company to the extent permitted by law.</p>	
Amendment	<p>The EGI constitution can only be amended by a special resolution passed by at least 75% of the eligible votes cast by EGI Shareholders present and voting at a general meeting of EGI. At least 28 days written notice specifying the intention to amend the EGI Constitution by special resolution must be given.</p>	<p>The Responsible Entity has the ability to make any modification, addition, or deletion to the Constitution provided that if the modification:</p> <ul style="list-style-type: none"> • changes an Ellerston Fund Unitholder's entitlement to income or capital, all affected Ellerston Fund Unitholders must consent; • affects the fixed and indefeasible interest that an Ellerston Fund Unitholder's has in the Ellerston Fund, all affected Ellerston Fund Unitholders must consent; or • relates to the Responsible Entity's entitlement to fees or other amounts under the Ellerston Fund constitution, the Responsible Entity consents.

9. Risk factors

9.1 Introduction

This Section 9 sets out:

- (a) the risks to which you are currently exposed as an EGI Shareholder (see Section 9.2);
- (b) the risks to which you will be exposed if the Scheme is approved and implemented and you receive Ellerston Units (see Section 9.3); and
- (c) the risks associated with the Scheme (see Section 9.4).

9.2 Risk factors associated with EGI

This Section 9.2 sets out the risks to which you are currently exposed to as an EGI Shareholder and which could materially adversely affect the future operating and financial performance of EGI, as well as the value of EGI Shares and its ability to pay dividends.

If the Scheme is implemented and you are a Scheme Shareholder, you will receive the Scheme Consideration, cease to be an EGI Shareholder and also no longer be directly exposed to the risks outlined in this Section 9.2. However, Scheme Shareholders (other than Foreign Scheme Shareholders) will continue to be indirectly exposed to many of the risks that currently apply to EGI. That is because:

- (a) Scheme Shareholders (other than Foreign Scheme Shareholders) will receive as Scheme Consideration an issue of Ellerston Fund Units; and
- (b) the investment portfolio of the Ellerston Fund will include the current EGI portfolio.

The risk factors associated with an investment in the Ellerston Fund are outlined in Section 9.3.

If the Scheme does not proceed and you remain an EGI Shareholder, you will continue to be exposed to the risks outlined in this Section 9.2.

The risks outlined in this Section 9.2 have been adapted from the risks disclosed in the 2014 prospectus for the initial public offering of EGI Shares, and updated to reflect recent developments. This Section 9.2 is a summary only, does not present the risks in any order of importance, and does not purport to list every risk that may be associated with a continuing investment in EGI. EGI Shareholders should also be aware that these risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of EGI Shareholders.

An investment in EGI should not be seen as a predictable, low risk investment. EGI's investments are primarily in global equity securities and these can be considered as having a higher risk profile than cash, fixed interest, or a diversified portfolio of larger capitalised equities. EGI does not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of EGI.

(a) Manager risk

The success and profitability of EGI's investment portfolio depends in part on the ability of the Manager to make investments that increase in value over time and the retention of the Manager to manage the investment portfolio of EGI.

The following factors may affect the Manager's performance:

- poor investment strategy and securities selection in that the Manager may be unable to construct a portfolio in accordance with EGI's investment objectives, strategy, guidelines and permitted investments and even if it does so, there can be no guarantee that the investment strategy will be successful or that the Manager will not make investment decisions that result in unprofitable outcomes;
- changing market conditions such as negative changes in market sentiment;
- loss of key clients and/or personnel;

- market perception of the Manager and its funds management business; and
- market and systemic risk.

While the Manager seeks to mitigate the risks that may adversely affect its investment performance or its investment decisions, through implementation of internal risk management policies and procedures designed to monitor and address these risks, there can be no guarantee that the Manager will achieve any particular investment return within its investment portfolio or that its future performance will match or exceed its past performance.

The Manager is required to hold an Australian Financial Services Licence to operate its business. The ability of the Manager to continue managing EGI's investment portfolio is dependent on the maintenance of its Australian Financial Services Licence. If the Manager should lose or have restrictions imposed on its Australian Financial Services Licence preventing it from continuing to manage EGI's investments, EGI would need to identify and engage a suitably qualified and experienced investment manager to implement EGI's investment strategy. Similarly, if the EGI Management Agreement is terminated for any other reason, EGI will need to identify and engage a suitably qualified and experienced investment manager. Similarly, if the EGI Management Agreement is terminated for any other reason EGI will need to identify and engage a suitably qualified and experienced investment manager.

There can be no guarantee that EGI will be able to identify an appropriately qualified replacement for the Manager or, if such person or entity is appointed, that it will be able to perform its duties as investment manager to the standard required by EGI or to a level that matches or exceeds the performance of the Manager.

(b) Counterparty and credit risk

Counterparty risk is the risk that a counterparty, such as a clearing house prime broker or custodian, will not be able to meet its obligations under a contract.

The investment strategies of EGI and the Manager rely on the successful performance of contracts with external parties, including securities brokers and service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of insolvency, financial distress or liquidation of the counterparty, which may expose EGI to the risk of loss. In the case of a default, EGI could also become subject to adverse market movements while replacement transactions are executed.

The ability of EGI to transact business with one or more counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by EGI.

(c) Derivatives risk

There is a risk that the use of derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain.

Derivative instruments include futures, options on futures, over-the-counter options, exchange-traded options, swaps and forward contracts.

The value of all derivatives is 'derived' from underlying physical assets, such as company shares, commodities and bonds.

Derivatives such as futures and options may be used by EGI:

- to offset the risk of price variations of securities;
- as an alternative to purchasing the physical security;
- to seek to take advantage of any opportunities for profit which may exist in the market from time to time; and
- in the management of currency and interest rate risk.

In all cases there will be cash and/or underlying assets available to meet the exposure positions of the derivative instruments.

The use of derivatives potentially exposes EGI to counterparty, legal and documentation risks.

(d) Past performance and history

There can be no assurance that EGI will achieve its investment objective. EGI's past performance information should not be relied upon as (and is not) an indicator of future performance.

(f) General investment risk

There is a risk that EGI Shares and/or EGI's investments will fall in value over the short or long term. Individual security prices may fluctuate and under perform other asset classes over time. Investors in EGI are exposed to this risk through both their holding of EGI Shares and through EGI's investments.

Also, EGI Shares may trade on ASX at a discount to the net asset value of its investment portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of the Investment Portfolio.

The Manager will invest in international and domestic securities.

(g) Foreign investment and emerging markets risk

EGI may, through its foreign investments (including emerging markets) and exposure to foreign currencies, have exposure to risks not usually associated with investing in Australia and other developed markets such as political, social and economic instability, difficulty in enforcing legal rights, unforeseen taxes and less stringent regulatory protections, reporting and disclosure. These factors may affect the value of EGI Shares, volatility of EGI's returns and liquidity of EGI's investments.

Valuation

Investments may not have a readily ascertainable market price and may have valuations that differ from their true and actual realization value. Adjustments may be made having regard to what the Manager considers to be fair value for those assets. Further adjustments may be made on the basis of a number of matters including contingencies such as litigation expenses and fee waivers, deferrals and accruals.

(h) Currency and foreign jurisdiction risk

In addition to investments in Australian entities, the Manager may invest in international securities (i.e. securities of entities which are not domiciled in Australia). Hence EGI may assume currency exposure and there is a risk that adverse movements in exchange rates will reduce their value in Australian dollar terms.

EGI's foreign currency exposure may be over or under hedged or not hedged at all. It may not always be possible to hedge all foreign currency exposures and there is no guarantee that hedging will be successful.

EGI may also hedge the exposure of the other investments against investment loss, but is under no obligation to do so. There is no guarantee that any hedging will be successful. The cost of implementing hedging may be significant.

In addition, EGI may be exposed to risks relating to its investments in securities of entities which are located in a foreign jurisdiction, where the laws of those foreign jurisdictions offer less legal rights and protections to security holders of securities in such foreign entities as compared to the laws in Australia.

(i) Concentration risk

There is potential for volatility due to the lack of diversity within EGI's investment portfolio. The lower the number of investments, the higher the concentration and, in turn, the higher potential volatility.

(j) Regulatory risk

EGI is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time depending on changes in the laws and the policies of the governments and regulatory authorities.

EGI is exposed to the risk of changes to the applicable laws and/or the interpretation of existing laws which may have a negative effect on EGI, its investments and/or returns to EGI Shareholders or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against EGI.

(k) Tax risk

Tax laws are in a continual state of change and reform which may affect EGI and its Shareholders. Tax liabilities are the responsibility of each individual investor. There may be tax implications arising from ownership of the Securities, the receipt of franked and unfranked dividends (if any) from EGI, receiving returns of capital and the disposal of EGI Shares.

Changes to tax laws may adversely affect EGI's financial performance and/or the returns achieved by investors. Dividends paid by EGI to certain investors may not be recognised as frankable by the Australian Taxation Office.

The Company is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in EGI.

(l) Liquidity risk and discount to Net Tangible Assets

There is a risk that EGI's underlying investments may not be easily converted to cash. This can result in a loss if the holder of the security needs to sell within a particular timeframe.

EGI is a listed investment company (**LIC**). The ability of EGI Shareholders to sell EGI Shares on the ASX is a function of the turnover or liquidity of the Shares at the time of sale. Turnover is a function of a wide variety of factors including the size of a company and the cumulative investment intention of all current and possible investors in EGI at any one point in time.

Since listing, EGI Shares have been relatively illiquid and have consistently traded on ASX at a material discount to EGI's NTA value. As a result, EGI Shareholders may not be able to sell their Shares at the time and in the volumes or at a price which they desire.

If the Scheme is not implemented, your Independent Directors expect that these factors will continue to influence the price of EGI Shares, and any resultant discount to Net Tangible Assets

(m) Performance Fee Incentive

Any Performance Fee payable or potentially payable by EGI to the Manager, may create an incentive for the Manager to make investments on behalf of EGI that are riskier and more speculative than would be the case in the absence of a fee payable to the Manager based solely on the performance of the underlying investments, which may add to the risk and volatility of the underlying investments.

(n) Personnel risk

The Manager's performance is largely dependent on the skills and efforts of its investment team. The Manager's ability to perform effectively is dependent on its ability to retain and motivate their investment teams. There can be no guarantee that the Manager will be able to retain its investment team or that the Manager will be able to attract and retain management personnel of sufficient experience and expertise to manage EGI's investment portfolio.

(o) Potential conflicts of interest

The Manager is, and may continue to be, the manager or adviser to other funds and investment vehicles. It is possible therefore that the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and therefore may be detrimental to EGI and consequently EGI Shareholders.

(p) Interest rate risk

Changes in short and long term interest rates can have a positive or negative impact on investment returns.

(q) Dividend risk

The ability of EGI to pay a fully or partly franked dividend or the Ellerston Fund to make a fully or partly franked distribution is contingent on it making taxable profits. EGI's taxable profits may be volatile, making the reliable forecasting and payment and franking of dividends or distributions difficult and unpredictable.

No guarantee can be given concerning the future earnings of EGI, the earnings and capital appreciation of EGI's investment portfolio or the return of the capital invested by EGI Shareholders. Specifically, the Manager may make poor investment decisions resulting in the returns being inadequate to pay an annual dividend to EGI Shareholders.

(r) Operational costs

Operational costs representing a greater proportion of total assets will reduce the operating results of EGI and its ability to make dividend payments.

(s) Accounting policy risk

Changes to accounting policies may influence the approach in determining the fair value of investments held by EGI and may have a detrimental impact on the fair value of investments.

(t) Market risk

Investment returns are influenced by general market factors both in Australia and internationally and by factors specific to each security. In particular, the market prices of the shares of many listed entities have in recent times experienced wide fluctuations which in many cases reflect a diverse range of non-entity specific influences including:

- general economic conditions, including changes in inflation rates, short-term or long-term interest rates, exchange rates and commodity prices;

- variations in the local and global markets for listed securities;
- domestic and international economic conditions including the current global economic downturn caused by the regulatory response to the global COVID-19 pandemic;
- changes in investor confidence generally and in relation to specific sectors of the market;
- global pandemics, such as COVID-19, natural disasters, global hostilities and acts of terrorism;
- changes to government policy, legislation or regulation including in relation to taxation and other policy changes; and
- the inclusion or removal of stocks from major market indices.

The Manager proposes that its investment portfolio will be constructed so as to reduce market risks but those risks cannot be entirely eliminated. In a strong equity market, EGI's investment portfolio may underperform the broader market, as the investment portfolio will have limited exposure to market risk.

The net asset value of the EGI's investment portfolio has been materially reduced by the substantial falls and heightened volatility in global equity markets arising from the global COVID-19 pandemic. Global equity market conditions are likely to remain volatile for at least several months. During this period, EGI's investment portfolio will continue to be exposed to these risks and uncertainties. Accordingly, unless there are substantial upwards movements in share prices of companies within its investment portfolio, the valuation of the EGI's investment portfolio could remain materially diminished and may reduce further. Note that past performance is not a reliable indicator of future performance.

As a result, no guarantee can be given in respect of the future earnings of EGI or the earnings and capital appreciation of EGI's investments.

(u) Future capital requirements of EGI

There can be no assurance that EGI will not need to raise additional capital to fully exploit business opportunities available to it. There can be no assurance that EGI will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.

If EGI is unable to obtain or invest such additional capital, EGI may be required to reduce the scope of its investment activities or forgo an investment opportunity, which could adversely affect its business, financial condition and results of operation.

(v) Other risks

Other areas of risk faced by EGI include:

- cyber risk; and
- financial risks arising from fraud, and bad debts.

The Manager has in place what it considers are appropriate policies and procedures to help manage these risks, and continually updates and develops those policies.

9.3 Risk factors associated with the Ellerston Fund

Subject to the Scheme being approved and implemented, EGI Shareholders participating in the Scheme will become Unitholders in the Ellerston Fund. This Section 9.3 sets out the risks to which you will be exposed as an Ellerston Fund Unitholder.

The risks set out in this Section 9.3 are in many ways very similar, but not identical to, the risks to which you are currently exposed as an EGI Shareholder. This Section 9.3 is a summary only, does not present the risks in any order of importance, and does not purport to list every risk that may be associated with an investment in the Ellerston Fund. EGI Shareholders should also be aware that these risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of EGI Shareholders.

An investment in the Ellerston Fund should not be seen as a predictable, low risk investment. The Ellerston Fund's investments are primarily in global equity securities and these can be considered as having a higher risk profile than cash, fixed interest, or a diversified portfolio of larger capitalised equities. The Ellerston Fund does not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of the Ellerston Fund.

(a) Responsible Entity risk

The success and profitability of the Ellerston Fund's investment portfolio depends in part on the ability of the Responsible Entity to make investments that increase in value over time and the retention of the Responsible Entity as manager of the Ellerston Fund's investment portfolio.

The following factors may affect the Responsible Entity's performance:

- poor investment strategy and securities selection in that the Responsible Entity may be unable to construct a portfolio in accordance with the Ellerston Fund's investment objectives, strategy, guidelines and permitted investments and even if it does so, there can be no guarantee that the investment strategy will be successful or that the Responsible Entity will not make investment decisions that result in unprofitable outcomes;
- changing market conditions such as negative changes in market sentiment;
- loss of key clients and/or personnel;
- market perception of the Responsible Entity and its funds management business; and
- market and systemic risk.

While the Responsible Entity seeks to mitigate the risks that may adversely affect its investment performance or its investment decisions, through implementation of internal risk management policies and procedures designed to monitor and address these risks, there can be no guarantee the Responsible Entity will achieve any particular investment return within its investment portfolio or that its future performance will match or exceed its past performance.

The Responsible Entity is required to hold an Australian Financial Services Licence to operate its business and to operate the Ellerston Fund. The ability of the Responsible Entity to continue managing the Ellerston Fund's investment portfolio is dependent on the maintenance of its Australian Financial Services Licence. To the extent that the Responsible Entity should lose or have restrictions imposed on its Australian Financial Services Licence to prevent it from continuing to manage the Ellerston Fund's investments, the Responsible Entity would need to ensure the appointment of a replacement responsible entity with the requisite authorisations to operate the Ellerston Fund and to execute its investment strategy.

There can be no guarantee that a suitable replacement responsible entity could be found should it prove necessary.

(b) Counterparty and credit risk

Counterparty risk is the risk that a counterparty, such as a clearing house prime broker or custodian, will not be able to meet its obligations under a contract.

The investment strategies of the Ellerston Fund and the Responsible Entity rely on the successful performance of contracts with external parties, including securities brokers and service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of insolvency, financial distress or liquidation of the counterparty, which may expose either the Ellerston Fund to the risk of loss. In the case of a default, the Ellerston Fund could also become subject to adverse market movements while replacement transactions are executed.

Default by any of the Ellerston Fund's counterparties or service providers may cause losses to the Ellerston Fund. Counterparties and service providers may also hold security over the Ellerston Fund's assets so that they rank ahead of Unit holders in recovering the assets of the Ellerston Fund. The Responsible Entity will seek counterparties and service providers which have a low risk of defaulting, although these risks cannot be eliminated entirely.

The ability of the Ellerston Fund to transact business with one or more counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Ellerston Fund.

(c) Derivatives risk

There is a risk that the use of derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain.

Derivative instruments include futures, options on futures, over-the-counter options, exchange-traded options, swaps and forward contracts.

The value of all derivatives is 'derived' from underlying physical assets, such as company shares, commodities and bonds.

Derivatives such as futures and options may be used by the Ellerston Fund:

- to offset the risk of price variations of securities;

- as an alternative to purchasing the physical security;
- to seek to take advantage of any opportunities for profit which may exist in the market from time to time; and
- in the management of currency and interest rate risk.

Derivatives may give rise to leverage and hence have the potential to cause losses that are large in proportion to the money invested in them (see **(e) Leverage risk** below).

In all cases there will be cash and/or underlying assets available to meet the exposure positions of the derivative instruments.

The use of derivatives potentially exposes the Ellerston Fund to counterparty, legal and documentation risks.

(d) Past performance and history

There can be no assurance that the Ellerston Fund will achieve its investment objective. The Ellerston Fund's past performance information should not be relied upon as (and is not) an indicator of future performance.

(e) Leverage risk

The Ellerston Fund may invest in derivatives that have the same effect as borrowing. This could enhance returns, although it may also increase losses. Leverage may produce more volatile returns compared to investing without making use of leverage.

The amount invested in derivatives at any point in time may be substantial. If the Ellerston Fund were forced to liquidate its portfolio by a counterparty on short notice this could result in significant losses to Ellerston Fund Unitholders.

(f) General investment risk

Like most investments, the investment returns on each of the Ellerston Fund's investments may be subject to economic variables (including interest rates, unemployment, inflation and economic growth), market conditions, factors impacting particular investments and government policy. These factors are generally beyond the control of the Responsible Entity. The Ellerston Fund attempts to reduce the majority of market risk however the Fund may not be successful in this regard.

The Responsible Entity will invest in international and domestic securities. Investments in securities can rise or fall in value due to the operational and financial circumstances of the issuer of those securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates), their profits, earnings and cash flows. Any movements in the value of these securities may be magnified through the use of derivatives.

(g) Foreign investment and emerging markets risk

The Ellerston Fund may, through its foreign investments (including emerging markets) and exposure to foreign currencies, have exposure to risks not usually associated with investing in Australia and other developed markets such as political, social and economic instability, difficulty in enforcing legal rights, unforeseen taxes and less stringent regulatory protections, reporting and disclosure. These factors may affect the value of Ellerston Fund Units, volatility of the Ellerston Fund's returns and liquidity of the Ellerston Fund's investments.

Valuation

Investments may not have a readily ascertainable market price and may have valuations that differ from their true and actual realization value. Adjustments may be made having regard to what the Responsible Entity considers to be fair value for those assets. Further adjustments may be made on the basis of a number of matters including contingencies such as litigation expenses and fee waivers, deferrals and accruals.

(h) Currency and foreign jurisdiction risk

The Ellerston Fund will have foreign currency exposure. Foreign exchange fluctuations may have a positive or adverse impact on the investment returns of the Ellerston Fund. The Ellerston Fund's foreign currency exposure may be over or under hedged or not hedged at all. It may not always be possible to hedge all foreign currency exposures and there is no guarantee that hedging will be successful.

The Ellerston Fund may also hedge the exposure of the other investments in the Ellerston Fund against investment loss, but is under no obligation to do so. There is no guarantee that any hedging will be successful. The cost of implementing hedging may be significant.

The Ellerston Fund may also hedge the exposure of the other investments against investment loss, but is under no obligation to do so. There is no guarantee that any hedging will be successful. The cost of implementing hedging may be significant.

In addition, the Ellerston Fund may be exposed to risks relating to its investments in securities of entities which are located in a foreign jurisdiction, where the laws of those foreign jurisdictions offer less legal rights and protections to security holders of securities in such foreign entities as compared to the laws in Australia.

(i) Concentration risk

There is potential for volatility due to the lack of diversity within the Ellerston Fund's investment portfolio. The lower the number of investments, the higher the concentration and, in turn, the higher potential volatility.

(j) Regulatory risk

The Ellerston Fund is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ASIC). The relevant regulatory regimes are complex and are subject to change over time depending on changes in the laws and the policies of the governments and regulatory authorities.

The Ellerston Fund is exposed to the risk of changes to the applicable laws and/or the interpretation of existing laws which may have a negative effect on the Ellerston Fund, its investments and/or returns to Ellerston Fund Unitholders or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Responsible Entity or the Ellerston Fund.

(k) Tax risk

Tax laws are in a continual state of change and reform which may affect the Ellerston Fund and Ellerston Fund Unitholders. Tax liabilities are the responsibility of each individual investor. There may be tax implications arising from ownership of Ellerston Fund Units, the attribution of taxable income by the Responsible Entity, the receipt of distributions (if any) from the Ellerston Fund, receiving returns of capital and the disposal of Ellerston Fund Units.

The taxation of the Responsible Entity, the Ellerston Fund and its investments is complex and dependent on the taxation laws and the manner in which these are interpreted and administered by the government agencies and courts. The relevant taxation laws and the manner in which they are interpreted and/or administered by the government agencies and courts may change. Such changes may impact on investment returns and their character.

The Ellerston Fund is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to any investment in the Ellerston Fund.

(l) Liquidity risk

Withdrawals from the Ellerston Fund may be limited in circumstances as described in Section 6.7 of this Explanatory Booklet. The Ellerston Fund may not be able to promptly liquidate some of its investments at an amount close to their fair value, or liquidate them at all. This would cause losses to the Ellerston Fund or reduce the ability of Ellerston Fund Unitholders to redeem from the fund.

(m) Performance Fee Incentive

Any Performance Fee payable or potentially payable by the Ellerston Fund to the Responsible Entity, may create an incentive for the Responsible Entity to make investments on behalf of the Ellerston Fund that are riskier and more speculative than would be the case in the absence of a fee payable to the Responsible Entity based solely on the performance of the underlying investments, which may add to the risk and volatility of the underlying investments.

(n) Personnel risk

The Responsible Entity's performance is largely dependent on the skills and efforts of its investment team. The Responsible Entity's ability to perform effectively is dependent on its ability to retain and motivate their investment teams. There can be no guarantee that the Responsible Entity will be able to retain its investment team or that the Responsible Entity will be able to attract and retain management personnel of sufficient experience and expertise to manage the Ellerston Fund's investment portfolio.

(o) Potential conflicts of interest

The Manager is, and may continue to be, the manager or adviser to other funds and investment vehicles. It is possible therefore that the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and therefore may be detrimental to EGI and consequently EGI Shareholders.

(p) Interest rate risk

Changes in short and long term interest rates can have a positive or negative impact on investment returns.

(q) Distribution risk

No guarantee can be given concerning the future earnings of the Ellerston Fund, the earnings and capital appreciation of the Ellerston Fund's investment portfolio or the return of the capital invested by Ellerston Fund Unitholders. Specifically, the Responsible Entity may make poor investment decisions resulting in the returns being inadequate to pay any distribution to Ellerston Fund Unitholders.

(r) Operational costs

Operational costs representing a greater proportion of total assets will reduce the operating results of the Ellerston Fund and its ability to make distributions.

(s) Accounting policy risk

Changes to accounting policies may influence the approach in determining the fair value of investments held by the Ellerston Fund and may have a detrimental impact on the fair value of investments.

(t) Market risk

Investment returns are influenced by general market factors both in Australia and internationally and by factors specific to each security. In particular, the market prices of the shares of many listed entities have in recent times experienced wide fluctuations which in many cases reflect a diverse range of non-entity specific influences including:

- general economic conditions, including changes in inflation rates, short-term or long-term interest rates, exchange rates and commodity prices;
- variations in the local and global markets for listed securities;
- domestic and international economic conditions including the current global economic downturn caused by the regulatory response to the global COVID-19 pandemic;
- changes in investor confidence generally and in relation to specific sectors of the market;
- global pandemics, such as COVID-19, natural disasters, global hostilities and acts of terrorism;
- changes to government policy, legislation or regulation including in relation to taxation and other policy changes; and
- the inclusion or removal of stocks from major market indices.

The Responsible Entity proposes that its investment portfolio will be constructed so as to reduce market risks but those risks cannot be entirely eliminated. In a strong equity market, the Ellerston Fund's investment portfolio may underperform the broader market, as the investment portfolio will have limited exposure to market risk.

The net asset value of the Ellerston Fund's investment portfolio could be materially reduced by the substantial falls and heightened volatility in global equity markets including but not limited to unprecedented events such as the global COVID-19 pandemic. Global equity market conditions are likely to remain volatile for at least several months. During this period, the Ellerston Fund's investment portfolio will continue to be exposed to these risks and uncertainties. Accordingly, unless there are substantial upwards movements in share prices of companies within its investment portfolio, the valuation of the Ellerston Fund's investment portfolio could remain materially diminished and may reduce further.

As a result, no guarantee can be given in respect of the future earnings of the Ellerston Fund or the earnings and capital appreciation of the Ellerston Fund's investments. Past performance is not a reliable indicator of future performance.

(u) Future capital requirements

There can be no assurance that the Ellerston Fund will not need to raise additional capital to fully exploit business opportunities available to it. There can be no assurance that the Ellerston Fund will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.

If the Ellerston Fund is unable to obtain or invest such additional capital, the Ellerston Fund may be required to reduce the scope of its investment activities or forgo an investment opportunity, which could adversely affect its business, financial condition and results of operation.

(v) Other risks

Other areas of risk faced by the Ellerston Fund include:

- cyber risk; and

- financial risks arising from fraud, and bad debts.

The Responsible Entity has in place what it considers are appropriate policies and procedures to help manage these risks, and continually updates and develops those policies.

9.4 Risk factors associated with the Scheme

This Section 9.4 sets out the risks that associated with the Scheme and its ancillary processes.

This Section 9.4 is a summary only, does not present the risks in any order of importance, and does not purport to list every risk that may be associated with a continuing investment in EGI.

(a) Conditions not met

The Scheme is subject to a number of Scheme Conditions which are summarised in Section 11.3 of this Explanatory Booklet and set out in full in clause 3 of the Scheme Implementation Deed which is contained at Appendix 5 of this Explanatory Booklet. As at the date of this Explanatory Booklet, your Independent Directors are not aware of any circumstances which would cause the conditions to not be satisfied or (if applicable) waived. Despite this, there is a possibility that one or more of the conditions will not be met or waived and the Scheme will not proceed as a result.

(b) Integration risk

The Scheme may deliver cost savings in operating synergies following its implementation. Despite this, it is possible that the integration will be more difficult or take more time than is currently anticipated, and that could delay the realisation of synergy benefits that may result from the Scheme.

10. Taxation implications of the Scheme and the Ellerston Unit Offer

This Section provides a general overview of the Australian income tax consequences for you if the Scheme proceeds. It provides a summary of some of the Australian income tax implications of the Scheme applicable to Australian tax resident EGI Shareholders that hold their Shares on capital account and will hold their Units in the Fund on capital account for Australian income tax purposes. This section therefore does not consider Shareholders who are not Australian tax residents, who either hold their Shares (or will hold their Units) as trading stock or on revenue account, are not subject to Australian income tax, or are subject to the Taxation of Financial Arrangements rules under the Australian income tax law.

The overview is not intended to take into account your specific circumstances and is not intended to be exhaustive, or a substitute for, or to constitute, specific taxation advice.

This Section is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Explanatory Booklet.

The application of the taxation legislation may vary according to your individual circumstances. As such, you are advised to obtain professional taxation advice that takes into account your specific circumstances.

10.1 Class ruling

The Responsible Entity of the Fund has made an application for a class ruling with the Australian Taxation Office (ATO) which addresses some of the tax consequences of the Scheme and transactions which may occur subsequent to the implementation of the Scheme. A copy of the ruling will be made available to investors on the websites of both EGI and the Ellerston Fund once issued by the ATO. Although it is not anticipated to be the case, when the binding class ruling is issued by the ATO, it is possible that it may express a view contrary to that set out below.

10.2 Expected tax consequences

Disposal of Shares

The disposal of EGI Shares by Shareholders should constitute a CGT event. Shareholders should be required to calculate a capital gain or capital loss as a result. The amount of the capital gain or capital loss will be dependent on each Shareholder's cost base (in the case of a capital gain) or reduced cost base (in the case of a capital loss). A capital gain should arise where the capital proceeds received by a Shareholder for a Share exceeds their cost base for that Share. A capital loss should arise where the reduced cost base for a Share exceeds the capital proceeds received for that Share.

Generally, the cost base or reduced cost base for a Share will be the amount that you paid to acquire the Share together with certain incidental costs of acquisition, for example brokerage, and certain incidental costs of disposal.

The capital proceeds received by each Shareholder will be taken to be the market value of the Ellerston Fund Units which they receive as Scheme Consideration. As the value of the Ellerston Fund Units should broadly reflect the net asset value of EGI prior to Scheme Implementation, the 5-day volume weighted average price of the EGI Shares immediately before Scheme Implementation should be an appropriate method for determining the market value of the capital proceeds received by a Shareholder. When issued by the ATO, the class ruling should contain the ATO's view on how the market value of the capital proceeds should be determined.

The timing of the CGT event should be the Implementation Date. Shareholders who have held their EGI Shares for 12 months or more on the Implementation Date may be entitled to the CGT discount in calculating their net capital gain or loss for the income year in which CGT event occurs. The CGT discount may reduce capital gains by 50% for individuals and certain trusts or 33 1/3% for complying superannuation funds.

Acquisition of Ellerston Fund Units

If the Scheme is implemented, EGI Shareholders will acquire Ellerston Fund Units. Investors' cost base or reduced cost base for an Ellerston Fund Unit acquired under the Scheme should include the market value of any property given in respect of acquiring the unit (i.e. EGI Shares) together with certain incidental costs of acquisition.

The market value of the EGI Shares disposed should be equivalent to market value of the Ellerston Fund Units acquired. Accordingly, the market value of each should be determined in the same manner. The 5-day volume weighted average price of the EGI Shares immediately before Scheme Implementation may be a method for determining the market value of the property given capital proceeds received by a Shareholder. When issued by the ATO, the class ruling should contain the ATO's view on how the cost base should be determined.

The cost base of an Ellerston Fund Unit acquired under the Ellerston Unit Offer should include the amount paid to acquire that unit together with certain incidental costs of acquisition.

Withdrawal of Ellerston Fund Units

Investors in the Fund may withdraw some or all of their Ellerston Fund Units on the terms set out in Section 6.7 of this Explanatory Booklet and the Ellerston Fund PDS.

Investors in the Fund may withdraw some or all of their Ellerston Fund Units on the terms set out in Section 6.7 of this Explanatory Booklet and the Ellerston Fund PDS.

As set out in Section 7.4, where a dividend or deemed dividend is paid within the first 47 days after the Scheme is implemented as a result of an investor withdrawing from the Fund, the Responsible Entity intends to determine to allocate income of the Fund to the withdrawing investor. It is expected that such determination may result in a withdrawing investor being required to include in their assessable income a share of the Fund's net (taxable) income for the year ending 30 June 2021.

Where the Fund's net income includes franked dividends paid by (or deemed to have been paid by) EGI within the first 47 days after the Implementation Date, it is not expected that investors will be entitled to any franking credit tax offsets in respect of these dividends. This is because the Fund is not expected to satisfy the 'qualified person' rule in respect of dividends paid or deemed to be paid during that period.

In respect of withdrawals which after the initial 47 day period occur during the year ending 30 June 2021, investors in the Fund may be allocated a share of taxable income components which they will be required to include in their assessable income. To the extent that the Fund's taxable income components comprise dividends paid by or deemed to be paid by EGI, those components may be allocated to withdrawing investors. To the extent that such amounts are allocated, franking credit tax offsets associated with franked dividends paid by or deemed to be paid by EGI are also intended to be allocated to the withdrawing investors. The Responsible Entity may determine not to allocate taxable income components to investors who withdraw during the year ending 30 June 2021 where it considers it fair and reasonable to do so.

The disposal of Ellerston Fund Units by Shareholders should constitute a CGT event. Investors should be required to calculate a capital gain or capital loss as a result. The amount of the capital gain or capital loss will be dependent on each Shareholder's cost base (in the case of a capital gain) or reduced cost base (in the case of a capital loss). A capital gain should arise where the capital proceeds received by an investor for a Unit exceeds their cost base for that Unit. A capital loss should arise where the reduced cost base for a Unit exceeds the capital proceeds received for that Unit.

Please refer to the comments above at *Acquisition of Ellerston Fund Units* in relation to the cost base in the Units. The cost base and reduced cost base of the Units should also include any withdrawal fee payable by the investor in respect of the withdrawal.

The capital proceeds received by each withdrawing investor should be equivalent to the Withdrawal Price excluding the part of the Withdrawal Price which consists of trust income already included in the investor's assessable income.

Investors who withdraw their Units in the Ellerston Fund may be eligible for the CGT discount in respect of any capital gain arising on the disposal where they have held their units in the Ellerston Fund for 12 months or more.

Please refer to the PDS of the Ellerston Fund at Appendix 7 to this Explanatory Booklet for further details on the taxation of investors in the Ellerston Fund.

11. The Scheme in further detail

11.1 Introduction

This Section:

- discusses the purpose and effect of the Scheme;
- provides a summary of the conditions and approvals required for the Scheme to proceed; and
- provides a summary of the rights of EGI and the Responsible Entity to withdraw from the Scheme.

If the Scheme Conditions for the Scheme are satisfied or waived (as applicable), the manner in which the Scheme will be implemented is described in Section 12.

11.2 Scheme

(a) Purpose

The purpose of the Scheme is to give effect to a proposed restructure of EGI Shareholders' investment in EGI Shares into Units in the Ellerston Fund, under a scheme of arrangement. The Ellerston Fund is an unlisted unit trust and the responsible entity and manager of the Ellerston Fund is Ellerston Capital Limited. Under the Scheme, the Responsible Entity or an RE Custodian (and by extension the Ellerston Fund) will acquire 100% ownership and control of EGI, in exchange for the provision of the Scheme Consideration (being Ellerston Units) to the Scheme Shareholders (other than Foreign Scheme Shareholders).

If the Scheme becomes Effective:

- all EGI Shares will be acquired by Ellerston Capital in its capacity as the Responsible Entity of the Ellerston Fund;
- EGI will become wholly-owned by the Ellerston Fund and will be delisted from the ASX;
- EGI Shareholders who participate in the Scheme and who have provided their KYC Information will receive an issue of a new class of fully paid Units in the Fund (Class B units), at an exchange ratio of one new Unit for every one EGI Share held on the Scheme Record Date;
- Scheme Shareholders who have made a valid Election will receive additional Ellerston Units in accordance with their Election and the terms of the Scheme;
- the portfolio of EGI's investments will ultimately be transferred to the Fund after the Scheme is implemented;
- the current EGI Management Agreement between EGI and Ellerston Capital will be terminated with effect from the Implementation Date and EGI will pay Ellerston Capital the Early Termination Fee (see further Section 13.5); and
- EGI Shareholders who participate in the Scheme may request the withdrawal of all or some of their Units in accordance with the constitution of the Fund shortly after the Implementation Date.

The terms of the Scheme are set out in Appendix 2 to this Explanatory Booklet.

(b) Legal effect

If the Scheme becomes Effective, it will constitute a binding arrangement between EGI and each Scheme Shareholder under which:

- the Responsible Entity will provide the Scheme Consideration to all Scheme Shareholders on the Implementation in accordance with the terms of the Scheme, noting that the nature of the Scheme Consideration to be received on that date will differ according to whether or not a Scheme Shareholder has provided their KYC Information to the Independent Custodian on or before the KYC Information Cut-Off Date;
- all EGI Shares held by each Scheme Shareholder (including those who were not present at the Scheme Meeting, those who did not vote on the Scheme and those who voted against it) will be transferred to the Responsible Entity or an RE

Custodian free of any security interest (in accordance with, without limitation, section 32(1) of the *Personal Property Securities Act 2009* (Cth) and Regulation 7.1 of the *Personal Property Securities Act Regulations 2010* (Cth)), without the need for any action on the part of the Scheme Shareholders; and

- each Scheme Shareholder will on the Implementation Date receive their Scheme Consideration (being either Ellerston Fund Units for those Scheme Shareholders who have provided their KYC Information on or before the KYC Information Cut-Off Date) or a beneficial interest in such Units (for those Scheme Shareholders who have not), subject in each case to any security interest which attaches to the Scheme Consideration in accordance with section 32(1) of the *Personal Property Securities Act 2009* (Cth), as consideration in full for the transfer of all of their EGI Shares to the Responsible Entity;

(c) Scheme Meeting

At the First Court Hearing on 10 June 2020, the Court ordered EGI to convene a meeting of EGI Shareholders to consider and vote on the Scheme. The Court authorised the Scheme Meeting being held as a virtual (online only) meeting in response to the global COVID-19 pandemic and government restrictions on physical gatherings.

The resolution to be considered at the Scheme Meeting is contained in the Notice of Scheme Meeting in Appendix 3 to this Explanatory Booklet.

(d) Eligibility to vote at the Scheme Meeting

Each person who is registered on the Share Register as an EGI Shareholder as at the Voting Entitlement Time (7.00pm on Wednesday, 29 July 2020) is entitled to participate and vote at the Scheme Meeting, either personally, by proxy or attorney or, in the case of an EGI Shareholder or proxy who is a corporation, by a corporate representative.

Section 4 provides full details of how to vote at the Scheme Meeting. The Scheme Meeting Proxy Form for the Scheme Meeting accompanies this Explanatory Booklet.

(e) Voting majority required

The Scheme will only become Effective and be implemented if it is:

- approved by the requisite majorities of holders of EGI Shares at the Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Approval of the Scheme by EGI Shareholders requires the resolution at the Scheme Meeting to be approved by:

- a majority in number (more than 50%) of EGI Shareholders present and voting at the Scheme Meeting (personally or by proxy, attorney, or in the case of an EGI Shareholder who is a corporation or proxy, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting by EGI Shareholders (personally or by proxy, attorney, or in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative).

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as Share Splitting.

(f) Your warranties under the Scheme

To the extent permitted by law, the Scheme Shares transferred under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests, and interests of third parties of any kind, whether legal or otherwise.

Each Scheme Shareholder is deemed to have warranted to EGI, and appointed and authorised EGI as its attorney and agent to warrant to the Responsible Entity, that:

- all their EGI Shares transferred to the Responsible Entity or an RE Custodian under the Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to transfer their EGI Shares (together with any rights attaching to those shares) to the Responsible Entity or an RE Custodian under the Scheme; and
- they have no existing right to be issued any EGI Shares, EGI options, EGI performance rights, EGI convertible notes or any other EGI securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

(g) Deed Poll

The Responsible Entity has executed a Deed Poll in favour of the Scheme Shareholders in which it covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if the Responsible Entity were a party to the Scheme and to provide the Scheme Consideration to each identified Scheme Shareholder in accordance with the Scheme. A copy of the Deed Poll is set out in Appendix 6 to this Explanatory Booklet.

11.3 Scheme conditions

The Scheme is subject to the conditions noted in paragraphs (a), (b) and (c) below, all of which, other than Court approval, must be satisfied or waived (as applicable) by no later than the Delivery Time on the Second Court Date. These Scheme Conditions are set out in full in clause 3 of the Scheme Implementation Deed, a copy of which is reproduced in Appendix 5 to this Explanatory Booklet.

(a) Scheme Conditions that apply for the benefit of the Responsible Entity and EGI

The following Scheme Condition applies under the Scheme Implementation Deed for the benefit of both the Responsible Entity and EGI and can only be waived by both the Responsible Entity and EGI:

- **(Independent Expert's Report)** the Independent Expert's Report contains an opinion of the Independent Expert to the effect that the Scheme is in the best interest of EGI Shareholders and the Independent Expert maintains that opinion (including by not withdrawing or changing that opinion) at all times up to the Delivery Time on the Second Court Date.
- **(KYC Information Condition)** The Independent Custodian receives KYC Information from those persons registered as EGI Shareholders at 7.00pm on the Business Day before the Second Court Date (currently scheduled to be Thursday, 6 August 2020) holding between them at least 75% of the then total number of EGI Shares on issue.

It is open for EGI and the Responsible Entity to jointly waive the KYC Information Condition or reduce the 75% threshold. As at the date of this Explanatory Booklet, neither EGI nor the Responsible Entity presently intend to waive the KYC Information Condition or reduce the 75% threshold, however they reserve the right to do so.

The following Scheme Conditions apply under the Scheme Implementation Deed for the benefit of both the Responsible Entity and EGI and are not capable of waiver:

- **(Regulatory Approvals - ASIC & ASX)** Before the Delivery Time on the Second Court Date, ASIC and ASX issue or provide such consents or approvals or have done any such acts which EGI and the Responsible Entity agree are reasonably necessary to implement the Scheme.
- **(Other Regulatory Approvals)** Before the Delivery Time on the Second Court Date:
 - all other approvals of a Regulatory Authority which EGI and the Responsible Entity agree are necessary to implement the Scheme are obtained and have not been withdrawn or revoked; and
 - none of the following has been issued or made:
 - a conditional or unconditional decision, determination or statement by any Regulatory Authority to the effect that it objects to the Scheme, and that decision, determination or statement would have the effect or likely effect of materially impeding the implementation of the Scheme;
 - a preliminary or final decision, determination or order issued by any Regulatory Authority preventing the Scheme; or
 - a temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or the Takeovers Panel or other legal restraint or prohibition preventing the Scheme.
- **(Shareholder approval of Scheme)** The Scheme is approved by EGI Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- **(Shareholder approval of Early Termination Fee Resolution)** The Early Termination Fee Resolution is passed by EGI Shareholders at the General Meeting for the purposes of Chapter 2E of the Corporations Act and all other purposes.

- **(Court approval)** The Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).

(b) Scheme Conditions that apply for the benefit of the Responsible Entity only

The following Scheme Condition applies under the Scheme Implementation Deed for the sole benefit of the Responsible Entity and can only be waived by the Responsible Entity:

- **(EGI Representations and Warranties)** The EGI Representations and Warranties being true and correct in all material respects on 17 February 2020 and at the Delivery Time on the Second Court Date.

(c) Scheme Condition that applies for the benefit of EGI only

The following Scheme Condition applies under the Scheme Implementation Deed for the sole benefit of EGI and can only be waived by EGI:

- **(Responsible Entity Representations and Warranties)** The Responsible Entity Representations and Warranties being true and correct in all material respects on 17 February 2020 and at the Delivery Time on the Second Court Date.

11.4 Termination rights

(a) Mutual termination rights

The Responsible Entity or EGI may terminate the Scheme Implementation Deed by written notice to the other at any time before the Delivery Time on the Second Court Date if:

- the other has materially breached any provision of the Scheme Implementation Deed including any EGI Representation and Warranty or Responsible Entity Representation and Warranty (as applicable);
- the party wishing to terminate has given written notice to the other parties in a timely manner setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed; and
- the relevant circumstances continue to exist for 10 Business Days from the time the notice of intention to terminate is given (or any shorter period ending on the Delivery Time on the Second Court Date).

In addition, the Responsible Entity or EGI may terminate the Scheme Implementation Deed by written notice to the others if:

- the Scheme has not become Effective by the End Date; or
- any event occurs which would, or in fact does, prevent a condition precedent from being satisfied and that condition precedent is not waived by EGI or the Responsible Entity or both (as applicable).

(b) Responsible Entity termination rights

In addition to the mutual termination rights, the Responsible Entity may terminate the Scheme Implementation Deed by written notice to each other party if at any time the Independent Board Committee:

- makes a public statement withdrawing or adversely changing or modifying its or their recommendation that the EGI Shareholders vote in favour of the Scheme or makes a recommendation or statement that is inconsistent with such recommendation or statement; or
- makes a public statement indicating that they no longer support the Scheme or that they support another transaction (including a Competing Proposal).

11.5 Status of conditions and termination rights

As at the date of this Explanatory Booklet, neither EGI nor the Responsible Entity is aware of any circumstances which would cause any of the Scheme Conditions not to be satisfied or which could result in termination of the Scheme Implementation Deed.

EGI will make a statement regarding the status of the Scheme Conditions at the commencement of the Scheme Meeting.

12. Implementation

12.1 Introduction

If:

- (a) the Scheme is approved by EGI Shareholders at the Scheme Meeting; and
- (b) all other Scheme Conditions as described in Section 11.3 (other than Court approval of the Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Scheme are as described in the remainder of this Section.

The description of these general steps is based on the obligations that EGI and the Responsible Entity have under the Scheme Implementation Deed. The Responsible Entity has also signed the Deed Poll in which it covenants in favour of Scheme Shareholders to perform the actions attributed to it under the Scheme and to provide the Scheme Consideration in accordance with the Scheme. The Scheme Implementation Deed (with the exception of its Schedules and Annexures) is contained in Appendix 5 to this Explanatory Booklet. The Deed Poll is contained in Appendix 6 to this Explanatory Booklet.

12.2 Apply to Court for approval of Scheme

At the Second Court Hearing, EGI will apply to the Court for orders approving the Scheme. It is proposed that the Second Court Date will be on Thursday, 6 August 2020. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au.

The Court has a wide, overriding discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

12.3 Opposing the Scheme

The date of the Second Court Hearing to approve the Scheme is currently scheduled to be Thursday, 6 August 2020.

The hearing will be at 9.15 am (Sydney time) in the Supreme Court of New South Wales. In response to the global COVID-19 pandemic and government restrictions on physical gatherings, it is possible that the Second Court Hearing will be held either virtually or by telephone conference. Further details on how to attend the Second Court Hearing will be released on ASX if the Scheme is approved by EGI Shareholders at the Scheme Meeting.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on EGI, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on EGI at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Rialto Towers, 525 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink.

12.4 Receipt of Court orders

If the Court approves the Scheme:

- (a) EGI will make an announcement to ASX notifying the market of the receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Scheme;
- (b) that announcement will specify the Scheme Record Date; and
- (c) as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Scheme, EGI will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be Friday, 7 August 2020), the Scheme will become Effective.

If the Scheme becomes Effective, EGI and the Responsible Entity will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed, the Scheme and the Deed Poll. Only those persons who are registered as the holders of EGI Shares on the Scheme Record Date will be Scheme Shareholders, being the only persons who will be bound by, and have the benefit of, the Scheme. Section 12.5 of this Explanatory Booklet describes the principles in the Scheme for determining the identity of Scheme Shareholders.

If the Scheme does not become Effective before the End Date, the Scheme will lapse.

12.5 Provision of KYC Information

(a) Background

In 2006 the Federal Government enacted the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**). The purpose of this legislation is to enable Australia's financial sector to maintain international business relationships, detect and prevent money laundering and terrorism financing by meeting the needs of law enforcement agencies and to bring Australia in line with international standards.

In summary, and for the reasons outlined below, the Responsible Entity is required under section 32 of the AML/CTF Act to obtain KYC Information from every customer to whom it provides a 'designated service'. As noted below, a 'designated service' includes under Item 35 of Table 1 in section 6(2) of the AML/CTF Act the issue of Units in the Ellerston Fund to EGI Shareholders under the Scheme and to those eligible EGI Shareholders who apply for additional units under the Ellerston Unit Offer.

(b) Application of AML/CTF Act to the Ellerston Fund

As Ellerston Capital in its capacity as Responsible Entity of the Ellerston Fund issues 'securities' in the course of its business, the issue of the Units under the Scheme and the Ellerston Unit Offer will be a 'designated service': item 35 of Table 1 in section 6(2) of the AML/CTF Act. The customer of the service is the person to whom the securities are issued.

Under section 32 of the AML/CTF Act, Ellerston Capital is prohibited from commencing to provide that designated service (here, issuing the Units as Scheme Consideration or the proceeds of withdrawal (redemption) of those Units as Scheme Consideration) unless it has first identified the customer (here, each Scheme Shareholder).

The term 'security' is defined for the purposes of the AML/CTF Act by reference to section 92 of the Corporations Act which includes an interest in a managed investment scheme. An interest in a managed investment scheme includes, in the case of a scheme that is a unit trust not only a unit in the trust but also a beneficial interest in the unit, as the beneficial interest confers a right to benefits produced by the scheme.

The Ellerston Fund is an unlisted unit trust. Accordingly, in order for the Responsible Entity to be 'reasonably satisfied' of the identity of the holders of the Ellerston Units, the Responsible Entity is required to collect certain customer identification information (and verify that information) in compliance with the AML/CTF Act before it can issue Ellerston Units to Scheme Shareholders.

Customer identification information may include detailed know your customer (KYC) information in relation to a Scheme Shareholder such as, for an individual Scheme Shareholder, their name, address, and date of birth and for a Scheme Shareholder that is a corporation, details of their directors and beneficial owners, and where a Scheme Shareholder is a trustee, details of the trust and beneficiaries. In addition to this information, the Responsible Entity may require further KYC information such as information concerning the business activities and structure of Scheme Shareholders and from time to time, may require Scheme Shareholders to provide, in addition to the information that Scheme Shareholders are required to provide in the KYC Information Form, updated or additional KYC Information.

Therefore, in order for Scheme Shareholders to lawfully receive an issue of Ellerston Fund Units on the Implementation Date as their Scheme Consideration and under the Ellerston Unit Offer (for those making an Election to participate in that offer), they must have provided their KYC Information to the Independent Custodian before the KYC Information Cut-Off Date (currently scheduled to be 7.00pm on Wednesday, 5 August 2020). This will allow the Responsible Entity to be 'reasonably satisfied' of the identity of the persons to whom it will be issuing Units under the Scheme and the Ellerston Unit Offer on the Implementation Date.

Please refer to Section 1.13 for the time periods that apply for the delivery of KYC Information in order to receive an issue of Ellerston Fund Units as Scheme Consideration on the Implementation Date.

(c) Custody Agreement and Scheme Provisions for Non-Identified Scheme Shareholders

The Scheme and the Custody Agreement contain structural elements to balance, on the one hand, the Responsible Entity's legal obligation to comply with the AML/CTF Act and, on the other, the importance of ensuring that Scheme Shareholders who on the Implementation Date are Non-Identified Scheme Shareholders do not relinquish ownership of their EGI Shares on that date without receiving an appropriate form of Scheme Consideration.

To achieve that balance, the Scheme provides that the Units attributable to Non-Identified Scheme Shareholders will be issued on the Implementation Date by the Responsible Entity to the Independent Custodian (**Custody Units**). This will constitute the provision on the Implementation Date of the Scheme Consideration due to the then Non-Identified EGI Shareholders. Only once the Custody Units have been issued to the Independent Custodian on the Implementation Date will the EGI Shares of Non-Identified Scheme Shareholders be transferred on that date under the Scheme to Ellerston Capital.

Under the terms of the Scheme, the Independent Custodian will hold the Custody Units on trust for EGI which will hold on a separate trust for each Non-Identified Scheme Shareholder the beneficial interest in the same number of Custody Units as the number of that Non-Identified Scheme Shareholder's Scheme Shares.

The Scheme terms, the Custody Agreement and the Proper Instruction collectively operate as follows:

- The Scheme provides that the Custody Units will be issued on the Implementation Date by the Responsible Entity to the Independent Custodian (and only once that has occurred will the Shares of Non-Identified Scheme Shareholders be transferred on that date to the Responsible Entity).
- The Independent Custodian declares that it holds the Custody Units on trust for EGI, with EGI holding the beneficial interest in the Custody Units on a separate trust for each of the Non-Identified Scheme Shareholders absolutely in proportion to their respective holdings of EGI Shares on the Scheme Record Date.
- EGI has provided an instruction to the Independent Custodian with effect on the Implementation Date to:

- transfer the relevant proportion of these Custody Units at the direction of EGI to any Non-Identified Scheme Shareholder who delivers their KYC Information to the Independent Custodian within 59 Business Days after the Implementation Date (and with such transfer to operate under the power of attorney mechanism in the Scheme, such that any Non-Identified Scheme Shareholders who deliver their KYC Information to the Independent Custodian within 59 Business Days of the Implementation Date do not need to sign a transfer form to receive a transfer of the Custody Units from the Independent Custodian)

(For this purpose, EGI and the Responsible Entity will undertake a follow up process within the first 59 Business Days of the Implementation Date to contact Non-Identified Scheme Shareholders to remind them to provide their KYC Information by a specified date (being no later than the 59 Business Days of the Implementation Date in order to receive a transfer of the Custody Units that the Independent Custodian is holding.); and

- make a request on the 60th Business Day following the Implementation Date for the Responsible Entity to withdraw (redeem) the Remaining Custody Units held by the Independent Custodian, with the withdrawal proceeds to be dealt with by it as described below.
- The Independent Custodian will then hold the net proceeds of withdrawal in a designated trust account established and operated by or on behalf the Independent Custodian, on trust for EGI which in turn will hold the beneficial interest on trust for the benefit of the remaining Non-Identified Scheme Shareholders in proportion to their beneficial ownership of the withdrawn (redeemed) Custody Units. The Independent Custodian will release the proceeds of withdrawal from the designated trust account at the direction of EGI to each remaining Non-Identified Scheme Shareholders as and when they deliver their individual KYC Information to the Independent Custodian.
- If a Non-Identified Scheme Shareholder has not delivered their KYC Information within 12 months of the redemption date, their redemption proceeds will be paid by the Independent Custodian to New South Wales State Revenue Office as 'unclaimed money' under the *Unclaimed Money Act 1995* (NSW).

(EGI and the Responsible Entity will undertake a second round reminder process before the 12 month period expires, alerting the then remaining Non-Identified Scheme Shareholders of the above matter. If any redemption proceeds are paid to the New South Wales State Revenue Office as 'unclaimed money', EGI and the Responsible Entity will send a final letter to then remaining Non-Identified Scheme Shareholders outlining how to access that unclaimed money.)

EGL, the Responsible Entity and the Independent Custodian give no assurance as to the price to be received for the withdrawal of the Custody Units. The withdrawal of the Custody Units by the Independent Custodian will be at the risk of the Non-Identified Scheme Shareholders.

Under the Scheme, each Non-Identified Scheme Shareholder appoints EGL as its agent to receive any financial services guide or other notices (include any updates of those documents) that the Independent Custodian is required to provide to Non-Identified Scheme Shareholders under the Corporations Act.

The Independent Custodian has been engaged by EGL under terms that contain express instructions to the Independent Custodian for the benefit of the Non-Identified Scheme Shareholders to make the unit transfers and redemption requests outlined above. A summary of the Custody Agreement and the executed proper instruction is contained in Section 12.9.

The terms of the Independent Custodian's engagement also extend to receiving on the Implementation Date an issue of the Units attributable to any Foreign Scheme Shareholders (such Units, **Ineligible Units**), to be dealt with in accordance with the Scheme terms summarised at Section 12.8.

(d) AML/CTF Act matters relevant to Custody Agreement and Scheme Provisions for Non-Identified Scheme Shareholders

As noted above, on and from the Implementation Date, the Independent Custodian will hold the Custody Units on trust for EGL. These arrangements are proposed to operate to ensure that the Responsible Entity, the Independent Custodian and other relevant parties comply with their obligations under the AML/CTF Act.

As noted above, EGL will hold its beneficial interest in the Custody Units in proportion to the EGL Shares that the Non-Identified Scheme Shares held on the Scheme Record Date. Once the Remaining Custody Units have been redeemed, the Independent Custodian will hold the redemption proceeds and any interest paid on that amount, less and fees, Taxes and charges in an Australian bank account.

12.6 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in EGL Shares or other alterations to the Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant EDI Shares on or before 7.00pm on the day on which the Scheme Record Date occurs; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 7.00pm on the day on which the Scheme Record Date occurs at the place where the Share Register is kept.

EGL must register registrable transmission applications or transfers received on or before 7.00pm on the day on which the Scheme Record Date occurs by or as soon as reasonably practicable after that time.

EGL will not accept for registration or recognise for any purpose any transmission application or transfer in respect of EGL Shares received after 7.00pm on the day on which the Scheme Record Date occurs (or received prior to that time but not in registrable or actionable form, as appropriate), other than to the Responsible Entity or an RE Custodian under the Scheme and any subsequent transfer by the Responsible Entity or an RE Custodian or its successors in title.

Under the terms of the proposed Scheme, from the Scheme Record Date until registration of the Responsible Entity or an RE Custodian as the holder of all Scheme Shares:

- EGL Shareholders may not dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Scheme Record Date; and
- any disposals or dealings in Scheme Shares after the Scheme Record Date will not be recognised by the Share Registry.

For the purpose of determining entitlements to the Scheme Consideration, EGL must maintain the Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

All statements of holding for EGL Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares. As from the Scheme Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

As soon as practicable after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, EGI will ensure that details of the names, Registered Addresses and holdings of EGI Shares for, and KYC Information received as at the KYC Information Cut-Off Date for, each Scheme Shareholder are available to the Responsible Entity in the form the Responsible Entity reasonably requires.

12.7 Implementation of Scheme

(a) Suspension of trading of EGI Shares

It is expected that suspension of trading on ASX and on Chi-X in EGI Shares will occur from close of trading on the Effective Date. On the current timetable, the Effective Date is proposed to be Friday, 7 August 2020.

(b) Scheme Record Date

EGI Shareholders will be entitled to receive the Scheme Consideration if they are registered as the holders of EGI Shares on the Scheme Record Date. The Scheme Record Date is currently proposed to be 7.00pm on Tuesday, 11 August 2020. In this Explanatory Booklet, those EGI Shareholders and the EGI Shares that they hold are referred to as 'Scheme Shareholders' and 'Scheme Shares', respectively.

(c) Transfer and registration of Scheme Shares

Under the Scheme, each Scheme Shareholder, without the need for any further act, irrevocably appoints EGI and each of its directors, officers and secretaries, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document necessary to give effect to the Scheme, including (without limitation) a master transfer of all or part of the Scheme Shares.

On the Implementation Date, the Scheme Shares held by Scheme Shareholders, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to the Responsible Entity or an RE Custodian (as determined by the Responsible Entity) without the need for any further act by any Scheme Shareholder, by EGI executing and delivering a valid transfer or transfers of the Scheme Shares to the Responsible Entity under the Corporations Act.

(d) Provision of Scheme Consideration

The Responsible Entity must:

- by 5.00pm on the Implementation Date, procure that the name of each Scheme Shareholder entitled to receive Ellerston Units under the Scheme including additional Ellerston Units for each Scheme Shareholder who has made a valid Election and who is as at the KYC Cut-Off Date an Identified Scheme Shareholder is entered in the Ellerston Fund's register of members as the holder of those Ellerston Units (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares);
- by 5.00pm on the Implementation Date, procure that the Independent Custodian is entered into the Ellerston Fund's register of members as the holder of the Custody Units (being the Units attributable to Non-Identified Scheme Shareholders) and the Ineligible Units (being the Units attributable to Foreign Scheme Shareholders); and
- within 5 Business Days after the Implementation Date, send or procure the sending of an allotment advice or certificate to each such Scheme Shareholder and the Independent Custodian reflecting the issue of Ellerston Units.

In the case of Scheme Shares held in joint names, any Ellerston Units to be issued as Scheme Consideration will be issued to and registered in the names of the joint holders subject to the Scheme.

After the Implementation date, the Custody Units will be subject to the Independent Custodian arrangements described in Section 12.5(c) and the Ineligible Units will be subject to the Independent Custodian arrangements described in Section 12.8.

(e) Delisting of EGI

At a time determined by the Responsible Entity following the implementation of the Scheme, the Responsible Entity will cause EGI to apply for the termination of the official quotation of EGI Shares on ASX and to have itself removed from the official list of ASX. It is expected that this will occur shortly after the Implementation Date

12.8 Treatment of Foreign Scheme Shareholders

(a) General

The Responsible Entity is not obliged to, and must not, issue Ellerston Units as consideration to any Scheme Shareholder whose address in the Share Register (as at the Scheme Record Date) is in a jurisdiction other than Australia and its external territories, Singapore or the United States, unless the Responsible Entity and EGI agree in writing that it is lawful and not unduly onerous or impractical to issue Ellerston Units to that Scheme Shareholder under the Scheme.

As at the Last Practicable Date, there are no EGI Shareholders with registered addresses outside Australia and its external territories, Singapore or the United States. It is the current intention of EGI and the Responsible Entity to treat any new Shareholders who enter the Share Register before the Scheme Record Date with registered addresses outside Australia and its external territories, Singapore and the United States, as Foreign Scheme Shareholders. However, depending on the nature and extent of any changes up to the Scheme Record Date with respect to Shareholders with registered addresses outside Australia and its external territories, Singapore or the United States, EGI and the Responsible Entity reserve the right to seek advice in the relevant foreign jurisdictions as to whether it would be lawful and not unduly onerous or impracticable to issue those Scheme Shareholders with Units under the Scheme. EGI will announce to ASX any change to its approach regarding the delineation of Foreign Scheme Shareholders. EGI and the Responsible Entity have determined that the votes cast on the Scheme by EGI Shareholders whose registered address is outside Australia and its external territories, Singapore and the United States will be 'tagged' for the purposes of identification at the Scheme Meeting. If the Scheme is approved by the requisite majorities at the Scheme Meeting, the 'tagged' votes by EGI Shareholders whose registered address is outside Australia and its external territories, Singapore and the United States will be drawn to the Court's attention at the Second Court Hearing.

The Ellerston Units that would otherwise have been issued to these Foreign Scheme Shareholders will be issued on the Implementation Date to the Independent Custodian and dealt with by it in the manner described in sub-paragraph (b) below.

This Explanatory Booklet does not constitute an offer of Ellerston Units in any jurisdiction in which it would be unlawful to make such an offer. In particular, this Explanatory Booklet may not be distributed to any person, and the Ellerston Units may not be offered or sold, in any country outside Australia and its external territories, Singapore or the United States.

EGI Shareholders whose registered address shown on the Share Register is outside of the aforementioned jurisdictions should refer to the Important Information section of this Explanatory Booklet.

(b) Process for Foreign Scheme Shareholders

Foreign Scheme Shareholders will not receive Ellerston Units under the Scheme. Instead, the Ellerston Units that would otherwise have been issued to them will be issued by the Responsible Entity to the Independent Custodian on the Implementation Date (**Ineligible Units**). The Responsible Entity will procure that:

- as soon as reasonably practicable and in any event, not more than 20 Business Days after the Implementation Date, the Independent Custodian requests to withdraw the Ineligible Units; and
- promptly after the withdrawal of the Ineligible Units, the Independent Custodian pays the withdrawal proceeds into a designated trust account established and operated by or on behalf the Independent Custodian, for payment by EGI to Foreign Scheme Shareholders as described below.

Within 10 Business Days following payment into the designated trust account, the Responsible Entity and the Company must procure that the Independent Custodian pays from the designated trust account to each Foreign Scheme Shareholder who is as at the KYC Information Cut-Off Date an Identified Scheme Shareholder such amount of cash as is due to that Scheme Shareholder as Scheme Consideration in respect of their Scheme Shares, being in the case of each such person the amount they would have received had they:

- received Ellerston Units under the Scheme; and
- applied to withdraw those Units for an amount equal to that part of the withdrawal proceeds which is attributable to the withdrawal of their Ellerston Units divided by the total number of Ellerston Units included in the Ineligible Units,

less all applicable taxes and charges incurred by the Independent Custodian or the Responsible Entity in connection with the withdrawal of the Ineligible Units, rounded down to the nearest whole cent.

For any Foreign Scheme Shareholder who is not as at the KYC Cut Off Date an Identified Scheme Shareholder:

- subject to the next bullet point, the Company must comply with the process described above as soon as reasonably practicable after the Foreign Scheme Shareholder becomes an Identified Scheme Shareholder; and

- if the Foreign Scheme Shareholder is still not an Identified Scheme Shareholder within 12 months from the date the Independent Custodian pays the withdrawal proceeds into the designated trust account, the Responsible Entity will direct the Independent Custodian to treat the balance in that trust account as 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

EGI, the Responsible Entity and the Independent Custodian give no assurance as to the price to be received for the withdrawal of the Ineligible Units. The withdrawal of the Ineligible Units by the Independent Custodian will be at the risk of the Foreign Scheme Shareholders.

Under the Scheme, each Foreign Scheme Shareholder appoints EGI as its agent to receive any financial services guide or other notices (include any updates of those documents) that the Independent Custodian is require to provide to Foreign Scheme Shareholders under the Corporations Act.

12.9 Summary of Custody Agreement and Proper Instruction

(a) Introduction

This Section 12.9 provides a summary of the material terms of the Custody Agreement and the Proper Instruction, so far as the terms of each of those documents regulate the interests of Foreign Scheme Shareholders and Non-Identified Scheme Shareholders.

The Custody Agreement governs the relationship between the Independent Custodian (as the provider of the custodial and other services summarised in Section 12.9(b) below) and EGI (as the client of the Independent Custodian).

The Proper Instruction sets out the specific, additional custodial services which EGI as the client has instructed the Independent Custodian (or a sub-contracted custodian) to provide.

(b) Custody Agreement

Subject matter	Summary
Parties	<ul style="list-style-type: none"> • Independent Custodian - as the provider of the custodial and other services described below • EGI - as the client of the Independent Custodian
Right to sub-contract	The Independent Custodian has the right to sub-contract elements of the services it is to provide to a third party on providing EGI with 90 days written notice
Services	<p>On the Implementation Date, the Independent Custodian will receive from the Responsible Entity an issue of any Ineligible Units and Custody Units. The Independent Custodian has agreed to provide the following services with respect to the Ineligible Units and Custody Units:</p> <ul style="list-style-type: none"> • safekeeping of assets; • settlement of assets; • monitoring any sub-contracted custodian; and • income processing. <p>In addition, the Independent Custodian is to provide the further specific services under the Proper Instruction signed by EGI on 9 June 2020 and delivered by it to the Independent Custodian. The scope of the Proper Instruction is summarised in Section 12.9(c) below.</p> <p>The Independent Custodian is obliged to accept and act in accordance with all further proper instructions given by EGI. All proper instructions will continue in effect until acted on or cancelled or superseded by a subsequent proper instruction</p> <p>The Independent Custodian, and any sub-contracted custodian will not have any right of indemnity against the trust assets (i.e. the Custody Units) under any circumstances</p>

Fees	<p>EGI has paid the Independent Custodian a fixed fee on entry into the Custody Agreement. An annual fee is payable by EGI to the Independent Custodian.</p> <p>The initial fee and annual fee were agreed on an arm's length basis and are considered by EGI to be reasonable by reference to the market rate for the provision of the services.</p>
Term and termination	<p>Three year term commencing on date of execution (9 June 2020), unless validly terminated before then.</p> <p>The Custody Agreement may be terminated by agreement between the parties in writing, or either party may terminate the Custody Agreement by giving the other party a signed notice of termination in certain prescribed circumstances including a material unremedied breach.</p> <p>Additionally, EGI may terminate the Custody Agreement if it has reasonable grounds for believing that there is or has been an act or omission of the Independent Custodian or a subcontracted party that does not comply or is unlikely to comply with the requirements of the Custody Agreement or the Corporations Act</p> <p>Additionally, either party may terminate the Custody Agreement with immediate effect, or at its election, in the event of the insolvency of the other party or its parent company</p>
Privacy	<p>EGI and the Independent Custodian each undertake that they, and any of their respective employees, agents or temporary staff involved of provision of services under the Custody Agreement will observe the Privacy Laws in respect of all Personal Information.</p> <p>In relation to all Personal Information that EGI discloses to the Independent Custodian and is collected by the Custodian on behalf of EGI, for the purposes of providing the custodial services, the Independent Custodian:</p> <ul style="list-style-type: none"> • must take all reasonable steps to ensure that the Personal Information is protected against misuse or loss, and from unauthorised access, modification or disclosure; • must not, directly or indirectly use any of the Personal Information of any person without the prior written consent of EGI or as otherwise agreed by EGI; • subject to all relevant laws, must not disclose Personal Information whether directly or indirectly to any person without the prior written consent of EGI or as otherwise agreed by EGI; • may disclose the Personal Information to its authorised personnel to the extent that they have a need to know requirement for the purposes of providing the custodial services; • must ensure that only authorised personnel have access to Personal Information and that all relevant personnel have been properly trained to meet the requirements to ensure the Independent Custodian complies with its obligations under the Custody Agreement; • must ensure that its internal operating systems only permit authorised personnel to access the Personal Information; • must immediately notify EGI if it becomes aware that disclosure of Personal Information may be required by a relevant law, a court, or government agency; and • must immediately notify EGI if it becomes aware that it cannot meet these obligations. <p>Additionally, the Independent Custodian must ensure that:</p> <ul style="list-style-type: none"> • it has in place at all times an effective complaints handling procedure for individuals who consider that their privacy has been interfered with as a result of an act or practice of the Independent Custodian; and • it has a documented policy in place setting out its policies on management of Personal Information and that policy must be available to anyone on request

EGL indemnity in favour of Independent Custodian	EGL indemnifies the Independent Custodian against any loss that the Independent Custodian may incur arising out of the Independent Custodian properly acting in accordance with Proper Instructions (including in any situation where those Proper Instructions have been provided to the Independent Custodian in an unauthorised or fraudulent manner, and on which the Independent Custodian innocently relies) or in connection with the provision of the services under the Custody Agreement, except to the extent that the loss results from the fraud, wilful default, negligence or breach of the Custody Agreement or the required standard of care by the Independent Custodian
Independent Custodian indemnity in favour of EGL	The Independent Custodian indemnifies EGL against any loss that EGL may incur or that may be made against EGL arising out of or in connection with the fraud, wilful default, negligence or breach of the Custody Agreement or the required standard of care by the Independent Custodian, except to the extent that the loss, liability, cost, claim, action, demand or expense is contributed to by the fraud, wilful default, negligence or breach of the Custody Agreement by EGL
Insurance	EGL and the Independent Custodian must each maintain adequate appropriate insurance in relation to each's respective businesses at all times during the term of the Custody Agreement
Other	The Custody Agreement contains other standard confidentiality, restraint, dispute resolution and general provisions that would be seen in a services agreement for custodial services

(c) The Proper Instruction

Subject matter	Summary
Time of Effect	The Proper Instruction was executed by EGL on 9 June 2020 and has been delivered to the Independent Custodian. The Proper Instruction will become binding immediately on the Court approving the Scheme for the purposes of section 411(4)(b) of the Corporations Act
Ineligible Units (Foreign Scheme Shareholders)	<p>The Independent Custodian (or a sub-contracted custodian) is instructed to:</p> <ul style="list-style-type: none"> • receive an issue of the Ineligible Units on the Implementation Date under the Scheme; • on or before the date that is 5 Business Days (as defined in the Scheme) after that Implementation Date, receive an allotment advice or certificate (or equivalent document) in relation to the Ineligible Units; • as soon as practicable and in any event not more than 20 Business Days (as defined in the Scheme) after that Implementation Date, request the withdrawal (redemption) of the Ineligible Units in accordance with the procedure specified in section 7.2 of the PDS by delivering to the Registry (to its address as specified in the PDS) a Request Form in respect of the Ineligible Units and the certificates (if any) in respect of the Ineligible Units; • open an account with an Australian bank in the name of the Independent Custodian, designated as "Trust Account (Foreign Scheme Shareholders)" and complying with Subdivision A of Division 2 of Part 7.8 of the Corporations Act; • deposit to the above account: <ul style="list-style-type: none"> ○ all proceeds of (withdrawal) redemption of Ineligible Units; and ○ all distributions of income or capital or both received by the Independent Custodian in respect of Ineligible Units; and • pay or instruct the Australian bank to pay money out of the account solely as provided in regulation 7.8.02(1) of the Corporations Act or as instructed by the Client pursuant to a subsequent Proper Instruction

Custody Units (Non-Identified Scheme Shareholders)

The Independent Custodian (or a sub-contracted custodian) is instructed to:

- receive an issue of the Custody Units on the Implementation Date;
- on or before the date that is 5 Business Days (as defined in the Scheme) after that Implementation Date, receive an allotment advice or certificate (or equivalent document) in relation to the Custody Units;
- transfer Custody Units only as instructed by the Client by subsequent Proper Instruction given by the Client no later than the 59th Business Day after the Implementation Date by:
- executing as transferor a proper instruction of transfer of the Custody Units covered by the subsequent Proper Instruction (Relevant Custody Units); and
- delivering the transfer and certificates in respect of a number of Custody Units not less than the number of the Relevant Custody Units to or as instructed in that subsequent Proper Instruction from the Client;
- in respect of Custody Units held or not covered by a subsequent Proper Instruction as provided in paragraph 9 above as at 5.00pm Melbourne time on the 60th Business Day after the Implementation Date (Remaining Custody Units), request the redemption of the Remaining Custody Units in accordance with the procedure specified in section 7.2 of the PDS by delivering to the Registry (to its address as specified in the PDS) the Request Form in respect of the Remaining Custody Units and the certificates (if any) in respect of those Remaining Custody Units;
- open an account with an Australian bank in the name of the Independent Custodian, designated as "Trust Account (Non-Identified Scheme Shareholders)" and complying with Subdivision A of Division 2 of Part 7.8 of the Corporations Act;
- deposit to the above account:
 - all proceeds of withdrawal (redemption) of Remaining Custody Units; and
 - distributions of income or capital or both received by the Independent Custodian (or its nominee) in respect of Custody Units; and
 - pay or instruct the Australian bank to pay money out of the account solely as provided in regulation 7.8.02(1) of the Corporations Act or as instructed by the Client pursuant to a subsequent Proper Instruction

13. Additional Information

13.1 Introduction

This Section sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the *Corporations Regulations 2001* (Cth) to be included in this Explanatory Booklet, but only to the extent that this information is not otherwise disclosed in other Sections. This Section also includes additional information that your Independent Directors consider material to a decision on how to vote on the resolution to be considered at Scheme Meeting.

In this Section, the terms 'associate', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act. The term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary.

13.2 Directors' interests and dealings in EGI Shares

The table below sets out the EGI Shares held by or on behalf of the Directors.

Director's name	Position	EGI Shares held by or on behalf of the Director	Percentage holding
Ashok Jacob	Non-Independent Chairman	3,096,038	2.94%
Sam Brougham	Independent Non-Executive Director	2,073,986	1.97%
Paul Dortkamp	Independent Non-Executive Director	50,000	0.05%
Bill Best	Independent Non-Executive Director	50,000	0.05%
Total		5,270,024	5.00%

No EGI Director has acquired or disposed of a relevant interest in any EGI Shares in the four month period ended on the date immediately prior to the date of this Explanatory Booklet.

As noted in Section 2.2, each Independent Director intends to vote all EGI Shares they hold or control in favour of the Scheme and the Early Termination Fee Resolution, in the absence of a Superior Proposal.

Ashok Jacob has informed the Independent Directors that he intends to vote all EGI Shares he holds or controls in favour of the Scheme. EGI and the Responsible Entity have determined that the votes cast in favour of the Scheme by Ashok Jacob will be 'tagged' for the purposes of identification at the Scheme Meeting. If the Scheme is approved by the requisite majorities at the Scheme Meeting, the 'tagged' votes in favour by Ashok Jacob will be drawn to the Court's attention at the Second Court Hearing.

As noted in Section 2.5(i), all EGI Shares Ashok Jacob or any of his associates holds or controls will be excluded from voting on the Early Termination Fee Resolution at the General Meeting.

13.3 Directors' interest and dealings in Ellerston Fund Units

No marketable securities of the Ellerston Fund are held by or on behalf of any director of EGI.

13.4 Directors' interests in any contracts with Responsible Entity

Except as disclosed below, no Director or any of his associates has entered into, or otherwise has any interest in, any contract entered into by the Responsible Entity or any of its associates.

As a shareholder of the Responsible Entity, Ashok Jacob has an interest in the revenue earned under the Responsible Entity's management agreement as the manager of the Ellerston Fund. The management fee arrangements for the Ellerston Fund are

summarised in Section 6.10 of this Explanatory Booklet and set out in further detail in section 6 of the Ellerston Fund Product Disclosure Statement which forms Appendix 7 to this Explanatory Booklet.

Paul Dortkamp acts as an independent member of the Compliance Committee for the Responsible Entity's registered managed investment schemes including the Ellerston Fund. He is also a member of the Asset Valuation Committee for all Ellerston Capital Limited registered and unregistered wholesale managed investment schemes including the Ellerston Fund. Mr Dortkamp receives market based remuneration for these roles.

13.5 Directors' interests in agreements connected with or conditional on the Scheme

EGI Management Agreement – Early Termination Fee

The key terms of the EGI Management Agreement are summarised at Section 5.6.

EGI and Ellerston Capital (in its capacity as the Manager) have agreed under the Scheme Implementation Deed that, subject to the Scheme becoming Effective, the EGI Management Agreement will be terminated with effect from the Implementation Date. On that date, Ellerston Capital will be entitled to receive from EGI the Early Termination Fee, being 1.50% of the net tangible asset value of each security in each class of the Company's asset portfolio as calculated under the ASX Listing Rules as at the Implementation Date. Ashok Jacob, as the Chairman and a shareholder of Ellerston Capital (in its capacity as the Manager) has a personal interest in the amount of the Early Termination Fee and its receipt. None of the Independent Directors have a personal interest in the amount of the Early Termination Fee or its receipt by Ellerston Capital.

Information regarding the Early Termination Fee, including all material information for EGI Shareholders to consider in voting on the Early Termination Fee Resolution, is contained at Section 2.5.

Other

EGI Shareholders should also note that as EGI Directors have direct and indirect interests in EGI Shares (refer to Section 13.2 above) they will receive the Scheme Consideration for EGI Shares which they hold on the Scheme Record Date.

13.6 Retirement benefits

No payment or other benefit is proposed to be made or given in connection with the Scheme to any other director, secretary or executive officer of EGI, or of any related body corporate of EGI, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in EGI or in any related body corporate of EGI, other than any payments or benefits arising from any applicable redundancy entitlements. EGI does not have any executive officers or other employees.

13.7 Directors' intentions regarding the business, assets and employees of EGI

If the Scheme is approved and implemented, the existing EGI Board will be reconstituted in accordance with the instructions of the Responsible Entity as the only shareholder in EGI. Accordingly, it is not possible for your Independent Directors to provide a statement of their intentions regarding:

- the continuation of the business of EGI or how EGI's existing business will be conducted after the Scheme is implemented;
- any major changes to be made to the business of EGI, including any redeployment of the fixed assets of EGI; or
- the future employment of the present employees of EGI,

in each case, after the Scheme is implemented.

If the Scheme is approved and implemented, the Responsible Entity or an RE Custodian (and by extension the Ellerston Fund) will have 100% ownership of EGI's issued shares and will control EGI. Please refer to Section 7.4 for a statement of the Responsible Entity's intentions for EGI if the Scheme becomes Effective.

13.8 Formula for entitlement to Ellerston Units under the Scheme

The formula to be applied with respect to the Ellerston Units to be issued as Scheme Consideration is as set out in the Scheme at Appendix 2 to this Explanatory Booklet. The formula is one Ellerston Unit for each EGI Share held as at the Scheme Record Date, subject to:

- the receipt of a Scheme Shareholder's KYC Information by the Election Cut-Off Date (for Shareholders making an Election to participate in the Ellerston Unit Offer) or by the KYC Information Cut-Off Date (for Shareholders not making an Election to participate in the Ellerston Unit Offer or for any such Shareholders who are notified that their Election is invalid).
- the operation of the Scheme provisions for the treatment of Foreign Scheme Shareholders, as outlined at Section 12.8 of this Explanatory Booklet.

This formula was agreed through negotiations between EGI and the Responsible Entity.

13.9 Prior dealings of Ellerston Units

As at the date of this Explanatory Booklet there have been no sales of any Ellerston Units in the three months prior to the date of this Explanatory Booklet.

13.10 No unacceptable circumstances

The EGI Board believes that the Scheme does not involve any circumstances in relation to the affairs of EGI that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

13.11 Disclosure of fees and other benefits

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of the Responsible Entity:

- to induce them to become or to qualify as a director of the Responsible Entity; or
- for services provided by that person in connection with the formation or promotion of the Responsible Entity or the Ellerston Fund.

Each of the persons named in this section as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Scheme is implemented, EGI expects to pay an aggregate of approximately \$850,000 (excluding GST and disbursements) in transaction costs in connection with the Scheme, which consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to EGI;
- KPMG Corporate Finance for acting as the Independent Expert;
- Mainstream Fund Services Pty Ltd for acting as the Independent Custodian; and
- other transactional costs including general administrative fees, Explanatory Booklet design, printing and distribution costs, expenses associated with convening and holding the Meetings, and Share Registry and other expenses;

None of these transaction costs include amounts to be paid to any director, officer or employee of EGI.

Even if the Scheme is not implemented, EGI has already incurred or will by the date of the Scheme Meeting have incurred most of these transaction costs in connection with the Scheme.

13.12 ASIC relief

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the Explanatory Statement to set out whether, within the knowledge of the EGI Directors, the financial position of EGI has materially changed since the date of the last balance

sheet laid before an EGI annual general meeting or sent to EGI Shareholders in accordance with section 314 or 317 of the Corporations Act, and if so, full particulars of any change.

ASIC has granted EGI relief from this requirement on the condition that EGI:

- sets out in this Explanatory Booklet whether, within the knowledge of the directors of EGI, the financial position of EGI has materially changed since the financial report for the half year ended 31 December 2019 – in this respect, please refer to the statement in Section 5.8;
- will provide, free of charge, copies of the documents referred to in the preceding bullet point to anyone who requests them prior to the Scheme being approved by the Court;
- has disclosed in this Explanatory Booklet, and in announcements to the ASX, all material changes to EGI's financial position occurring after the balance date of EGI's financial report for the half year ended 31 December 2019; and
- discloses all material changes to EGI's financial position that occur after the date of this Explanatory Booklet, but prior to the Scheme being approved by the Court, in announcements to ASX.

13.13 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn their written consent to be named in this Explanatory Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to EGI;
- KPMG Corporate Finance as the Independent Expert;
- Link Market Services Limited as the Share Registry; and
- Mainstream Fund Services Pty Ltd as the Independent Custodian.

The Responsible Entity has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of the Responsible Entity Information and the Joint Information in this Explanatory Booklet.

KPMG Corporate Finance has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to it in Sections 2.3(a), 2.3(h) and 13.5 of this Explanatory Booklet in the form and context in which they are included and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Explanatory Booklet.

Each of the above persons:

- has not authorised or caused the issue of this Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based other than a statement or report included in this Explanatory Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Booklet, other than as described in this Explanatory Booklet with the consent of that party; and
- except for the Responsible Entity, does not assume any responsibility for the accuracy, relevance or completeness of Responsible Entity Information. The Responsible Entity Information has been prepared by, and is the sole responsibility of, the Responsible Entity. The Joint Information has been prepared jointly by, and is joint responsibility of, EGI and the Responsible Entity.

13.14 Independent advice

EGI Shareholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Scheme and the Ellerston Unit Offer;
- the taxation implications for them if the Scheme is implemented;

- the Independent Directors' recommendations and intentions in relation to the Scheme, as set out in Section 2.2 of this Explanatory Booklet; or
- any other aspects of this Explanatory Booklet.

EGI Shareholders may also contact the EGI Shareholder Information Line on 1300 671 080 within Australia or +61 2 8022 7953 if outside Australia Monday to Friday between 8.30am and 5.00pm (Sydney time) with any queries they may have on the Scheme.

13.15 Other material information

Except as set out in this Explanatory Booklet, in the opinion of the EGI Board, there is no other information material to the making of a voting decision in relation to the Scheme or an investment decision in relation to the Ellerston Unit Offer, being information that is within the knowledge of any EGI Director or of any related company of EGI, which has not been previously disclosed to EGI Shareholders.

EGI will issue a supplementary document to this Explanatory Booklet if it becomes aware of any of the following between the date of lodgement of this Explanatory Booklet for registration by ASIC and the Effective Date:

- a material statement in this Explanatory Booklet that is false or misleading in a material respect;
- a material omission from this Explanatory Booklet;
- a significant change affecting a matter included in this Explanatory Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Explanatory Booklet if it had arisen before the date of lodgement of this Explanatory Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, EGI may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to EGI Shareholders at their registered address as shown in the Share Register; and/or
- posting a statement on EGI's corporate website,

as EGI in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to EGI Shareholders such circulation and publication may be only by an announcement to ASX.

14. Glossary

The following terms used in this Explanatory Booklet (including the Notice of Scheme Meeting in Appendix 3 to this Explanatory Booklet and the Notice of General Meeting in Appendix 4 to this Explanatory Booklet) have the meanings given to them below, unless the context otherwise requires.

AML/CTF Act	the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)
Appendix	an Appendix to this Explanatory Booklet
ASIC	the Australian Securities and Investments Commission
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Explanatory Booklet and EGI was the designated body
ASX	ASX Limited ABN 98 008 624 691 or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it
Business Day	any day that is a Business Day within the meaning given in the Listing Rules
Buy/Sell Spread	The net asset value of the Ellerston Fund plus (in the case of issue) or less (in the case of withdrawal) transaction costs being (in the case of issue) an estimate by the Responsible Entity of total costs that would be incurred in buying afresh the assets of the Fund or (in the case of withdrawal) an estimate by the Responsible Entity of total costs of selling the assets of the Fund. In either case the Responsible Entity may estimate zero or make an estimate having regard to the actual costs of issue or withdrawal as the case may be
CHESS	the Clearing House Electronic Subregister System, the system established and operated by ASX Settlement Pty Ltd ABN 49 088 504 532
Chi-X	the market for trading in securities operated in Australia by Chi-X Australia Pty Ltd
Competing Proposal	has the meaning given to that term in the Scheme Implementation Deed (see Appendix 5 to this Explanatory Booklet)
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth)
Court	the Supreme Court of New South Wales
Custody Agreement	the agreement dated 9 June 2020 between the Company and the Independent Custodian with respect to the Ineligible Units and the Custody Units, a summary of which is set out in Section 12.9.

Custody Units	the Units attributable to persons who as at the KYC Information Cut-Off Date are Non-Identified Scheme Shareholders, such Units to be issued by the Responsible Entity on the Implementation Date to the Independent Custodian, in accordance with the terms of the Scheme and the Custody Agreement
Customer Identification Procedure or KYC Procedure	the applicable customer identification procedure (as defined in the AML/CTF Act) as described in Sections 1.13, 1.14, 6.8 and 12.5 of this Explanatory Booklet
Deed Poll	the deed poll executed by Responsible Entity on 9 June 2020 in which Responsible Entity undertakes to perform the actions attributed to it under the Scheme for the benefit of Scheme Shareholders. A copy of the executed Deed Poll is reproduced in Appendix 6 to this Explanatory Booklet
Delivery Time	in relation to the Second Court Date means 2 hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act
Early Termination Fee	the fee payable by the Company to the Manager under the Scheme Implementation Deed for the contemplated mutual early termination of the EGI Management Agreement on the Implementation Date, being an amount equal to 1.50% of the net tangible asset value of each security in each class of the Company's asset portfolio as calculated under the ASX Listing Rules as at the Implementation Date
Early Termination Fee Resolution	the resolution to be put to EGI Shareholders at the General Meeting to approve the payment of the Early Termination Fee
Effective	the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme
Effective Date	the date on which the Scheme becomes Effective. The Effective Date is currently proposed to be Friday, 7 August 2020
EGI or Company	Ellerston Global Investments Limited ACN 169 464 706
EGI Board or Board	the board of directors of EGI as at the date of this Explanatory Booklet
EGI Group	EGI and each of its subsidiaries
EGI Information	all information included in this Explanatory Booklet other than: <ul style="list-style-type: none"> (a) the Responsible Entity Information; (b) the Joint Information; and (c) the information contained in the Independent Expert's Report
EGI Management Agreement	the investment management agreement between EGI and the Manager dated on or around 17 October 2014
EGI Representation and Warranty	has the meaning given in the Scheme Implementation Deed (see Appendix 5 to this Explanatory Booklet), as the phrase 'Company Representation and Warranty' was replaced with the phrase 'EGI Representation and Warranty'

EGI Share or Share	a fully paid ordinary share in the capital of EGI
EGI Shareholder or Shareholder	a holder of one or more EGI Shares
Election	an election that a Company Shareholder may make in accordance with the Scheme to apply for additional Ellerston Units under the Ellerston Unit Offer.
Election Calculation Date	Friday, 5 June 2020, being the date for calculating the Maximum Dollar Amount of an investment in the Ellerston Unit Offer
Election Cut-Off Date	the latest date and time for the receipt of the Election and Subscription Form, being 7.00pm on Thursday, 16 July 2020
Election and Subscription Form	<p>the green form accompanying this Explanatory Booklet denoted – 'Election and Subscription Form - Ellerston Unit Offer'</p> <p>Note: <i>this form is only to be completed by a Company Shareholder who wishes to make an Election. This form includes provision for the completion of the KYC Information by that Shareholder – see Section J of this form. Shareholders who do not wish to make an Election should disregard this form</i></p>
Ellerston Capital	Ellerston Capital Limited ACN 110 397 674
Ellerston Fund or Fund	the Ellerston Global Mid Small Cap Fund ARSN 609 725 868
Ellerston Unit or Unit	a fully paid Class B Unit in the Ellerston Fund
Ellerston Unit Offer	the offer or invitation made by the Responsible Entity to Company Shareholders to acquire by way of issue additional Ellerston Units as provided for in the Scheme
Ellerston Fund Unitholder or Unitholder	a holder of one or more Ellerston Fund Units
End Date	30 September 2020 or such other date and time agreed in writing between EGI and Responsible Entity
Exclusivity Period	<p>the period from and including the date of the Scheme Implementation Deed (being 17 February 2020) to the earlier of:</p> <p>(a) the termination of the Scheme Implementation Deed; and</p> <p>(b) the End Date</p>
Explanatory Booklet	this explanatory booklet dated 11 June 2020 in relation to the Scheme
General Meeting	the meeting of EGI Shareholders to be held at 12.00pm on Friday 31 July 2020, or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later), to consider and vote on the Early Termination Fee Resolution including any meeting convened and held following the postponement or adjournment of that meeting. The notice convening the General Meeting is contained in Appendix 4 to this Explanatory Booklet

General Meeting Proxy Form	the Proxy Form for the General Meeting accompanying this Explanatory Booklet or, as the context requires, any replacement or substitute Proxy Form for the General Meeting provided by or on behalf of EGI
First Court Hearing	the hearing of the application made to the Court by EGI for an order to convene the Scheme Meeting
Foreign Scheme Shareholder	a Scheme Shareholder whose address in the Company Share Register is a place outside Australia and its external territories, Singapore or the United States unless the Responsible Entity and the Company agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Units under the Scheme
Headcount Test	the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number (more than 50%) of EGI Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney, or in the case of an EGI Shareholder who is a corporation, by corporate representative)
IBC	the independent board committee established by the EGI Board to negotiate the terms of the Scheme and the Ellerston Unit Offer (see further Section 1.9)
Identified Scheme Shareholder	a Scheme Shareholder who has provided the Responsible Entity or the Company with KYC Information in respect of the Scheme Shareholder
Implementation Date	the date on which the Scheme is to be implemented according to its terms, being the fifth Business Day after the Scheme Record Date or such other date as EGI and the Responsible Entity agree in writing. The Implementation Date is currently proposed to be Tuesday, 18 August 2020
Independent Board Committee	the committee of the Board of EGI comprising the Independent Directors which was established on 5 February 2020 for the purposes of evaluating and overseeing the Scheme
Independent Custodian	Mainstream Fund Services Pty Limited ACN 118 902 891, as a party to the Custody Agreement
Independent Directors	<p>each of the EGI directors other than Mr Ashok Jacob, being:</p> <ul style="list-style-type: none"> (a) Mr Paul Dortkamp; (b) Mr Samuel Brougham; and (c) Mr William Best, <p>together with any other person appointed as a director of EGI after the Last Practicable Date (provided any such other person is not an Associate of Mr Jacob)</p>
Independent Expert	KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd
Independent Expert's Report	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Explanatory Booklet), and any update to such report that the Independent Expert issues
Ineligible Units	the Ellerston Fund Units attributable to Foreign Scheme Shareholders, such Units to be issued by the Responsible Entity on the Implementation Date to the Independent Custodian, in accordance with the terms of the Scheme and the Custody Agreement

ITAA 1997	the <i>Income Tax Assessment Act 1997</i> (Cth)
Joint Information	the information that has been prepared jointly by the EGI, the Manager and the Responsible Entity, specifically Sections 1, 3, 8.3, 9, 10 and 13 of this Explanatory Booklet
KYC Information Condition	the receipt by the Independent Custodian (as agent of the Company) of KYC Information from those persons registered as EGI Shareholders as at 7.00pm on the Business Day before the Second Court Date holding between them at least 75% of the then total number of EGI Shares on issue.
KYC Information	<p>in relation to a Scheme Shareholder, means all information required by the Responsible Entity to enable it to carry out the Customer Identification Procedure in respect of the Scheme Shareholder before the Scheme Shareholder may be issued Units under the Scheme</p> <p>Note: the required KYC Information is set out in either (a) the green <i>Election and Subscription Form</i> (refer section J of that form) for Shareholders who wish to make an Election to participate in the <i>Ellerston Unit Offer</i> or (b) the yellow <i>KYC Information Form</i> (refer section I of that form) for Shareholders who do not wish to make an Election to participate in the <i>Ellerston Unit Offer</i>.</p>
KYC Information Cut-Off Date	the latest date and time for the receipt by the Independent Custodian of the completed KYC Information, being 7.00pm on the Business Day before the Second Court Date (or such other time and date publicly notified by EGI). The KYC Information Cut-Off Date is currently set at 7.00pm on Wednesday, 5 August 2020
KYC Information Form	<p>the yellow form accompanying this Explanatory Booklet denoted 'KYC Information Form'</p> <p>Note: this form is only relevant for EGI Shareholders NOT making an Election to participate in the <i>Ellerston Unit Offer</i>. For those EGI Shareholders, their required KYC Information is set out in Section I of this form.</p>
Last Practicable Date	Friday 5 June 2020, being the last practicable day before finalising the information to which this definition relates
Listing Rules	the official listing rules of ASX
Manager	Ellerston Capital in its personal capacity, being the manager of EGI's investment portfolio under the EGI Management Agreement
Maximum Dollar Amount	the maximum amount expressed in Australian dollars in respect of which an Election may be made, calculated in accordance with clause 5.2(b) of the Scheme and as described generally in Sections 1.4 of this Explanatory Booklet.
Meetings	the Scheme Meeting and the General Meeting collectively
NAV	has the meaning given to the term Net Asset Value in the Ellerston Fund constitution, a copy of which is contained at Appendix 7 to this Explanatory Booklet
Non-Identified Scheme Shareholder	a Scheme Shareholder who has not provided the Responsible Entity or EGI with KYC Information in respect of the Scheme Shareholder

NTA	<p>the estimated unaudited net tangible asset backing per Share after including:</p> <p>(a) all taxes that have been paid on realised gains from EGI's investment portfolio;</p> <p>(b) a provision for unpaid tax on realised gains from EGI's investment portfolio; and</p> <p>(c) a provision for tax on unrealised gains from EGI's investment portfolio and deferred tax, calculated in accordance with the Corporations Act, the Accounting Standards (as defined in the Corporations Act including the Australian Accounting Interpretations), the Corporations Regulations and consistent with the requirements of the Listing Rules for an Investment Entity, rounded to the nearest one cent.</p>
Privacy Laws	<p>(a) the <i>Privacy Amendment (Enhancing Privacy Protection) Act 2012</i> (Cth); and</p> <p>(b) the Australian Privacy Principles contained in schedule 1 to the <i>Privacy Amendment (Enhancing Privacy Protection) Act 2012</i> (Cth), in respect of a party, or any approved privacy code that applies, in respect of this,</p>
Personal Information	information or an opinion (including information or an opinion forming part of a database), whether true or not, whether recorded in a material form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information or opinion
Proxy Form	the Scheme Meeting Proxy Form and the General Meeting Proxy Form or, as the context requires, any replacement or substitute proxy forms provided by or on behalf of EGI
RE Custodian	a custodian appointed by the Responsible Entity in respect of all or any of the assets of the Ellerston Fund
Redemption Facility	the facility operated by the Responsible Entity whereby holders of the Ellerston Fund Units are able to redeem the value of part of their unitholding in accordance with the constitution of the Ellerston Fund
Registered Address	in relation to an EGI Shareholder, the address shown in the Share Register as at the Scheme Record Date
Relevant interest	has the meaning given in the Corporations Act
Remaining Custody Units	the Custody Units that the Independent Custodian still holds as at 5.00pm on the 60th Business Day after the Implementation Date
Responsible Entity	Ellerston Capital as responsible entity of the Ellerston Fund
Responsible Entity Information	the information prepared by Responsible Entity for inclusion in this Explanatory Booklet and for which Responsible Entity is responsible, being the Letter from the Chairman of Ellerston Capital, Sections 6, 7, 8, Appendix 7 and Appendix 8
Responsible Entity Related Person	<p>in respect of the Responsible Entity:</p> <p>(a) a Related Body Corporate of the Responsible Entity; and</p> <p>(b) any director, officer, member or employee of the Responsible Entity or of a Related Body Corporate of the Responsible Entity</p>

Responsible Entity Representation and Warranty	has the meaning given in the Scheme Implementation Deed (see Appendix 5 to this Explanatory Booklet)
Responsible Entity Trust Account	an Australian dollar denominated trust account established by or on behalf of the Responsible Entity to hold the Subscription Monies, on trust for Shareholders who have applied for additional Ellerston Units under the Ellerston Unit Offer.
Scheme Conditions	the conditions precedent specified at clause 3.1 of the Scheme Implementation Deed
Scheme Consideration	one Ellerston Fund Unit for each Scheme Share, subject in the case of Foreign Scheme Shareholders to the operation of applicable provisions of the Scheme
Scheme Implementation Deed	the deed dated 17 February 2020 between EGI and the Responsible Entity (as amended by an amending deed dated 9 April 2020 and a second amending deed dated 9 June 2020), setting out certain arrangements in relation to the Scheme, the Ellerston Unit Offer and the Early Termination Fee Resolution. The Scheme Implementation Deed (incorporating the amendments under the two amending deeds) is reproduced in Appendix 5 to this Explanatory Booklet without certain of its Schedules
Scheme Meeting	the meeting of EGI Shareholders to be held at 11.00am on Friday, 31 July 2020 to consider and vote on the Scheme including any meeting convened and held following the postponement or adjournment of that meeting. The notice convening the Scheme Meeting is contained in Appendix 3 to this Explanatory Booklet
Scheme Meeting Proxy Form	the Proxy Form for the Scheme Meeting accompanying this Explanatory Booklet or, as the context requires, any replacement or substitute Proxy Form for the Scheme Meeting provided by or on behalf of EGI
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between EGI and the Scheme Shareholders under which the Responsible Entity proposes to acquire all of the EGI Shares as set out in Appendix 2 to this Explanatory Booklet, subject to any alterations or conditions agreed between EGI and Responsible Entity or any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by EGI and Responsible Entity
Scheme Record Date	the time and date for determining entitlements to the Scheme Consideration, being 7.00 pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between the Responsible Entity and EGI. The Scheme Record Date is currently proposed to be 7.00pm on Tuesday, 11 August 2020)
Scheme Resolution	the resolution to be put to EGI Shareholders to approve the Scheme at the Scheme Meeting
Scheme Share	an EGI Share on issue on the Scheme Record Date
Scheme Shareholder	a person who, on the Scheme Record Date, holds one or more Scheme Shares
Second Court Date	the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard. This date is currently proposed to be Thursday, 6 August 2020)

Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme
Section	a section of this Explanatory Booklet
Share Register	the register of members of EGI maintained by or on behalf of EGI in accordance with section 168(1) of the Corporations Act
Share Registry	Link Market Service Limited ACN 083 214 537 of Level 12, 680 George St, Sydney NSW 2000
Share Splitting	the splitting by a holder of EGI Shares into two or more parcels of EGI Shares whether or not it results in any change in beneficial ownership of EGI Shares
Subscription Monies	the monies paid or payable by a Company Shareholder to acquire additional Ellerston Units for which that Shareholder has applied under the Ellerston Unit Offer.
Superior Proposal	has the meaning given to that term in the Scheme Implementation Deed (see Appendix 5 to this Explanatory Booklet)
Voting Entitlement Time	the date for determining voting eligibility at the Meetings, being (7.00pm on Wednesday, 29 July 2020)

Appendix 1 - Independent Expert's Report



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The Directors
Ellerston Global Investments Limited
Level 11
179 Elizabeth Street
Sydney NSW 2000

9 June 2020

Dear Directors

Independent Expert Report and Financial Services Guide

Part One – Independent Expert’s Report

1 Introduction

On 7 November 2019, the directors of Ellerston Global Investments Limited (EGI or the Company) announced their intention to convert EGI to a trust structure. Subsequently on 17 February 2020, EGI announced it had entered into a Scheme Implementation Deed (SID) with the investment manager, Ellerston Capital Limited (Ellerston Capital or the Manager) to give effect to the previously advised restructure.

Under the proposed restructure, EGI Shareholders will exchange their EGI Shares for an issue of a new class of units (Class B Units) in the Ellerston Global Mid Small Cap Fund (the Ellerston Fund), on a one-for-one basis (the Proposed Transaction). The Proposed Transaction will be implemented by way of a scheme of arrangement between EGI and EGI Shareholders (the Scheme).

If the Scheme is approved and implemented, Scheme Shareholders (shareholders of EGI who own an EGI Share as at the Scheme Record Date, excluding Foreign Scheme Shareholders¹) will receive, subject to providing their Know Your Customer (KYC)

¹ Foreign Scheme Shareholder means a Scheme Shareholder whose address in the EGI Share Register is a place outside Australia and its external territories, Singapore or the United States unless the Responsible Entity and the Company agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Ellerston Units under this Scheme.

information, one Class B Unit in the Ellerston Fund (Ellerston Unit) as the Scheme Consideration for each EGI Share held. Subsequent to the acquisition, the Ellerston Fund will hold its current investment portfolio and the assets of EGI's portfolio.

On 9 April 2020, EGI announced it had entered into an amending deed to the SID with Ellerston Capital to give effect to the following supplementary features in connection with the Scheme:

- Scheme Shareholders (other than certain Foreign Scheme Shareholders will have an opportunity to "top up" their investment in the Ellerston Fund by subscribing for additional Ellerston Units under the Ellerston Unit Offer, for an amount up to the approximate value of their current EGI shareholding
- The negotiation of a fee payable by EGI to the Manager on the Implementation Date for the early termination of the current investment management agreement between EGI and Ellerston Capital (the Early Termination Fee) – this negotiated fee is lower than that to which the Manager is contractually entitled
- A two year waiver on the charging of management fees in respect of Ellerston Units issued to Scheme Shareholders under the Scheme, including additional Ellerston Units issued to Scheme Shareholders who elect to participate in the Ellerston Unit Offer.

On 9 June 2020, EGI announced that it had entered into a second amending deed to the SID with Ellerston Capital to introduce two new conditions in connection with the Scheme:

- Separate approval of Early Termination Fee. In addition to approval of the Scheme, EGI shareholders will be asked to separately approve the previously announced early termination fee that would be payable by EGI to Ellerston Capital (in its capacity as manager of EGI) if the Scheme proceeds (ETF Resolution). The ETF Resolution will be proposed at a general meeting of EGI Shareholders to be held on the same day as the meeting to vote on the Scheme. The Scheme Resolution and the ETF Resolution are inter-dependent resolutions, meaning that unless each are approved, the Scheme cannot proceed and the Early Termination Fee would not be paid by EGI to Ellerston Capital
- Receipt of a minimum level of KYC information. Ellerston Capital must, prior to the Court hearing to approve the Scheme, have received KYC Information from EGI Shareholders holding between them at least 75% of the then total number of EGI Shares on issue.

EGI is a listed investment company (LIC) whose shares are traded on the Australian Securities Exchange (ASX). As at 31 March 2020, EGI's investment portfolio, comprising listed global equity investments and cash, totalled approximately \$102.3 million and the Company had a market capitalisation of \$93.7 million.

The Ellerston Fund is an existing unlisted trust which is an Australian Securities and Investments Commission (ASIC) registered managed investment scheme, established

in 2015 and holds a similar portfolio of listed global equity investments as EGI. As at 31 March 2020, the Ellerston Fund's investment portfolio totalled approximately \$29.6 million.

Ellerston Capital is the investment manager (Manager) of EGI and the Responsible Entity of the Ellerston Fund.

The Independent Board Committee (IBC) of EGI have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert's Report (IER) setting out whether the Scheme is in the best interests of Scheme Shareholders.

In the absence of a superior proposal and subject to the IER stating that the Scheme is in the best interests of Scheme Shareholders, each Independent Director ² intends to vote all shares held or controlled by them in favour of the Scheme.

This report is a summary of KPMG Corporate Finance's opinion as to the merits or otherwise of the Scheme. This report should be considered in conjunction with and not independently of the information set out in the Notice of meeting and Explanatory Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of Proposed Transaction

The Scheme will be implemented through the following steps:

- All EGI Shares will be acquired by Ellerston Capital (other than those already held by it) in its capacity as Responsible Entity of the Ellerston Fund
- EGI will become wholly-owned by the Ellerston Fund and will be delisted from the ASX
- Scheme Shareholders who participate in the Scheme will receive an Ellerston Unit for each EGI Share held on the Scheme Record Date ³ – no payment is required to be made for the issue of the Ellerston Units

² Independent Directors comprise all EGI Directors other than Mr. Ashok Jacob.

³ Subject to Scheme Shareholders having provided their KYC Information which the Responsible Entity requires before it may issue Units in compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The mechanism by which Scheme Shareholders will receive the Scheme Consideration will depend on the timing of the provision of their KYC Information to the Responsible Entity. Details around the Scheme Consideration mechanics and how they intersect with the timing of the provision of KYC Information are contained in Sections 1.13, 1.14, 6.8 and 12.5 of the Explanatory Booklet. As outlined in Section 6.3 of this report, it is a condition of the Scheme proceeding that the Responsible Entity receive KYC Information from EGI Shareholders holding between them at least 75 percent of the total number of EGI Shares on issue by the Second Court Date.

- Scheme Shareholders who elect to participate in the Ellerston Unit Offer, will receive additional Ellerston Units in accordance with the Scheme
- The portfolio of EGI's investments will be progressively transferred to the Ellerston Fund after the Scheme is implemented
- The current investment management agreement between EGI and Ellerston Capital will be terminated with effect on and from the Implementation Date. Ellerston Capital, in its capacity as the Investment Manager of EGI, will receive from EGI the Early Termination Fee
- Scheme Shareholders who participate in the Scheme and who have received Ellerston Units may request the withdrawal of all or some of their Ellerston Units in accordance with the Withdrawal Facility shortly after the Implementation Date and thereafter, redemption of Ellerston Units will be in accordance with the constitution of the Ellerston Fund.

The Scheme is subject to various conditions precedent. Further details of the Scheme and conditions precedent are outlined in Section 6.3 of this report.

3 Scope of Report

Section 411(3) of the *Corporations Act 2001 (Cth)* (the Act) stipulates that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

Part 3 Schedule 8 to the Corporations Regulations specifies that the information to be lodged with ASIC must include a report prepared by an expert:

- If the other party to a reconstruction in a scheme of arrangement holds at least 30 percent of the Company; or
- Where the parties to the reconstruction have common Directors.

Even where an IER is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member.

As Mr. Ashok Jacob is a Director of Ellerston Capital, the Manager of EGI and Responsible Entity of the Ellerston Fund, and a Director of EGI, the provision of an IER is required.

In undertaking our work we have had regard to the guidance provided by ASIC in its Regulatory Guides and in particular Regulatory Guide 111 'content of expert reports' (RG111), which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion.

Further details of the relevant technical framework applied and the basis of assessment in forming our opinion are set out in Section 7 of this report.

4 Summary of opinion

In our opinion, the Scheme is in the best interests of Scheme Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have considered the guidance set out in RG 111 and as such, our analysis considers:

- Fairness, by comparing the value of an EGI share on a control basis to the value of the Scheme Consideration, being an Ellerston Unit (one Class B Unit in the Ellerston Fund)
- Reasonableness, by assessing the implications of the Scheme for Scheme Shareholders, the alternatives to the Scheme which are available to EGI, and the consequences of the Scheme not proceeding.

Our assessment has concluded that the Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Scheme is in the best interests of Scheme Shareholders.

EGI was launched by Ellerston Capital in 2014 and listed on the ASX. Historically, EGI's investment portfolio has returned 4.77 percent (before all taxes) per annum over the period from inception to 31 March 2020, in comparison to its benchmark, MSCI World Index (Local) which returned 4.49 percent per annum over the same period.

However, irrespective of the steady historic performance of the underlying investment portfolio, EGI shares have consistently traded below their net tangible asset value (NTA). For the majority of the period between 1 January 2017 and 6 November 2019 (the day prior to the announcement of the Proposed Transaction), EGI shares traded below NTA, with the largest observed discount being 19.7 percent. On average, EGI shares traded 10.2 percent below the NTA over the period.

Despite having one of the lowest management fee structures compared to its global equity peer group, it has become apparent that structural issues inherent in EGI's LIC structure, in part as a result of its insufficient scale, has resulted in a disconnect between EGI's investment portfolio performance and the performance of EGI shares.

After considering a range of solutions to narrow the trading discount, the board of EGI (EGI Board) believes the Proposed Transaction is the most appropriate solution to provide Scheme Shareholders seeking liquidity with a clear pathway to exit their investment at a price more closely aligned to the underlying asset value, while providing the other Scheme Shareholders the option to remain invested in the underlying portfolio.

Our analysis is set out in further detail below.

4.1 The Scheme is fair to Scheme Shareholders

The Scheme Consideration is above our assessed value range for an EGI Share, therefore we consider the Scheme to be fair to Scheme Shareholders.

We have determined whether the Scheme is fair to Scheme Shareholders by comparing the value of their existing interest in EGI, being an EGI Share, on a control basis, to the value of the Scheme Consideration to be received by Scheme Shareholders, being the value of an Ellerston Unit.

Value of an EGI Share

The value attributed to EGI has been based on a net asset methodology. The current or most recent listed market prices of the underlying investments in the EGI's investment portfolio provide an accurate representation of the current market value of EGI's investment holdings. EGI releases NTA information on a weekly basis to the market, with the portfolio investments marked-to-market based on the latest traded market price on the stock exchange on which each investment is traded. Consequently, the assessment of net asset value is generally considered the most appropriate method for the valuation of companies of this type.

We have assessed the value of EGI (on a control basis) to be in the range of \$95.3 million and \$101.1 million, which corresponds to a value of \$0.91 to \$0.96 per EGI Share. The valuation range is smaller than normal as the NTA is calculated as a point estimate of value, based on the last traded price on each underlying investment, with only the capitalisation of management costs creating a range in value.

Our valuation is set out in Section 12 of this report and is summarised in the table below.

Table 1: Valuation of an EGI Share

Net tangible assets			
\$'000	31-Mar-20	Low value	High value
Net tangible assets (post-tax)	104,064.3	104,064.3	104,064.3
Less: 1H20 declared interim dividend		-	-
Less: calculated value of corporate overheads		(8,766.0)	(2,997.6)
Plus: transaction costs associated with the Scheme		-	-
Net tangible assets (control basis)		95,298.3	101,066.7
Number of shares on issue as at 31 March 2020		105,300,394	105,300,394
Value per share (\$)		0.9050	0.9598

Source: KPMG Corporate Finance Analysis

The factors considered in our assessment of the value of an EGI Share are:

- Post-tax NTA factors in all tax, realised and unrealised, in effect outlining the net value of the investment portfolio based on the current prices applied in the NTA calculation. Therefore post-tax NTA forms our starting point. As at 31 March 2020, EGI had \$1.8 million of unused tax losses carried forward. Under going concern

assumptions, we would expect there to be future taxable profits available against which the tax losses can be utilised. Accordingly, no adjustment is required

- During February 2020, EGI declared an interim fully franked dividend of 1.5 cents per fully paid ordinary share, amounting to approximately \$1.58 million. The associated dividend was paid during March 2020 and therefore the NTA as at 31 March 2020 has been prepared on an ex-dividend basis.
- EGI will be required to incur management and operating costs for the ongoing operation of the business. We have capitalised the ongoing costs, less an estimate of the costs that could be avoided by an acquirer, by an appropriate multiple to determine the capitalised value of the cost base. This amounts to between approximately \$3.0 million and \$8.8 million and has accordingly, been deducted from the NTA
- Transaction costs relating to the Scheme have been estimated to amount to approximately \$0.85 million, all of which has been accrued in the NTA as at 31 March 2020. Any additional expenses related to the Scheme are likely to be immaterial, as such no adjustment is required in arriving at the NTA
- As at 31 March 2020, EGI had 105,300,394 shares on issue.

Our valuation reflects 100 percent ownership of EGI and, therefore, incorporates a control premium. As a result, we would expect the valuation to be in excess of the price at which EGI Shares would trade on the ASX in the absence of the Scheme, albeit that such a premium is usually small in similar listed investment companies given the nature of the underlying investments. In accordance with RG 111, we have confirmed that the historical premia paid by trade and/or financial buyers within the LIC industry have been minimal and the control premium implied by our valuation is within the range of control premia paid in historical transactions.

Further analysis in relation to the valuation of an EGI Share and the cross-checks performed are contained in Section 12 of this report.

Value of the Scheme Consideration

We have assessed the value of the Scheme Consideration to be in the range of \$100.6 million and \$102.1 million, which corresponds to a value of \$0.95 to \$0.97 per Ellerston Unit. Our assessed value has a small range, as the NTA is calculated as a point estimate of value, with only the two year waiver of management fees creating a range in value.

Our valuation is set out in Section 13 of this report and is summarised in the following table.

Table 2: Valuation of the Scheme Consideration

Net tangible assets			
\$'000	31-Mar-20	Low value	High value
Net tangible assets (post-tax)	104,064.3	104,064.3	104,064.3
Less: tax losses carried forward - not utilised		(1,791.7)	(1,791.7)
Less: 1H20 declared interim dividend		-	-
Less: Management Termination Fee		(1,717.1)	(1,717.1)
Plus: two year waiver of management fees		-	1,561.0
Plus: transaction costs associated with the Scheme		-	-
Net asset value (control basis)		100,555.5	102,116.5
Less: minority interest adjustment		-	-
Net asset value (minority basis)		100,555.5	102,116.5
Number of shares on issue as at 31 March 2020		105,300,394	105,300,394
Value per share (\$)		0.9549	0.9698

Source: KPMG Corporate Finance Analysis

In assessing the Scheme Consideration, we have noted that all the assets of EGI will be progressively transferred to the Ellerston Fund post implementation of the Scheme. As outlined in Section 6, Scheme Shareholders who have provided their KYC information will ultimately receive Class B Units, which will give them an entitlement to the same assets transferred from the EGI portfolio and under the Withdrawal Facility, Scheme Shareholders will be able to realise their investment at the underlying NAV (less the buy/sell spread). Accordingly, we have determined the value of the Scheme Consideration by applying a consistent net asset methodology to that adopted for the valuation of an EGI Share, starting with the same NTA to be transferred on implementation of the Scheme.

The factors considered in our assessment of the value of the Scheme Consideration are:

- Post-tax NTA factors in all tax, realised and unrealised, in effect outlining the net value of the investment portfolio based on the current prices applied in the NTA calculation. Therefore post-tax NTA forms our starting point. As at 31 March 2020, EGI had \$1.8 million of unused tax losses carried forward. Post the implementation of the Scheme, these losses will not be utilised and therefore an adjustment has been made to eliminate them from the NTA
- During February 2020, EGI declared an interim fully franked dividend of 1.5 cents per fully paid ordinary share, amounting to approximately \$1.58 million. The associated dividend was paid during March 2020. Therefore the NTA as at 31 March 2020 has been prepared on an ex-dividend basis,
- As outlined in Section 10 of this report, due to the early termination of the Management Agreement with Ellerston Capital arising from the implementation of the Scheme, the Manager will be paid the Early Termination Fee of 1.5 percent

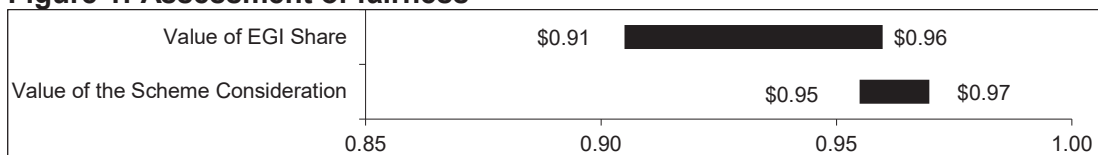
(plus GST) of the post-tax NTA or approximately \$1.7 million. Accordingly, this has been deducted from the NTA

- Following the implementation of the Scheme, Ellerston Capital has agreed that, for two years from the Implementation Date, no management fees will be charged on Ellerston Units issued to Scheme Shareholders under the Scheme and on additional Ellerston Units issued to those Scheme Shareholders who participate in the Ellerston Unit Offer. The estimated present value of the management fee waiver amounts to approximately \$1.6 million⁴. As we consider this is a benefit which forms part of the offer, this amount has been added back to the NTA to form the high end of our value range, recognising that Scheme Shareholders who elect to exit their position in the Ellerston Fund prior to the end of the two year waiver period, will receive a lesser benefit. The minimum benefit received will be nil for those Scheme Shareholders who exit their position in the Ellerston Fund on implementation of the Scheme, as reflected in the low end of our value range.
- Transaction costs relating to the Scheme have been estimated to amount to approximately \$0.85 million, all of which have been accrued in the NTA as at 31 March 2020. Any additional expenses related to the Scheme are likely to be immaterial, as such no adjustment is required in arriving at the NTA
- Following the implementation of the Scheme, up to 105,300,394 Class B Units will be issued to those Scheme Shareholders (one-for-one exchange ratio including Units issued to a nominee on account of the entitlements of Foreign Scheme Shareholders) (excluding any additional Ellerston Units issued under the Ellerston Unit Offer) who have provided their KYC information.

Assessment of fairness

A comparison of our assessed value per EGI Share on a control basis to the Scheme Consideration is illustrated in the figure below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance Analysis

⁴ Benefit arising from the two year waiver on the charging of management fees post the implementation of the Scheme, represents savings to Scheme Shareholders of 0.75 percent (including GST and input tax credits) of NAV per annum. Future NAV is dependent on the traded share prices of the underlying investment pool and additional Units raised as a result of the Ellerston Unit Offer, and therefore is uncertain. As such, we have adopted the NAV as at 31 March 2020 as a proxy. Given prevailing market conditions (explained in Section 4.5 of this report) and the potential growth in the underlying NAV arising from the Ellerston Unit Offer, 31 March 2020 NAV is considered a conservative estimate.

We have assessed the value of an EGI Share on a control basis to be in the range of \$0.91 to \$0.96 per share. We have assessed the value of the Scheme Consideration to be in the range of \$0.95 to \$0.97 per Ellerston Unit received. Under the Withdrawal Facility, Scheme Shareholders will be able to realise their Ellerston Units at NAV (less the buy/sell spread) post completion of the Scheme and therefore we consider this represents the value of the minority interest held by Scheme Shareholders post implementation of the Scheme.

According to RG 111, the Scheme should be considered fair if the consideration offered to Scheme Shareholders is equal to or higher than our assessed value of an EGI Share. As our assessed value range of the Scheme Consideration (\$0.95 to \$0.97 per Ellerston Unit) sits at the high end or above our assessed value range for an EGI Share (\$0.91 to \$0.96 per EGI Share), we consider the Scheme to be fair.

4.2 The Scheme is reasonable

Guidance contained in RG111 suggests an Offer is reasonable if it is fair. As we consider the Scheme to be fair, this would imply that it is also reasonable. However, irrespective of the obligation to conclude the Scheme is reasonable, we have assessed a range of factors that should be considered in determining whether the Scheme advances the interests of Scheme Shareholders.

In forming our opinion, we considered both the advantages and disadvantages of the Scheme and the wider Proposed Transaction in order to assess whether Scheme Shareholders will be better off, or at least no worse off, if the Scheme is implemented as contemplated. The principal matters considered by us to be material to any decision by Scheme Shareholders as to whether to support the Scheme and hence the Proposed Transaction, are summarised below.

Further discussion in relation to the taxation implications of the Scheme is set out in Section 10 of the Explanatory Booklet. Shareholders are strongly encouraged to read the Explanatory Booklet in its entirety and, if uncertain as to any aspect, seek specialist advice prior to reaching any decision as to whether or not to vote in favour of the Scheme.

4.3 Advantages of the Scheme

Based on our analysis, if approved, the Scheme is expected to result in the following advantages.

Redemption closer to NTA or NAV

Under the current structure, Scheme Shareholders are able to trade EGI shares on the open market. The price of an EGI share is open to market forces and may trade at a premium or discount to the NTA of the underlying investment portfolio from period to period, without direct correlation to the underlying performance of EGI. Historically, EGI shares have traded at a discount to the NTA. For the period between 1 January 2019 and the announcement of the Scheme, EGI Shares traded between approximately 9.0 percent and 14.0 percent below its daily closing share price.

Following the implementation of the Scheme, Scheme Shareholders who have provided their KYC information will receive Ellerston Units. In contrast to the listed structure, withdrawal of Ellerston Units will be at the underlying NAV (less the buy/sell spread) of the Ellerston Fund's investment portfolio and therefore not subject to the discount associated with the listed EGI Shares. Following the implementation of the Scheme, withdrawal will be on a daily basis via the Withdrawal Facility. A summary of the Withdrawal Facility is outlined in Section 10 of this report and further details are contained in Section 6.7 of the Explanatory Booklet.

Lower management fee

If the Scheme is approved, Scheme Shareholders who receive Ellerston Class B Units will be subject to the base management fees payable as part of the Ellerston Fund mandate. In this regard, the Ellerston Fund management fees are slightly lower than the EGI management fees, charged at 0.75 percent (inclusive of the net effect of GST and input tax credits) of NAV per annum, in comparison to 0.75 percent (plus GST).

Lower performance fee but different benchmark index

Under the current Management Agreement, EGI pays 15 percent per annum in performance fees should the pre-tax portfolio performance exceed its stipulated benchmark, the MSCI World Index (Local).

Following the implementation of the Scheme, Class B Unitholders will pay 10 percent per annum in performance fees should the investment return exceed the stipulated benchmark for the Ellerston Fund, being the MSCI World MID Cap Index (AUD). The investment mandate of the Ellerston Fund is summarised below and discussed further in Section 9 of this report.

Based on our analysis of the two benchmark indices detailed in Section 10 of this report, the Ellerston Fund benchmark index was a higher performance hurdle to achieve in the calculation of the performance fee component of the management fee for the period commencing January 2018 to the date of this report.

Increase in scale

Immediately following the implementation of the Scheme, the Ellerston Fund's investment portfolio will be that of the combined investment portfolios of EGI and the Ellerston Fund, amounting to approximately \$131.9 million (minus cash retained within EGI post wind up and excluding any potential additional funds raised as part of the Ellerston Unit Offer). The increase in size will provide the Ellerston Fund an opportunity to gain scale benefits typically associated with size.

Further, EGI is currently a closed investment structure in the sense that new funds cannot be added unless through some form of corporate action, rights issue or placement. However, the Ellerston Fund is an open ended investment fund, meaning it is easier to increase the size of the Fund, subject to normal cash inflows (applications) and outflows (withdrawals) thus providing the potential for increased scale in the future.

Reduction in management expenses

Immediately following the implementation of the Scheme, Ellerston Capital will control a single enlarged investment portfolio comprising the current respective investment portfolios of EGI and the Ellerston Fund⁵, and any additional Ellerston Units raised as part of the Ellerston Unit Offer. Given the growth in the underlying size of the portfolio and the level of fixed overheads required to operate the fund, Ellerston Capital expects the management expense ratio (MER) will reduce over time. MER is calculated by dividing total expenses over portfolio investment value, and is a common metric used to determine the operational efficiency of an investment fund. Accordingly, a decline in the MER is likely to translate to better returns for the unitholders of the Ellerston Fund.

Additionally, the overall operating costs of the Ellerston Fund as an unlisted investment vehicle are expected to be lower than the operating costs that currently apply to EGI as an ASX listed company, therefore translating to potentially a further cost savings.

4.4 Disadvantages of the Scheme

Based on our analysis, if approved, the Scheme is expected to result in the following disadvantages.

Investment in an unlisted vehicle

If the Scheme is approved, Scheme Shareholders will exchange their investment in a listed company, EGI with an investment in an unlisted investment vehicle, the Ellerston Fund. Being invested in a listed company, provides Scheme Shareholders the ability to freely trade their investment on the stock exchange.

Following the implementation of the Scheme, withdrawal of Ellerston Units will be available via a Withdrawal Facility on a daily basis. This is further summarised in Section 10 of this report and detailed in Section 6.7 of the Explanatory Booklet.

Reduction in control

As previously noted, post the implementation of the Scheme, the Ellerston Fund will initially have an increased level of net assets, as a result of combining the investment portfolios of EGI, the Ellerston Fund and any additional funds raised under the Ellerston Unit Offer. Although combined NAV is forecast to increase immediately following the implementation of the Scheme, Scheme Shareholders via their Ellerston Units are likely to own a smaller percentage of the Ellerston Fund, compared to their percentage ownership in EGI prior to the implementation of the Scheme. As such, there will be a

⁵ As the Ellerston Fund is an open ended investment fund, the size of the fund is dependent on cash inflows (applications) and outflows (redemptions) and therefore its size is uncertain in the long run. This is discussed further in Section 10 of this report.

reduction in control of the underlying entity pre and post the Scheme for Scheme Shareholders.

Loss of franking credits

As managed investment schemes do not pay corporate tax, the Ellerston Fund will not accumulate imputation tax credits and consequently, distributions to unitholders will not have tax credits attached (unless they are received as part of a franked dividend from one of the underlying investments ⁶).

However, as previously noted, the existing EGI imputation tax credits balance of \$1.4 million will be available to Scheme Shareholders following the implementation of the Scheme. Nevertheless, it is important to note that any withdrawal made on or before 45 days from the implementation date of the Scheme, will likely not entitle Scheme Shareholders to any franking credit tax offset in accordance with the applicable taxation laws. ⁷ Further details are provided in Section 10 of the Explanatory Booklet.

Tax consequences

If the Scheme is approved and implemented, the exchange of EGI Shares for Ellerston Units will constitute a disposal of EGI Shares and an acquisition of Ellerston Units for Australian taxation purposes. Taxation implications for Australian resident Scheme Shareholders in relation to the disposal of EGI Shares and the acquisition of Ellerston Units under the Scheme, the acquisition additional Ellerston Units under the Ellerston Unit Offer and any subsequent withdrawal or retention of Ellerston Units following the implementation of the Scheme, are detailed in Section 10 of the Explanatory Booklet.

Ultimately the tax implications for the Scheme Shareholders if the Scheme proceeds is dependent on the specific taxation circumstance of each Scheme Shareholders.

One-off costs related to the Scheme

The Scheme will involve EGI incurring various costs relating to legal, tax and accounting advice. These costs are expected to amount to \$0.85 million, of which all have been accrued as at 31 March 2020.

4.5 Other considerations

In forming our opinion, we have directly considered a number of other factors, as detailed below, which we do not consider impacts our assessment of the reasonableness of the Scheme, but we consider to be relevant for Scheme Shareholders who remain invested following the implementation of the Scheme.

⁶ We note no investment in either EGI or the Ellerston Fund currently pays franked dividends.

⁷ The withdrawal price will be calculated in accordance with the constitution of the Ellerston Fund and will be based on the underlying NAV (less an amount on account of the notional costs of realising the underlying portfolio in order to meet the redemption request). The withdrawal price may comprise both an income and a capital component.

Payment of Early Termination Fee

If the Scheme is approved, the EGI Management Agreement will be terminated and Ellerston Capital, the Manager, will be paid an Early Termination Fee of 1.5 percent (plus GST) of NTA. This amount is less than the 2.04 percent of NTA that the Manager is contractually entitled to receive. Details of the Early Termination Fee are outlined in Section 10 of this report and Section 2.5 of the Explanatory Booklet.

In order to mitigate the impact of the Early Termination Fee on Scheme Shareholders, Ellerston Capital has agreed to waive management fees for a period of two years following the implementation of the Scheme. However, the offsetting benefit of the management fee waiver will be less than the maximum 1.5 percent of NAV, if Scheme Shareholders elect to exit their investment in the Ellerston Fund within the two year period following implementation of the Scheme.

The impact of both the Early Termination Fee and the management fee waiver are reflected in our assessment of the value of the Scheme Consideration.

Similar investment mandate

Currently, Scheme Shareholders are invested in EGI whose investment strategy is to construct a concentrated portfolio of global equity securities with a mid to small (sub US\$10 billion) market capitalisation basis. EGI's investment portfolio is actively managed, typically 100 percent hedged with reference to foreign exchange exposure, with zero leverage at the portfolio level.

Post the implementation of the Scheme, Scheme Shareholders who have provided their KYC information will hold Class B units in the Ellerston Fund, whose investment strategy will largely resemble that of EGI. However, there is a notable difference in the investment approach around the degree to which investors will be exposed to foreign exchange movements. The Ellerston Fund may elect to hedge or leave unhedged foreign currency exposures, as such exposing investors to foreign exchange fluctuations.

We outline a comparison of the investment mandate in Section 10 of this report. For a full description of the investment strategy of the Ellerston Fund, refer to the Product Disclosure Statement contained in Appendix 6 to the Explanatory Booklet.

Dividend and/or distribution policy

Currently, EGI seeks to pay semi-annual dividends to Scheme Shareholders. However, as the objective of the Company is long term capital growth, there may be periods where dividends may be low or are not paid at all. As outlined in Section 8.6 of this report, EGI consistently paid dividends during FY17, FY18, FY19 and 1H20. As at 31 December 2019, before taking into consideration the 1H20 interim dividend of 1.5 cents, EGI has a Dividend Profit Reserve of \$5.2 million for the satisfaction of future dividend payments.

In contrast, as unitholders in the Ellerston Fund, Scheme Shareholders will receive distributions from the Ellerston Fund for all Ellerston Units issued to them under the Scheme. Under the Ellerston Fund's Reinvestment Plan, future distributions made by the Responsible Entity will be automatically reinvested in the Ellerston Fund by way of issue of additional Units. Scheme Shareholders will have the option to receive their distributions in cash for all or some of their Units, but must notify the Responsible Entity in writing if they wish to exercise that option. Reinvestments are not subject to the buy/sell spread that applies to standard investments in Ellerston Fund Units.

Changed governance structure

Under the current structure, EGI has certain obligations to its investors including the preparation of financial reports on a semi-annual basis and the disclosure of price sensitive information. As a listed company, the board of directors forms an added layer of governance, providing oversight of management on behalf of all stakeholders, including the shareholders.

Post the implementation of the Scheme, as an unlisted registered managed investment scheme under the Corporations Act 2001 (Cth.) Ellerston Capital as the Responsible Entity of the Ellerston Fund has certain obligations to the unitholders of the Fund. These obligations / requirements provide a large degree of investor protection in contrast to the listed company structure, including in relation to the appointment of the Manager. In accordance with Section 601FA of the Corporations Act, the Ellerston Fund is required to have a Responsible Entity. The Responsible Entity is ultimately responsible for the operations of the Ellerston Fund and is required to adopt sufficient compliance measures, perform disclosure obligations and maintain sufficient base level financial requirements and liquidity. Additionally, the Responsible Entity is responsible for compliance with the Ellerston Fund's Constitution, the ongoing satisfaction of legislative and regulatory requirements, as well as to uphold its duty to act honestly and in the best interest of unitholders.

Changes to key investment managers

Currently, Ellerston Capital is the manager of EGI and the Responsible Entity of the Ellerston Fund. Following the implementation of the Scheme, Ellerston Capital will remain the Responsible Entity of the Ellerston Fund, but will cease to be the manager of EGI. The individual portfolio managers involved pre and post the Scheme are outlined in Section 8 and 9 of this report.

No transaction costs

If the Scheme proceeds, Scheme Shareholders will not be required to pay any brokerage charges on the disposal of EGI Shares, nor will they be required to pay any brokerage, stamp duty or other costs for the issue of Ellerston Units to them.

The Scheme may proceed even if you vote against it

We note that if you decide to vote against the Scheme and/or the Early Termination Fee, the Scheme will nevertheless proceed if both resolutions are approved by the

requisite majorities of Scheme Shareholders, approved by the Court and if the other Scheme Conditions are satisfied or waived.

COVID-19 pandemic

The timing of the Scheme corresponds with a period of unprecedented social and community disruption, as governments around the world seek to counter the global COVID-19 pandemic. The continued global spread of COVID-19 has led to concerns regarding the sustainability of global economic activity and sparked major sell offs in global equity markets resulting in significant market volatility over a compressed timeframe and the accelerated progression to a bear market.

Our valuation of EGI and the Scheme Consideration is based on a net assets methodology, specifically referencing NTA and/or NAV. In accordance with this methodology, the valuation reflects the value of the underlying investment portfolio of EGI, pre and post the Proposed Scheme. As EGI's investment portfolio is marked-to-market based on the latest traded share price of its underlying pool of investments, our valuation reflects the impact of the current equity market downturn. Whilst the prevailing market conditions depresses our valuation of EGI and the Scheme Consideration, the impact on value is consistent across both calculations given the Scheme Consideration effectively comprises the same assets transferred from the EGI portfolio. Consequently, the current market conditions do not impact on our overall conclusion in relation to the fairness of the Proposed Transaction.

4.6 Alternatives considered

In considering options to close the discount of EGI's share price to the NTA, Ellerston Capital had regard to a number of alternative propositions, including transitioning EGI to an Exchange Traded Managed Fund (ETMF) structure, winding up EGI, as well as merging EGI with another LIC. The alternative propositions were considered less appropriate for the following reasons:

- The current ETMF landscape is uncertain as the result of a number of outstanding ASIC approvals relating to various parts of the sector. Although ETMF functions as a listed structure, with the ability to close the share price discount to NTA, ETMF requires an internal or external market maker for it to function adequately with this feature. The added level of operational and regulatory complexity is likely to translate to added costs for the underlying investor base
- Winding up EGI would result in Scheme Shareholders losing access to the underlying investment strategy, which has historically outperformed its benchmark. Additionally, in the event of a wind up, EGI may be forced to sell assets in its investment portfolio at a point where some or all of those investments have not realised long term value. Whilst this may have been a desired approach by some Scheme Shareholders, there is no indication that it was a preferred approach by a sufficient number of Scheme Shareholders

- Merging with another LIC would create scale which may provide greater liquidity and narrow the discount to NTA. However, any potential merger with a suitable LIC that would create sufficient scale, requires time to negotiate and execute. This alternative did not eventuate in the period leading up to the Scheme.

Further, as at the date of this report, no superior proposal has been received by EGI and the IBC are not aware of any approach that may result in a superior proposal emerging.

4.7 Consequences if the Scheme does not proceed

Should the Scheme not be approved and the Proposed Transaction not be implemented, EGI will remain a LIC with its shares trading on the ASX. Scheme Shareholders will continue to hold their interests in EGI and the underlying investment portfolio of EGI. Irrespective of whether the Scheme is approved or not, a portion of the costs relating to the Scheme will have been incurred. The costs related to the Scheme are detailed in Section 4.4 of this report.

To the extent the announcement of the Scheme narrowed the discount of the trading price in EGI Shares to the NTA, the EGI share price may fall to the discounted levels experienced prior the announcement of the Scheme.

5 Other matters

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report and corresponds to a period of significant volatility in global financial markets and widespread macro-economic uncertainty as a result of government actions undertaken to counter the spread of the COVID-19 disease. Where necessary and to the extent possible, we have reflected these conditions in our assessment, however the factors driving these conditions can change over relatively short periods of time. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in section 7.3 of this report.

In forming our opinion, we have considered the interests of Scheme Shareholders as a whole. Our opinion therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications of the Proposed Transaction on individual shareholders as their financial circumstances are not known. The decision of individual shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

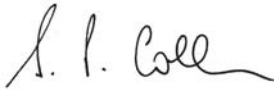
Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Scheme Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars (\$) unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Booklet to be sent to Scheme Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Sean Collins
Authorised Representative



Ian Jedlin
Authorised Representative

Contents

Part One – Independent Expert’s Report	1
1 Introduction.....	1
2 Summary of Proposed Transaction.....	3
3 Scope of Report.....	4
4 Summary of opinion.....	5
4.1 The Scheme is fair to Scheme Shareholders.....	6
4.2 The Scheme is reasonable	10
4.3 Advantages of the Scheme.....	10
4.4 Disadvantages of the Scheme	12
4.5 Other considerations.....	13
4.6 Alternatives considered	16
4.7 Consequences if the Scheme does not proceed.....	17
5 Other matters.....	17
6 The Scheme	21
6.1 Background	21
6.2 Overview of the Scheme.....	21
6.3 Key conditions of the Scheme	24
7 Scope of the report	24
7.1 Purpose	24
7.2 Basis of assessment.....	25
7.3 Limitations and reliance on information.....	26
8 Ellerston Global Investments Limited Overview	28
8.1 Investment objectives	28
8.2 Investment strategy	28
8.3 Investment portfolio	30
8.4 Performance.....	31
8.5 Fee Structure.....	31
8.6 Historical statement of Comprehensive Income	32
8.7 Historical financial position.....	33
8.8 Capital structure	34
8.9 Ownership	35
8.10 Share price and volume trading history.....	36



8.11	Trading liquidity	37
9	Ellerston Global Mid Small Cap Fund Overview	38
9.1	Investment objectives	38
9.2	Investment strategy	38
9.3	Investment portfolio	39
9.4	Performance	40
9.5	Fee structure	40
9.6	Historical distributions	41
9.7	Liquidity and redemption fee	41
10	Implications of the Scheme	42
11	Evaluation of the Scheme	48
11.1	Valuation methodology	48
11.2	Selection of valuation methodology for EGI	48
11.3	Selection of valuation methodology for the Scheme Consideration	49
12	Value of EGI	51
12.1	Valuation of an EGI Share	51
12.2	Valuation cross checks	53
12.3	Control premium considerations	54
13	Valuation of the Scheme Consideration	56
	Appendix 1 – KPMG Corporate Finance Disclosures	60
	Appendix 2 – Sources of information	62
	Appendix 3 – Overview of valuation methodologies	63
	Appendix 4 – Comparable companies’ trading multiples	66
	Appendix 5 – Comparable Transactions	69
	Appendix 6 – Glossary	71
	Part Two – Financial Services Guide	72

6 The Scheme

6.1 Background

EGI was launched by Ellerston Capital in 2014 and listed on the ASX. Historically, EGI's investment portfolio has performed strongly, returning 4.77 percent (before all taxes) per annum over the period from inception to 31 March 2020, in comparison to its benchmark, MSCI World Index (Local) which returned 4.49 percent per annum.

However, irrespective of the strong historic performance of the underlying investment portfolio, EGI shares have consistently traded below the NTA. For the majority of the period between 1 January 2017 and 6 November 2019 (the day prior to the announcement of the intended change to EGI's structure), EGI shares traded below NTA, with the largest observed discount being 19.7 percent. On average, EGI shares traded 10.2 percent below the NTA over the period.

Despite having one of the lowest management fee structures compared to its global equity peer group, it has become apparent that structural issues inherent in EGI's LIC structure, in part as a result of its insufficient scale, has resulted in a disconnect between EGI's investment portfolio performance and the performance of EGI shares.

After considering a range of solutions to narrow the trading discount, the board of EGI (EGI Board) believes the Proposed Transaction is the most appropriate solution to provide EGI Shareholders seeking liquidity with a clear pathway to exit their investment at a price more closely aligned to the underlying asset value, while providing the other EGI Shareholders the option to remain invested in the underlying portfolio.

Specifically, the EGI Board believe that by pursuing the Proposed Transaction, it avoids:

- EGI becoming a forced seller of investments that may not have realised their long-term value
- Unintended costs and potential taxation implications for EGI
- Imposing the will of those EGI Shareholders who wish to exit early on those investors that have invested in the strategy for the medium to long term.

6.2 Overview of the Scheme

The Scheme will be implemented through the following steps:

- All EGI Shares will be acquired by Ellerston Capital (other than those, if any, already held by it) in its capacity as Responsible Entity of the Ellerston Fund
- EGI will become wholly-owned by the Ellerston Fund and will be delisted from the ASX
- Scheme Shareholders who participate in the Scheme and who have provided their KYC information will receive an Ellerston Unit for each EGI Share held on the

Scheme Record Date⁸ – no payment is required to be made for the issue of the Ellerston Units

- Scheme Shareholders who elect to participate in the Ellerston Unit Offer, will receive additional Ellerston Units in accordance with the Scheme
- The portfolio of EGI's investments will be progressively transferred to the Ellerston Fund after the Scheme is implemented
- The current investment management agreement between EGI and Ellerston Capital will be terminated effective on and from the Implementation Date. Ellerston Capital, in its capacity as the Investment Manager of EGI, will receive from EGI the Early Termination Fee. Calculation of the Early Termination Fee is outlined in Section 13 of this report
- Scheme Shareholders who participate in the Scheme and receive Ellerston Fund Units may request the withdrawal of all or some of their Units in accordance with the Withdrawal Facility shortly after the Implementation Date and thereafter, withdrawal of Ellerston Units will be in accordance with the constitution of the Ellerston Fund. Details around the Withdrawal Facility outlined in Section 10 of this report

Following the completion of the Scheme:

- Scheme Shareholders will hold a new class of units in the Ellerston Fund, being Class B Units
- The Ellerston Fund will hold the underlying investments directly and will be the sole shareholder of EGI
- The Ellerston Fund will continue to pursue an investment strategy similar to EGI by focusing on a concentrated global portfolio of small to mid cap equities securities
- EGI will retain sufficient cash to fund its outstanding liabilities
- Scheme Shareholders who continue to hold their Ellerston Units will be subject to a similar management fee structure, but lower performance fee structure, compared to that currently in place with EGI. Furthermore, Ellerston Capital in its capacity as Responsible Entity of the Ellerston Fund has agreed that, for two years from the Implementation Date, no management fees will be charged on Ellerston Units

⁸ The mechanism by which Scheme Shareholders will receive the Scheme Consideration will depend on the timing of the provision of their KYC Information to the Responsible Entity. Details around the Scheme Consideration mechanics and how they intersect with the timing of the provision of KYC Information are contained in Sections 1.13, 1.14, 6.8 and 12.5 of the Explanatory Booklet. As outlined in Section 6.3 of this report, it is a condition of the Scheme proceeding that the Responsible Entity receive KYC Information from EGI Shareholders holding between them at least 75 percent of the total number of EGI Shares on issue by the Second Court Date.

issued to Scheme Shareholders under the Scheme and on additional Ellerston Units issued to those Shareholders who participate in the Ellerston Unit Offer

- Scheme Shareholders will be able to withdraw all or some of their Ellerston Units via the Withdrawal Facility, on a daily basis following the Implementation of the Scheme
- EGI will delist from the ASX.

EGI Shareholders whose address is a place outside of Australia (and its external territories), Singapore or the United States (Foreign Shareholders), will have the Ellerston Units they are entitled to under the Scheme (Ineligible Units) issued to a nominee appointed by the Responsible Entity. The nominee will cause the redemption of the Ineligible Units and remit the realised amount to those of the Foreign Shareholders who have provided their KYC information.

The IBC ⁹ unanimously recommends that EGI Shareholders vote in favour of the Scheme, in the absence of a superior proposal. In forming the recommendation, the IBC has had regard to the expected advantages, disadvantages and risks associated with the Scheme. In particular, the IBC believes:

- The Scheme provides a solution to the discount to the NTA. If the Scheme is approved and implemented, Scheme Shareholders will exchange their EGI Shares for Units in the Ellerston Fund (subject to the Scheme Shareholders having provided their KYC information), an unlisted investment vehicle with a unit price that will reflect the underlying NAV of the Fund's investment portfolio. As unitholders in the Ellerston Fund, Scheme Shareholders will have the ability to redeem their investment at the Fund's NAV (less the buy/sell spread), as opposed to selling their EGI Shares, which may or may not trade at a discount / premium to the underlying NTA of the investment portfolio
- The Scheme provides Scheme Shareholders who wish to remain invested in the same underlying global equity strategy the opportunity to do so, as the Ellerston Fund will continue to pursue an investment strategy that is similar to EGI by focusing on a concentrated global portfolio of small to mid cap equities securities, generally on an unhedged basis, but being aware of currency and cash exposures and managing them in line with its macroeconomic and market outlook. Additionally, as unitholders in the Ellerston Fund, Scheme Shareholders will not be subject to the costs associated with an ASX listed investment company.

⁹ Mr. Ashok Jacob is a director and major shareholder of Ellerston Capital. In light of the dual positions held by Mr. Jacob, the EGI Board formed an Independent Board Committee comprising all directors of EGI other than Mr. Jacob to negotiate the terms of the Scheme on behalf of EGI, including the amount of the Early Termination Fee and terms of the Ellerston Unit Offer. The IBC is comprised of Mr. Sam Brougham, Mr. Paul Dortkamp and Mr. William Best.

Each member of the IBC intends to vote all EGI Shares they hold or control in favour of the Scheme, in the absence of a superior proposal. As at the date of this report, the IBC collectively hold or control approximately 2.0 percent of EGI Shares on issue.

6.3 Key conditions of the Scheme

The Scheme is conditional on a number of conditions precedent, which are outlined in Section 11.3 of the Explanatory Booklet. These condition precedents are summarised below:

- Any consents required being obtained from ASIC and ASX
- Any consents required being obtained from any other regulatory authority
- Approval of the EGI Shareholders by the requisite majorities of two separate resolutions relating to the Scheme and the Early Termination Fee. The two resolutions are inter-conditional and non-waivable
- EGI must have received KYC information from EGI Shareholders holding between them at least 75 percent of the total number of EGI Shares on issue by the Second Court Date
- Approval by the Court in accordance with Section 411 (4)(b) of the Act
- The Independent Expert's Report concluding that the Scheme is in the best interests of EGI Shareholders.

Further details on the conditions precedent are contained in Section 11.3 of the Explanatory Booklet.

The SID also contains certain exclusivity arrangements in favour of the Responsible Entity. These exclusivity arrangements are set out in full in clause 10 of the SID. On 18 May 2020, the Responsible Entity executed a Deed Poll in favour of EGI under which the Responsible Entity waived all of its rights under clause 10 of the SID. Accordingly, EGI is no longer required to comply with these exclusivity provisions.

7 Scope of the report

7.1 Purpose

Section 411(3) of the Act stipulates that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with ASIC must include a report prepared by an expert:

- If the other party to a reconstruction in a scheme of arrangement holds at least 30 percent of the Company; or
- Where the parties to the reconstruction have common Directors.

Even where an IER is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member.

As Mr. Ashok Jacob is a Director of Ellerston Capital, the Manager of EGI and Responsible Entity of the Ellerston Fund, and a Director of EGI, the provision of an IER is required.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

7.2 Basis of assessment

Regulatory Guide (RG) 111 "Content of expert reports", issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

In forming our opinion as to whether the Scheme is in the best interests of the Scheme Shareholders, we have considered the following:

- the rationale of the Proposed Transaction
- a comparison of the assessed value of EGI Shares with the Scheme Consideration offered under the Scheme, being Class B Units in the Ellerston Fund
- the terms of the Scheme
- the level of any synergies / special value available
- the likelihood of an alternative offer

- recent trading prices of EGI shares on the ASX
- the consequences of not accepting the Scheme
- the implications of the Scheme including financial, tax and liquidity issues
- other implications of the Scheme
- other alternatives considered and the implications of each alternative for shareholders
- any other benefits or disadvantages of the alternatives that we believe to be relevant.

In forming our opinion, we consider the interests of the Scheme Shareholders as a whole. As an individual shareholder's decision to vote for or against the Scheme may be influenced by his or her particular circumstances, we recommend they each consult their own financial advisor.

7.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of EGI for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with EGI's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

EGI has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.



The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

8 Ellerston Global Investments Limited Overview

EGL is a LIC whose shares are traded on the ASX. As at 31 March 2020, EGL's investment portfolio, including cash, totalled approximately \$102.3 million and the Company had a market capitalisation of \$93.7 million.

EGL was launched in 2014 by Ellerston Capital for investors that sought access to global investment opportunities with compelling risk/reward profiles that were complementary to a typical Australian domestic equity portfolio. As such, EGL sought to provide investors with access to an actively managed portfolio of between 10 to 25 well-known global companies that were typically unavailable in other Australian-based global listed equity funds or listed investment vehicles.

The Company has appointed Ellerston Capital as its Manager. Ellerston Capital has been managing money since 2002 and is a specialist investment manager providing a range of innovative Australian and international investment strategies. As a firm majority owned by its principals and employees, Ellerston Capital aims to do one thing exceptionally well: grow and protect its clients' wealth through investing. Ellerston Capitals' funds target a diverse range of strategies including, but not limited to, long only Australian, global and Asian equities, Australian market neutral, global long-short equity and private equity.

The current board of directors and senior management of EGL comprise:

- Mr. Ashok Jacob - Non-Independent Chairman
- Mr. Sam Brougham – Independent Non-Executive Director
- Mr. Paul Dortkamp – Independent Non-Executive Director
- Mr. Bill Best – Independent Non-Executive Director
- Mr. Ian Kelly – Company Secretary.

The portfolio managers of EGL comprise:

- Mr. Bill Pridham – Co-Portfolio Manager
- Mr. Arik Star – Co-Portfolio Manager.

8.1 Investment objectives

EGL's primary objective is to generate superior returns for shareholders over time, with a focus on risk management and capital preservation. EGL's target is to outperform the MSCI World Index (Local) by 2.0 percent over a rolling 5 year period net of fees.

8.2 Investment strategy

EGL's investment strategy is to construct a concentrated portfolio of global equities securities using the Manager's distinctively contrarian high conviction, benchmark independent investment approach, with a focus on mid to small (sub US\$10 billion) market capitalisation companies. Investments are selected based on fundamental,

bottom-up investment research and analysis, combined with a top down assessment of macroeconomic conditions and market outlook. EGI predominately invests outside of Australia, focusing on the United States and Europe with opportunistic allocations to Asia and emerging markets from time-to-time. Overall, the investment portfolio is not leveraged on a net basis.

The Manager targets the following portfolio guidelines:

- International listed securities (including emerging markets) of between 50 percent to 100 percent
- Australian listed securities of between zero to 20 percent
- International unlisted securities (including emerging markets) of between zero to 10 percent
- Australian unlisted securities of between zero and 5 percent
- Cash and equivalent exposures of between zero and 50 percent
- Between 20 to 40 securities
- Predominately hedged up to 100 percent in relation to foreign exchange.

EGI may invest in a wide range of securities, including equities, debt, interest products, foreign currencies, cash and derivatives. Derivatives may be used as part of its overall investment strategy, including but not limited to the hedging of the investment portfolio, to increase or decrease individual security, portfolio or country exposures with the aim of generating or protecting returns. EGI may use exchange traded or OTC derivatives as part of its investment strategy.

8.3 Investment portfolio

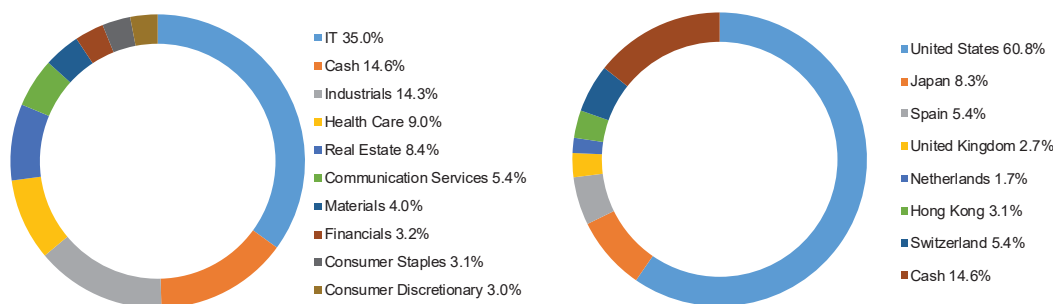
EGI's investment portfolio is diversified across a number of sectors and countries. The top ten holdings within the investment portfolio as at 31 March 2020 and the portfolio's allocation by sector and country are shown below.

Table 3: Top Investments

Ellerston Global Investments - Top 10 investments			
Company name	Location	Investment amount (\$'000)	% of portfolio
Ciena Corporation	United States	6,234	6.1%
Keysight Technologies	United States	5,809	5.7%
Cellnex Telecom	Spain	5,564	5.4%
Anritsu Corporation	Japan	5,118	5.0%
Digital Realty Trust	United States	4,713	4.6%
Amedisys	United States	4,645	4.5%
Graphic Packaging	United States	4,080	4.0%
QTS Realty Trust	United States	3,932	3.8%
WillScot Corporation	United States	3,682	3.6%
LiveRamp Holdings	United States	3,656	3.6%
Total (Top 10 investments)		47,433	46.3%
Total equity investments		102,356	

Source: EGI

Figure 2: Portfolio allocation by sector and country



Source: EGI

8.4 Performance

For the period between inception and 31 March 2020, EGI's investment portfolio achieved an annualised return of 4.77 percent (before all taxes) per annum, in comparison to its benchmark, MSCI World Index (Local) which returned 4.49 percent per annum. Detailed comparison of EGI's investment portfolio performance is outlined below.

Table 4: Performance summary

Performance Summary						
Performance	1 month	3 months	6 months	1 year	Financial year to date	Since Inception (p.a.)
Net ¹	(17.51%)	(24.69%)	(16.05%)	(6.92%)	(12.09%)	4.77%
Benchmark ²	(12.84%)	(20.10%)	(14.12%)	(9.65%)	(12.80%)	4.49%
Alpha	(4.67%)	(4.59%)	(1.93%)	2.73%	0.71%	0.29%

Source: EGI

Note 1: Net return figure is calculated before all tax provisions, after fees & expenses, includes the effects of the share buyback, and excludes the effects of option exercise dilution

Note 2: MSCI World Index (Local)

When launched, the Manager's articulated strategy was that the portfolio would be primarily hedged against currency gains or losses. This meant that the return of EGI reflected the underlying performance of the invested companies, not the performance of the Australian Dollar relative to other currencies. As such, the Manager adopted a global benchmark which also does not include any currency gains or losses, being the MSCI World Index (Local).

8.5 Fee Structure

The Management Agreement between EGI and the Manager commenced on 20 October 2014 and lasts for a period of 10 years. Under the Management Agreement, the Manager is entitled to the management and performance fees set out below.

Table 5: Management and performance fees

Management fees		
Type of fee	Fee	Terms of fee
Management fee	0.75%	Management fee of 0.75% per annum (plus GST) of pre-tax net asset value of the investment portfolio, calculated and accrued monthly and paid monthly in arrears
Performance fee	15%	Performance fee of 15% (plus GST) of the amount by which the Investment Portfolio's pre-tax return exceeds the return of the MSCI World Index (Local), calculated and accrued monthly and paid annually in arrears. In the case the Investment Portfolio's pre-tax return is less than the return of the MSCI World Index (Local) for the financial year, no performance fee will be payable in respect of that financial year and the negative performance fee amount will be carried forward to the following financial year or financial years until it has been recouped.

Source: EGI

8.6 Historical statement of Comprehensive Income

EGL's historical financial performance for financial years ended 30 June 2017 (FY17), FY18 and FY19, and first half of FY20 (1H20) is summarised below.

Table 6: Statement of Comprehensive Income

Statement of comprehensive income				
\$'000	FY17	FY18	FY19	1H20
Income				
Interest income from financial assets measured at amortised cost	121.8	74.4	196.7	48.0
Dividend income	1,209.9	892.9	1,150.5	385.6
Net foreign exchange gains/(losses)	(114.6)	(9.4)	27.6	(2.1)
Net changes in FV of financial assets and liabilities at FV	11,261.1	13,846.7	308.4	19,786.7
Other income	31.9	-	-	-
Total income	12,510.1	14,804.6	1,683.2	20,218.2
Expenses				
Director's fees	90.8	90.8	90.8	45.4
Management and performance fees	657.0	781.1	929.3	492.7
Custody and administration fees	58.9	58.9	60.7	62.8
Audit and tax fees	56.8	54.5	56.0	33.8
Registry fees	76.4	76.4	76.4	38.2
Transaction costs	443.6	579.8	444.9	297.6
Withholding taxes	140.2	33.6	163.9	75.4
ASX fees	99.0	99.0	99.0	9.5
Other expenses	17.3	46.0	92.7	20.3
Total operating expenses	1,640.0	1,820.2	2,013.6	1,075.6
EBIT	10,870.1	12,984.5	(330.4)	19,142.6
Income tax expense	(3,163.2)	(3,471.3)	43.5	(5,133.4)
Net profit after tax	7,706.9	9,513.2	(286.9)	14,009.2
Basic (losses)/earnings per share (cents)	10.17	11.10	(0.26)	13.13
Diluted (losses)/earnings per share (cents)	10.17	11.10	(0.26)	13.13
Dividends (cents)	2.0	4.0	3.0	1.5

Source: Audited financial statements for FY17, FY18 and FY19 and interim report for 1H20.

Portfolio performance was strong during 1H20, which resulted in revenue generated from ordinary activities of \$20.2 million. On 12 February 2020, EGL declared an interim dividend of 1.5 cents per fully paid ordinary share, fully franked at the 27.5 percent small company corporate tax rate. The associated dividend was paid during March 2020.

In contrast, FY19 was a challenging year at a macroeconomic level with global issues including the China-United States trade dispute, Brexit and global monetary policy responses impacting equity market performance. Revenue from ordinary activities decreased from \$14.8 million to \$1.7 million between FY18 and FY19, which translated to a net loss after income tax expense of \$0.3 million during FY19, compared with a net profit after income tax expense of \$9.5 million in FY18.

8.7 Historical financial position

EGI's historical financial position as at 30 June 2017, 30 June 2018, 30 June 2019 and 31 December 2019 is summarised below.

Table 7: Historical Financial Position

Statement of Financial Position				
As at				
\$'000	30-Jun-17	30-Jun-18	30-Jun-19	31-Dec-19
Current assets				
Cash and cash equivalents	3,043.0	30,855.4	14,254.0	12,674.4
Receivables	144.4	249.6	1,869.5	1,735.3
Due from brokers	9,045.4	344.3	2,527.3	529.4
Financial assets at FV through profit or loss	77,988.5	107,414.2	107,479.2	122,217.7
Total current assets	90,221.2	138,863.5	126,130.0	137,156.8
Total assets	90,221.2	138,863.5	126,130.0	137,156.8
Current liabilities				
Payables	311.8	421.5	290.5	218.5
Management and performance fees payable	55.4	85.3	81.7	171.4
Due to brokers	1,762.3	2,785.8	2,439.6	-
Current tax liability	716.2	982.5	-	704.6
Financial liabilities at FV through profit or loss	390.6	6,675.3	48.3	91.8
Total current liabilities	3,236.4	10,950.2	2,860.1	1,186.3
Non-current liabilities				
Deferred tax liability	882.9	2,196.3	2,152.8	5,773.0
Total non-current liabilities	882.9	2,196.3	2,152.8	5,773.0
Total liabilities	4,119.3	13,146.5	5,012.9	6,959.3
Net assets	86,101.9	125,717.0	121,117.1	130,197.6
Equity				
Issued capital	74,193.7	108,179.8	107,164.3	103,846.0
Retained earnings	8,495.7	13,089.4	7,113.3	21,122.5
Dividend profit reserve	3,412.5	4,447.8	6,839.5	5,229.1
Total equity	86,101.9	125,717.0	121,117.1	130,197.6
Net tangible assets per share				
Net Tangible Assets before all taxes	1.1559	1.1734	1.1335	1.2980
Net Tangible Assets after tax	1.1348	1.1445	1.1137	1.2364

Source: Audited financial statements for FY17, FY18 and FY19 and interim report for 1H20

EGI has a significant investment portfolio consisting primarily of listed equity securities. As at 31 December 2019, the values of these financial assets and financial liabilities amounted to approximately \$122.2 million and \$91.8 thousand, respectively. A breakdown of the top 10 investments as at 31 March 2020 is set out in Section 8.3.

EGI maintains a deliberate and measured approach in regards to the construction of the portfolio. This includes the amount of the portfolio held in cash. The cash levels have ranged between approximately 12 percent and 20 percent throughout FY19. As at 31 March 2020, cash represented 14.6 percent of the investment portfolio.

On 15 April 2015, 33.9 million EGI loyalty options vested, these options were issued to founding shareholders in the initial public offering (IPO). The options had a strike price of \$1.00 and an expiry date of 10 April 2018. During FY18, option holders exercised over 96 percent of the outstanding options, with the remaining shortfall taken up via an underwriting agreement. As a result, \$34.1 million of additional capital was raised, which provided for further scale to EGI. This benefited shareholders by lowering the fixed costs on a per share basis.

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve rather than maintain these profits within retained earnings. Doing so facilitates the payment of future dividends. During FY19, the directors decided to transfer approximately \$5.7 million to the Dividend Profit Reserve, with the intention to pay at least a 3.0 cents per annum dividend going forward. As at 31 December 2019, before taking into consideration the 1H20 interim dividend of 1.5 cents, the balance of the Dividend Profit Reserve was approximately \$5.2 million (or approximately 4.97 cents per share).

8.8 Capital structure

As at 31 March 2020, there were 105,300,394 fully paid ordinary shares on issue, with no other outstanding securities.

8.9 Ownership

The top 20 shareholders collectively own approximately 38.3 percent of the equity in EGI. The top 20 shareholders as at 31 March 2020 are shown below.

Table 8: Top Shareholders

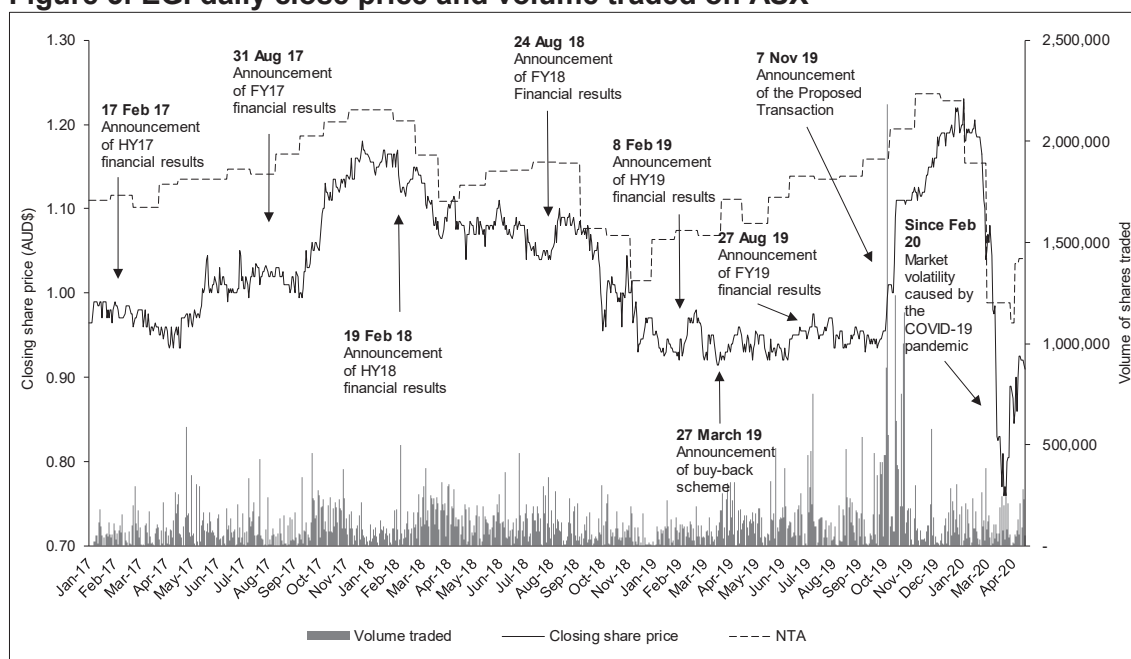
Top 20 shareholders			
Rank	Name	Holding	%IC
1	HSBC Custody Nominees (Australia) Limited	10,725,610	10.19%
2	CS Third Nominees Pty Limited	7,519,855	7.14%
3	Namarong Investments Pty Ltd	4,500,000	4.27%
4	Picko Pty Ltd	3,478,676	3.30%
5	HSBC Custody Nominees (Australia) Limited - A/C 2	2,623,537	2.49%
6	Crofton Park Developments Pty Ltd	1,633,440	1.55%
7	Jomaring Pty Ltd	1,202,392	1.14%
8	J P Morgan Nominees Australia Pty Limited	1,181,445	1.12%
9	BNP Paribas Nominees Pty Ltd	911,582	0.87%
10	Brazil Farming Pty Ltd	800,000	0.76%
11	Ocean Capital Pty Limited	775,000	0.74%
12	Marian & Eh Flack Nominees Pty Ltd	700,000	0.66%
13	Dr Mark Bofinger	640,386	0.61%
14	Primary Community Aged Care Pty Ltd	620,405	0.59%
15	National Nominees Limited	541,228	0.51%
16	Argus Nominees Pty Ltd	530,000	0.50%
17	LIC Investments Pty Ltd	525,000	0.50%
18	Charles & Cornelia Goode Foundation Pty Ltd	500,000	0.47%
19	Investment Management Co Pty Ltd	450,000	0.43%
20	Crofton Park Development Pty Ltd	440,546	0.42%
	Total	40,299,102	38.3%
	Balance of register	65,001,292	61.7%
	Grand total	105,300,394	

Source: OSCAR dated 31 March 2020

8.10 Share price and volume trading history

EGI was incorporated and registered on 28 July 2014 and commenced trading on the ASX on 20 October 2014. The chart below shows EGI's daily closing share price along with the daily volume of shares traded on the ASX as a percentage of total issued capital between 1 January 2017 and 20 April 2020. The Proposed Transaction was announced on 7 November 2019.

Figure 3: EGI daily close price and volume traded on ASX



Source: S&P Capital IQ, KPMG Corporate Finance Analysis, ASX announcements

As outlined in Section 8.4 of this report, EGI's investment portfolio has outperformed its benchmark on a financial year-to-date, 1 year and since inception basis. However, irrespective of the historic performance of the underlying investment portfolio, EGI shares have consistently traded below NTA. As shown on the chart above, for the majority of the period between 1 January 2017 and 6 November 2019 (the day prior to the announcement of the intended change in structure), EGI shares traded below NTA, with the largest observed discount being 19.7 percent. On average, EGI shares traded 10.2 percent below NTA over the period.

For the period between the announcement of the Scheme and 31 January 2020, EGI shares have traded between 4.2 percent and 11.9 percent below NTA. On average, EGI shares traded at 7.9 percent below NTA over this period. It appears the market views the Proposed Transaction positively, as indicated by the narrowing of the share price discount to the NTA, post announcement.

Since the beginning of February 2020, the Australian share market has experienced volatility and downward pressure as the result of the global COVID-19 pandemic. EGI

Shares have also declined since February 2020, albeit experiencing some recovery during April 2020.

8.11 Trading liquidity

An analysis of the volume of trading in EGI's shares on the ASX in the twelve-month period to 6 November 2019, being the last trading date prior to the announcement of the Proposed Transaction, is set out below.

Table 9: Trading liquidity pre-announcement of the Proposed Transaction

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	1.02	1.04	1.02	0.1	0.1	0.1
1 week	0.99	1.04	1.00	0.9	0.9	0.9
1 month	0.94	1.04	0.97	6.8	7.0	6.6
3 months	0.88	1.04	0.96	11.4	11.9	11.1
6 months	0.88	1.04	0.95	20.1	21.1	19.6
12 months	0.88	1.05	0.95	29.4	30.8	28.4

Source: S&P Capital IQ

In the period subsequent to the date of the announcement of the Proposed Transaction to 20 April 2020, an analysis of the volume of trading in EGI's shares on the ASX is set out below.

Table 10: Trading liquidity post-announcement of the Proposed Transaction

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
07 November 2019 to 20 April 2020	0.73	1.24	1.08	18.0	16.6	15.8

Source: S&P Capital IQ

On 27 March 2019, EGI announced an on-market buy-back of up to 10 percent of EGI shares, commencing on 16 April 2019 and continuing for a period of twelve months. As at 31 March 2020, a total of 4,805,097 shares had been bought back.

Share buybacks are an accretive capital management tool for shareholders who would like to remain invested in EGI shares, whilst also stimulating a level of liquidity for those shareholders who are looking to exit their investment. Notwithstanding the share buybacks conducted since 27 March 2019, the above analysis suggests the underlying liquidity in EGI shares is relatively low.

9 Ellerston Global Mid Small Cap Fund Overview

The Ellerston Fund is an unlisted registered managed investment scheme. The Ellerston Fund was established in March 2017 by Ellerston Capital to construct a concentrated portfolio of between 20 to 40 global listed equity securities. As at 31 March 2020, the Ellerston Fund's investment portfolio totalled approximately \$29.6 million.

Ellerston Capital is the Responsible Entity of the Ellerston Fund. As previously outlined in Section 8, Ellerston Capital has been managing money since 2002 and is a specialist investment manager providing a range of Australian and international investment strategies. As a firm majority owned by its principals and employees, Ellerston Capital focuses growing and protecting its clients' wealth through investing. Ellerston Capital's funds target a diverse range of strategies including, but not limited to, long only Australian, global and Asian equities, Australian market neutral, global long-short equity and private equity. The portfolio manager of the Ellerston Fund is Mr. Bill Pridham.

9.1 Investment objectives

The Ellerston Fund's primary objective is to generate superior returns for unitholders over time, with a focus on risk management and capital preservation. The Ellerston Fund's target is to outperform MSCI World Mid Cap NR (AUD) benchmark by 3.0 percent over a rolling 5 year period net of fees.

9.2 Investment strategy

The Ellerston Fund's investment strategy is to construct a concentrated portfolio of global mid small cap securities using Ellerston Capital's distinctively contrarian high conviction, benchmark independent investment approach.

Investments are selected based on fundamental, bottom-up investment research and analysis, combined with a top down assessment of macroeconomic conditions and market outlook. EGI predominately invests outside of Australia, focusing on the United States and Europe with opportunistic allocations to Asia and emerging markets from time to time. Overall, the investment portfolio will not be leveraged on a net basis.

Ellerston Capital targets the following portfolio guidelines:

- Between 20 to 40 securities
- Target maximum security exposure of 10 percent of NAV at the time of investment
- Minimum net long exposure limit of 50 percent for all asset types (excluding foreign exchange)
- Maximum net long exposure limit of 100 percent for all types (excluding foreign exchange)
- Generally unhedged with reference to foreign currency exposure

- Permitted to utilise exchange traded derivatives, OTC derivative and cash and cash-like investments.

9.3 Investment portfolio

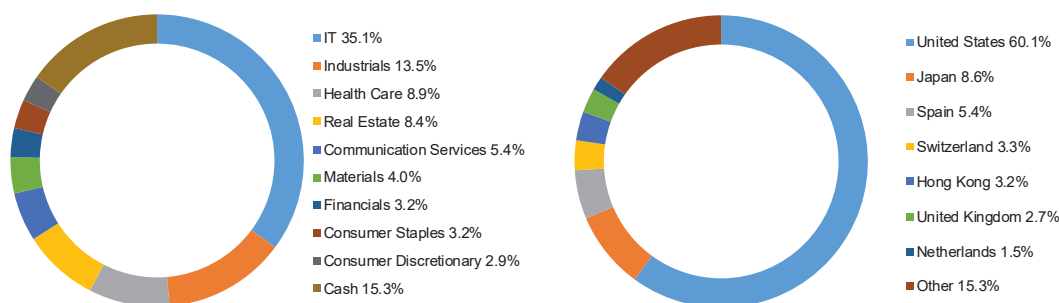
The top ten holdings within the investment portfolio as at 31 March 2020 and the portfolio's allocation by sector and country are shown below.

Table 11: Top 10 Investments

Ellerston Global Mid Small Cap Fund - Top 10 investments			
Company name	Location	Investment amount (\$m)	% of portfolio
Ciena Corporation	United States	1,874,885	6.3%
Keysight Technologies Inc	United States	1,713,386	5.8%
Cellnex Telecom	Spain	1,608,202	5.4%
Anritsu Corporation	Japan	1,497,353	5.1%
Amedisys Inc	United States	1,356,646	4.6%
Digital Realty Trust	United States	1,351,992	4.6%
Graphic Packaging	United States	1,186,752	4.0%
QTS Realty Trust	United States	1,142,002	3.9%
LiveRamp Holdings	United States	1,043,726	3.5%
Willscot Corporation	United States	1,029,154	3.5%
Total (Top 10 investments)		13,804,098	46.7%
Total equity investments		29,587,426	

Source: Ellerston Capital

Figure 4: Portfolio allocation by sector and country



Source: Ellerston Capital; Global Mid Small Cap Fund (Unhedged) – Performance Report March 2020

9.4 Performance

As at 31 March 2020, the investment portfolio returned 9.5 percent per annum since inception, net of all fees and expenses, in comparison to its benchmark, MSCI World Mid Cap Index (AUD) which returned 6.0 percent per annum over the same period. The table below outlines the return metrics for Ellerston Fund's investment portfolio over various investment horizons.

Table 12: Performance Summary

Performance Summary						
Performance	1 month	3 months	6 months	1 year	2 year	Since Inception (p.a.)
Net ¹	(11.8%)	(12.4%)	(5.5%)	9.0%	5.7%	9.5%
Benchmark ²	(13.5%)	(15.3%)	(12.3%)	(4.1%)	1.4%	6.0%
Alpha	1.7%	2.9%	6.7%	13.1%	4.2%	3.5%

Source: Ellerston Capital

Note 1: Net return figure calculated after fees & expenses

Note 2: MSCI World Mid Cap Index (AUD)

9.5 Fee structure

As the Responsible Entity of the Ellerston Fund, Ellerston Capital is entitled to the following management and performance fees.

Table 13: Management and performance fees

Management fees		
Type of fee	Fee	Terms of fee
Management fee	0.75%	Management fee of 0.75% per annum (inclusive of the net effect of GST and input tax credits) of the net asset value of the investment portfolio, calculated and accrued daily and paid monthly in arrears. The management fee may be negotiated with Ellerston Capital. Refer to Appendix 6 of the Explanatory Booklet for the Ellerston Fund PDS for further details.
Performance fee	10%	Performance fee of 10% (inclusive of the net effect of GST and input tax credits) of the amount by which the Investment Portfolio's return exceeds the return of the MSCI World Mid Cap NR Index (AUD), calculated and accrued daily and paid annually in arrears after 30 June. In the case the Investment Portfolio's return is less than the return of the MSCI World Mid Cap NR Index (AUD) for the financial year, no performance fee will be payable in respect of that financial year and the negative performance fee amount will be carried forward to the following financial year or financial years until it has been recouped.

Source: Ellerston Capital

9.6 Historical distributions

The Ellerston Fund pays distributions on a semi-annual basis (i.e. every June and December). The table below sets out the historical distributions for the period between FY17 and 1H20.

Table 14: Distributions

Distributions				
	FY17	FY18	FY19	1H20
Distributions / unit (cents)	1.2	9.3	5.8	0.8

Source: Ellerston Capital

9.7 Liquidity and redemption fee

In accordance with its constitution, the Ellerston Fund offers daily liquidity to unitholders via the unit registry.

Applications and redemptions are subject to a buy/sell spread of 0.25 percent of NAV.

10 Implications of the Scheme

After implementation of the Scheme, EGI Shareholders will hold Class B Units in the Ellerston Fund. Set out below is a summary of the implications of the Scheme to Class B Unitholders in the Ellerston Fund.

Different investment structure

Currently, EGI Shareholders are invested in a LIC and hold their investment via EGI Shares that are traded on the ASX. The return on investment is derived from a combination of the EGI share price and dividend distributions. The share price of a LIC may trade at a premium or discount to the NTA of the underlying investment portfolio. As previously noted in Section 6.1, historically, EGI shares have traded at a discount to the NTA. Dividend distributions may be franked or unfranked. Historically, EGI has generated sufficient tax credits to distribute fully franked dividends.

If the Scheme is approved, Scheme Shareholders who have provided their KYC information will exchange their EGI shares for Class B Units in the Ellerston Fund. The Ellerston Fund is an unlisted managed investment scheme and will have Class A and Class B Unitholders. The return associated with holding Class B Units in the Ellerston Fund is a function of the withdrawal price (which will be at the underlying NAV less the buy/sell spread) and distributions. As the Ellerston Fund is not subject to tax, distributions may not have any tax credits attached (i.e. unfranked). However, we understand EGI's imputation tax credit balance will be preserved following the Scheme and will be available to Class B Unitholders (further explained below).

The investment structure pre and post the Scheme is set out in Section 2 of this report.

Same investment manager

Currently, EGI's investment portfolio is managed by Ellerston Capital. Following the implementation of the Scheme, Ellerston Capital will remain the Responsible Entity of the Ellerston Fund, with a key portfolio manager retained post the restructure. The individual portfolio managers involved pre and post the Scheme are outlined in Section 8 and Section 9 of this report.

Currently, under the EGI structure, the terms by which Ellerston Capital is engaged by EGI is stipulated under the 10 year Management Agreement, which is expected to end in October 2024. Post the implementation of the Scheme, Ellerston Capital will continue as Responsible Entity of the Ellerston Fund. The removal and replacement of the Responsible Entity is governed by Division 2 of Part 5C.2 of the Corporations Act.

Similar investment mandate

As outlined in Section 8.2 of this report, EGI’s investment strategy is to construct a concentrated portfolio of global equity securities using the Manager’s distinctively contrarian high conviction, benchmark independent investment approach with a mid to small (sub US\$10 billion) market cap basis. EGI’s investment portfolio is actively managed, typically 100 percent hedged with reference to foreign exchange exposure, with zero leverage at the portfolio level.

The Ellerston Fund’s investment portfolio composition will largely resemble that of EGI. However, there is a notable difference in the investment approach around the degree to which investors will be exposed to foreign exchange movements. The Ellerston Fund may elect to hedge or leave unhedged foreign currency exposure. Therefore, Class B Unitholders may be exposed to movements in foreign exchange.

Full details of the investment objectives and strategies of EGI and the Ellerston Fund are contained in Sections 8.2 and 9.2 of this report. The full Product Disclosure Statement (PDS) of the Ellerston Fund is contained in Appendix 6 of the Explanatory Booklet.

Different benchmark index

Currently, EGI’s performance is benchmarked against the MSCI World Index (Local). Post the implementation of the Scheme, the Ellerston Fund’s performance will be benchmarked against MSCI World MID Cap NR Index (AUD). Ellerston Capital is of the view that the MSCI World MID Cap NR Index (AUD) better reflects the investment mandate of the Ellerston Fund, with reference to the pool of securities the investment portfolio is likely to hold and the absence of hedging against movements in foreign exchange.

The table below outlines the key differences between the two benchmark indices.

Table 15: Benchmark comparison

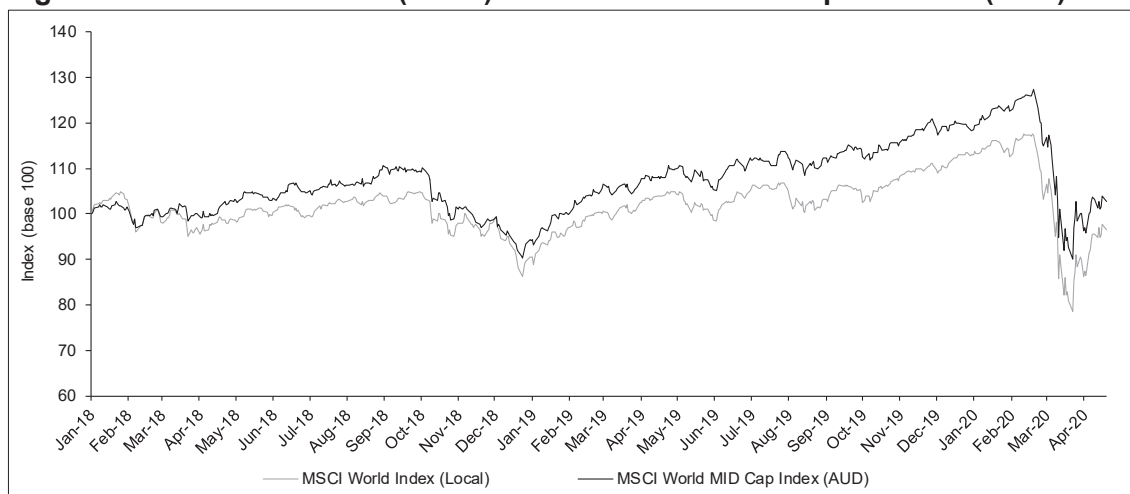
Benchmark comparison	Pre-Scheme	Post-Scheme
	MSCI World Index (Local)	MSCI World MID Cap NR Index (AUD)
Company size	Mid and large capitalisation	Mid capitalisation
Markets ¹	23 developed markets	23 developed markets
Constituents	1,643	910
Return calculation	Local currency (i.e. FX hedged)	AUD (i.e. no FX hedge)
Combined market capitalisation	US\$35.0 trillion	US\$5.5 trillion

Source: MSCI as at 31 March 2020

Note 1: Markets comprise of the USA, the UK, Japan, France, Canada, Switzerland, Germany, Australia and others.

The graph below sets out the relative performance of the two benchmark indices commencing 1 January 2018. For the period to 20 April 2020, the MSCI World MID Cap NR Index (AUD) has outperformed the MSCI World Index (Local), suggesting the benchmark index post the restructure would have been a higher performance hurdle to achieve in the calculation of the performance fee component of the management fee.

Figure 5: MSCI World Index (Local) vs. MSCI World MID Cap NR Index (AUD)



Source: Bloomberg and KPMG Corporate Finance Analysis

Lower fee structure

Under the current Management Agreement, EGI pays to Ellerston Capital 0.75 percent (plus GST) of NTA per annum in management fees and 15 percent per annum in performance fees should the pre-tax portfolio performance exceed its stipulated benchmark, being the MSCI World Index (Local).

Post implementation of the Scheme, Class B Unitholders will pay 0.75 percent (inclusive of the net effect of GST and input tax credits) of NAV per annum in management fees and 10 percent per annum in performance fees should the investment return exceed its stipulated benchmark, being the MSCI World MID Cap Index (AUD). However, there will be two differences in the calculation of those fees:

- Due to early termination of the management agreement with Ellerston Capital arising from the implementation of the Scheme, the Manager will seek an Early Termination Fee of 1.5 percent (plus GST) of the post-tax NTA (calculated at 50 percent of the present value of the estimated unpaid management fees for the remaining four years of the management agreement). The amount of the Early Termination Fee was negotiated at arm's length between the IBC and the Manager, Ellerston Capital and is lower than what is contractually entitled under the Management Agreement. Following the implementation of the Scheme, Ellerston Capital has agreed that, for two years from the Implementation Date, no management fees will be charged on Fund Units issued to Scheme Shareholders

under the Scheme and on additional Fund Units issued to those Scheme Shareholders who participate in the Ellerston Unit Offer.

- Management and performance fees will be calculated based on the investment portfolio of the Ellerston Fund (being the combined investment portfolios of EGI and the Ellerston Fund) against the benchmark index, being the MSCI World MID Cap Index (AUD).

The current unitholders of the Ellerston Fund have been or are proposed to be designated Class A Unitholders. Class A Unitholders will be subject to a similar fee structure to that of Class B Unitholders (although Class A Unitholders will not be entitled to the management fee waiver).

Immediate increase in portfolio size

As at 31 March 2020, EGI's investment portfolio totalled \$102.3 million and the Ellerston Fund's investment portfolio totalled \$29.6 million. Immediately following the implementation of the Scheme, the Ellerston Fund's investment portfolio will be that of the combined investment portfolios of EGI and the Ellerston Fund, amounting to approximately \$131.9 million (minus cash retained within EGI post wind up and excluding any potential additional funds raised as part of the Ellerston Unit Offer).

As EGI Shareholders will effectively be exchanging EGI shares for Class B Units in the Ellerston Fund, Class B Unitholders gain an ownership in a larger investment portfolio immediately following the Scheme. However, the collective percentage ownership in the underlying investment portfolio will decrease.

As the Ellerston Fund is an open ended investment fund, the size of the Fund is dependent on cash inflows (applications) and outflows (withdrawals) and therefore its size is uncertain in the long run. In contrast, the current EGI close-ended structure, where only existing securities can be bought and sold on market, new shares cannot be created or withdrawn at asset backing (in the absence of a formal share buyback) and therefore the size of the underlying investment portfolio is more certain.

Reduction in management expense ratio

Management expense is comprised of fees paid by shareholders to cover the costs associated with oversight, combined with support and management of the underlying investment portfolio by the portfolio managers. It also covers legal fees, accounting services and other administrative costs associated with running the fund. The management expense ratio (MER) is calculated by dividing total expenses over the portfolio investment value, which is a common metric used to determine the operational efficiency of a LIC or investment fund.

As previously discussed, the implementation of the Scheme will result in combining the investment portfolios of EGI and the Ellerston Fund to form a larger investment portfolio. Given the growth in the underlying size of the investment portfolio post the restructure and the level of fixed costs associated with running a managed investment fund, Ellerston Capital expects the MER will decrease in the long run.

Additionally, the overall operating costs of the Ellerston Fund as an unlisted investment vehicle are expected to be lower than the operating costs that currently apply to EGI as an ASX listed company, therefore potentially translating to further cost savings.

Notwithstanding the above, as previously mentioned, should the Scheme be approved and implemented, Ellerston Capital as Responsible Entity of the Ellerston Fund has agreed that, for two years from the Implementation Date, no management fees will be charged on Ellerston Units issued to Scheme Shareholders under the Scheme and on additional Ellerston Units issued to those Scheme Shareholders who participate in the Ellerston Unit Offer.

Different liquidity mechanism

Currently, EGI Shareholders hold their investment in listed EGI shares and therefore are able to freely trade their investment on the stock exchange. Typically, EGI Shareholders may pay a brokerage fee when trading their investment.

Post implementation of the Scheme, a separate Withdrawal Facility will be put in place for Scheme Shareholders to withdraw all or some of their Ellerston Units. The Withdrawal Facility will allow withdrawal of Ellerston Units on a daily basis upon implementation of the Scheme.

Further details of the Withdrawal Facility is detailed Section 6.7 of the Ellerston Fund PDS, which is contained within Appendix 6 of the Explanatory Booklet.

Different dividend policy

As outlined in Section 8.6 of this report, EGI has historically paid dividends to EGI Shareholders on a semi-annual basis.

Following the implementation of the Scheme, Class B Unitholders will participate in the Ellerston Fund's distributions for all Ellerston Units issued to them under the Scheme. Under the Ellerston Fund's Reinvestment Plan, future distributions made by the Responsible Entity will be automatically reinvested in the Ellerston Fund by way of issue of additional Ellerston Units. Scheme Shareholders have the option to receive their distributions in cash for all or some of their Ellerston Units, and must notify the Responsible Entity in writing of the exercise of the option. Reinvestments are not subject to the buy/sell spread that applies to standard investments in Ellerston Fund Units.

Preservation of existing EGI franking credits

As at 31 March 2020, EGI's imputation tax credit balance amounted to approximately \$1.4 million. Post the implementation of the Scheme, Class B Unitholders will receive distributions that will include franked dividends from EGI so far as the existing imputation tax credits will allow.

Nevertheless, it is important to note that any withdrawal made on or before 45 days from the implementation date of the Scheme, will likely not entitle Scheme Shareholders to any franking credit tax offset in accordance with the applicable taxation

laws¹⁰ Further details in this regard are provided in Section 10 of the Explanatory Booklet.

Equal rights between A Unitholders and B Unitholders

The Responsible Entity has classified the currently issued Ellerston Fund Units as “Class A Units” and will issue new Ellerston Units to the Scheme Shareholders, in accordance with the terms of the Scheme, with these Ellerston Units to be classified as “Class B Units”. Both Class A Unitholders and Class B Unitholders will have equal voting power and claim to distributions (or participation in the Reinvestment Plan) of the Ellerston Fund, post implementation of the Scheme.

Changes in governance

As a listed company, EGI has certain obligations to its investors including inter alia the preparation of financial reports and directors’ reports on a semi-annual basis, the disclosure of price sensitive information to the market and holding an annual general meeting at least once per annum.

As a registered managed investment scheme, the Responsible Entity of the Ellerston Fund has certain obligations to its unitholders. These obligations provide a greater degree of investor protection as compared to the shareholders of a listed company. The Ellerston Fund is required to have a Responsible Entity and per Section 601FA of the Corporations Act, the Responsible Entity is required to be a public company with an Australian financial services (AFS) licence authorising it to operate a managed investment scheme. Ellerston Capital, being the Responsible Entity, is ultimately responsible for the operations of the Ellerston Fund and is required to adopt sufficient compliance measures, perform disclosure obligations and maintain sufficient base level financial requirements and liquidity. Additionally, Ellerston Capital is responsible for compliance with the Ellerston Fund’s Constitution and compliance plan, the ongoing satisfaction of legislative and regulatory requirements as well as to uphold its duty to act honestly and in the best interest of unitholders.

¹⁰ The withdrawal price will be calculated in accordance with the constitution of the Ellerston Fund and will be based on the underlying NAV (less an amount on account of the notional costs of realising the underlying portfolio in order to meet the redemption request). The withdrawal price may comprise of both an income and a capital component.

11 Evaluation of the Scheme

11.1 Valuation methodology

Our valuation of an EGI Share has been prepared on the basis of market value. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arms' length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to the Ellerston Fund. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- The capitalisation of a sustainable level of earnings (capitalised earnings)
- The discounting of expected future cash flows to present value (discounted cash flow)
- The estimation of the net proceeds from an orderly realisation of assets (net assets)
- Rules of thumb, and
- Current trading prices on the relevant securities exchange.

These methodologies are discussed in greater detail in Appendix 3. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is typically adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as capitalised earnings and discounted cash flow are commonly used as they reflect 'going concern' values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, a net assets approach is typically adopted as there tends to be minimal goodwill, if any.

11.2 Selection of valuation methodology for EGI

We have adopted a net asset methodology to value 100 percent of the issued capital in EGI and cross-checked against the current trading price of EGI Shares. We have chosen these methodologies for the following reasons:

- Net assets is generally considered the most appropriate method when a significant portion of a company's balance sheet is comprised of liquid assets or other investments, including marketable securities
- The underlying strategy and investment portfolio of a LIC is publicly available and easy to replicate and accordingly we are of the view that any value above net assets is limited (i.e. no or limited goodwill)
- All LICs are required to release NTA information to the market on a monthly basis. The key assets, being the portfolio investments, are marked-to-market based on the last traded market price on the stock exchange for which the investment portfolio traded on as at month-end, as such there is sufficient information available to us to adopt the net asset approach. In this regard, we note that EGI releases weekly NTA information to the market
- EGI is a listed Australian company and its shares are quoted on the ASX. Under the current structure, the trading price of an EGI share is representative of the value an EGI Shareholder would realise their investment in EGI in its current structure. Given the relatively low liquidity of EGI shares (summarised in Section 8.11 of this report), we have utilised the market value of listed securities approach solely cross-check of our values under the primary net asset methodology.

When applying the net asset methodology, we have given consideration to the following:

- EGI reports the NTA on both a pre-tax and post-tax basis. The NTA on a post-tax basis has been determined incorporating any deferred tax assets and/or deferred tax liabilities that may arise based on the current pricing of the underlying investments. Accordingly, post-tax NTA provides an accurate representation of the current market value of the investment holdings on a net basis
- For the purpose of this report, we have based our valuation on the latest monthly NTA report, being the report dated 31 March 2020 and the most recent financial position of EGI made available to us, being the financial position as at 31 March 2020
- When applying the net assets approach, the resulting value represents 100 percent of the value of the EGI on a control basis, as required by RG 111.

11.3 Selection of valuation methodology for the Scheme Consideration

If the Scheme is approved and implemented, those Scheme Shareholders who have provided their KYC information will receive the Scheme Consideration, being one Ellerston Unit for every EGI Share owned.

In assessing the Scheme Consideration, we have noted that all the assets of EGI will be progressively transferred to the Ellerston Fund post implementation of the Scheme. As outlined in Section 6, Scheme Shareholders will ultimately receive Class B Units, which will give them entitlement to the same assets transferred from the EGI portfolio.

Accordingly, we have determined the value of the Scheme Consideration by applying a consistent net asset methodology to that adopted for the valuation of an EGI Share, starting with the same NTA to be transferred on implementation of the Scheme.

When applying the net asset methodology, we have given consideration to the following:

- We have based our valuation on the latest monthly NTA report, being the report dated 31 March 2020 and the most recent financial position of EGI made available to us, being the financial position as at 31 March 2020. As the Scheme Shareholders will be entitled to the same EGI portfolio that will be transferred to the Ellerston Fund, a consistent balance sheet is utilised pre and post the implementation of the Scheme
- Individual Scheme Shareholders will effectively be receiving a minority interest in the Ellerston Fund following implementation of the Scheme. For the same reasons that a premium for control exists, a discount for lack of control is typically recognised to account for the minority shareholders' inability to control the Board, resulting in an inability to make decisions about strategic direction of the entity, a lack of control over the application of the cash flows of the entity and the distributions policy adopted. However, in applying the net assets approach, the resulting value represents the value that Scheme Shareholders will be able to realise through the liquidity mechanism available in the Ellerston Fund and therefore a minority discount is less relevant.

12 Value of EGI

12.1 Valuation of an EGI Share

We have assessed the value of EGI (on a control basis) to be in the range of \$95.3 million to \$101.1 million, which corresponds to a value of \$0.91 to \$0.96 per EGI Share. Our valuation is set out below.

Table 16: Valuation of an EGI Share

Net tangible assets				
\$'000	Notes	31-Mar-20	Low value	High value
Current assets				
Cash and cash equivalents		20,188.4	20,188.4	20,188.4
Receivables		1,573.0	1,573.0	1,573.0
Due from brokers		1,850.6	1,850.6	1,850.6
Financial assets at FV through profit or loss		81,233.1	81,233.1	81,233.1
Total current assets		104,845.1	104,845.1	104,845.1
Total assets		104,845.1	104,845.1	104,845.1
Current liabilities				
Payables		100.4	100.4	100.4
Management and performance fees payable		64.3	64.3	64.3
Due to brokers		1,017.5	1,017.5	1,017.5
Other liabilities		1,390.2	1,390.2	1,390.2
Total current liabilities		2,572.5	2,572.5	2,572.5
Non-current liabilities				
Deferred tax liability / (asset)	1	(1,791.7)	(1,791.7)	(1,791.7)
Total non-current liabilities		(1,791.7)	(1,791.7)	(1,791.7)
Total liabilities		780.8	780.8	780.8
Net tangible assets (post-tax)				
		104,064.3	104,064.3	104,064.3
Less: 1H20 declared interim dividend	2		-	-
Less: calculated value of corporate overheads	3		(8,766.0)	(2,997.6)
Plus: transaction costs associated with the Scheme	4		-	-
Net tangible assets (control basis)			95,298.3	101,066.7
Number of shares on issue as at 31 March 2020	5		105,300,394	105,300,394
Value per share (\$)			0.9050	0.9598

Source: Unaudited balance sheet as at 31 March 2020 and KPMG Corporate Finance Analysis

The factors considered in our assessment of the value of an EGI Share are:

1. Current and deferred tax liability / (asset)

The post-tax NTA factors in all tax, realised and unrealised, in effect outlining the net value of the investment portfolio based on the current prices applied in the NTA calculation. Therefore post-tax NTA forms our starting point.

As at 31 March 2020, EGI had \$1.8 million of unused tax losses carried forward. Under the going concern assumption, we expect there to be future taxable profits

available against which the tax losses can be utilised. As such, no adjustment is required in this regard.

EGI has no other commitments, contingent assets or liabilities as at 31 March 2020 for which an adjustment is required to reach the post-tax NTA.

2. EGI 1H20 declared dividend

As outlined in Section 8.6, on 12 February 2020, EGI declared an interim fully franked dividend of 1.5 cents per fully paid ordinary share, amounting to approximately \$1.6 million. The associated dividend was paid during March 2020 and therefore the NTA as at 31 March 2020 has been prepared on an ex-dividend basis

3. Capitalised management and operating costs

EGI will be required to incur management and operating costs for the ongoing operation of the business. We have capitalised the ongoing costs, less an estimate of the costs that could be avoided by an acquirer, by an appropriate multiple to determine the capitalised value of the cost base and deducted this amount from the NTA.

Ongoing costs are estimated at between \$0.5 million and \$1.5 million, after allowing for assumed avoidable costs of an acquirer of between \$0.7 million and \$1.7 million. These ongoing costs have been capitalised using a multiple of 6.0 times, to determine a total capitalised cost amount of between \$3.0 million (deducted from the high end value) and \$8.8 million (deducted from the low end value).

4. Transaction costs associated with the Scheme

Transaction costs relating to the Scheme has been estimated to amount to approximately \$0.85 million, which has been reflected in the NTA as at 31 March 2020, of which all has been accrued. Any additional expenses related to the Scheme are likely to be immaterial, as such no adjustment is required in arriving at the NTA.

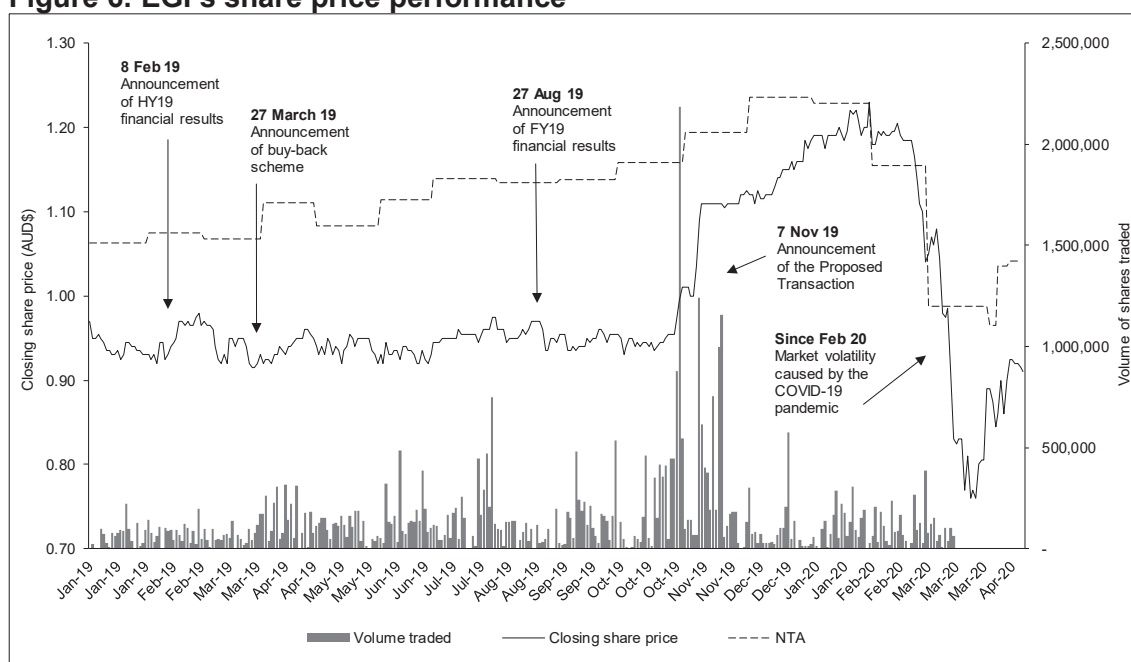
5. Shares on issue at 31 March 2020

As at 31 March 2020, EGI had 105,300,394 shares on issue.

12.2 Valuation cross checks

We have cross-checked the primary valuation methodology by analysing recent trading prices of EGI shares. The chart below illustrates the EGI's share price since 1 January 2019.

Figure 6: EGI's share price performance



Source: S&P Capital IQ, KPMG Corporate Finance Analysis, ASX announcements

In assessing the share price at which an EGI share may trade in the absence of the Proposed Transaction, we have considered the following:

- EGI's share price traded between \$0.92 and \$1.04 per share between 1 January 2019 and 6 November 2019, being the day before the announcement of the Proposed Transaction
- EGI's share price traded between 8.7 percent and 19.7 percent below post-tax NTA between 1 January 2019 and the date before the announcement of the Proposed Transaction
- Prior to the announcement of the Proposed Transaction, the EGI VWAP was between \$0.95 and \$1.02 per share, and showed low levels of liquidity. However, in the absence of a takeover or alternative transaction, the trading price represents the value at which minority shareholders could realise their investment in EGI
- EGI does not have sufficient broker coverage and hence there is no price target for EGI shares.

- Share prices of listed companies typically reflect the value of portfolio interests in the underlying company and are commonly assumed to exclude a premium for control. Therefore, as a high-level cross-check, we calculated the implied control premium by comparing our control value to the VWAP of an EGI share leading up to the announcement date acknowledging that control premiums for such types of investment vehicles are typically low given the nature of the underlying assets

Table 17: Implied premium cross-check based on share price analysis

Share price cross check		
\$	Low value	High value
EGI Value (control basis)	0.91	0.96
1 month VWAP (minority basis)	0.87	0.87
Premium to 1 month VWAP	4.0%	10.3%

Source: S&P Capital IQ, KPMG Corporate Finance Analysis

The resultant value range implies a control premium of approximately 4.0 percent to 10.3 percent compared to the 1 month VWAP of an EGI share. We consider the level of premium for control to be reasonable due to the following:

- Our valuation assessment is based on the realisable value of the balance sheet and the market value of the underlying investments, which are considered liquid assets
- EGI's strategy and investment portfolio is publicly available and easy to replicate and accordingly any value above net assets may be limited
- EGI's MER is in line with comparable LICs that are of a similar size
- The trading share price of EGI is reflective of the trades of small parcels of shares on the ASX. As such, they generally reflect prices at which portfolio interest change hands. Consequently, there is no premium for control incorporated within such pricing. However, LICs may trade at a discount to the NTA due to other circumstances, including but not limited to a lack of scale. As such, in our assessment of an appropriate control premium for EGI, we have had regard to historical premium paid by potential trade and/or financial buyers within the LIC industry and conclude that transaction evidence (detailed in Section 12.2 of this report) suggests minimal control premia have been paid in historical transactions.

Overall, the cross check analysis supports our assessed valuation of EGI derived from our primary net assets methodology, therefore, we consider our valuation of EGI to be appropriate.

12.3 Control premium considerations

Consistent with the requirements of RG 111, we have assumed 100 percent ownership in valuing EGI on a control basis. In particular:

- NTAs are generally considered controlling values. Therefore, our valuation of EGI based on post-tax NTA represents 100 percent ownership on a control basis

- The trading share price of EGI is reflective of the trades of small parcels of shares on the ASX. As such, they generally reflect prices at which portfolio interest change hands. Consequently, there is no premium for control incorporated within such pricing.

As summarised in the table below, comparable LICs with a global equities strategy have historically traded below NTA. Refer to Appendix 4 for details of the comparable LICs

Table 18: Australian comparable LIC premiums / (discount) to the NTA

Comparable companies				
Premium / (Discount) to NTA	MER	As at 28 Feb 2020	1 Year average	3 Year average
Mean	1.1%	(15.2%)	(9.1%)	(5.9%)
Median	1.2%	(15.0%)	(10.2%)	(7.5%)
Low	0.0%	(22.9%)	(15.0%)	(12.8%)
High	1.5%	(5.8%)	(0.2%)	5.8%

Source: EL&C Bailieu – Listed Investment Companies sector report, dated 31 March 2020

- Notwithstanding the above, in considering our valuation of EGI, we have had regard to historical premia paid by potential trade and/or financial buyers within the LIC industry and conclude that transaction evidence suggests minimum control premia have been paid in historical transactions.

As summarised in the table below, comparable transactions involving LICs have historically taken place at minimum premia to the NTA of the target, which ranged between zero and 2.4 percent with an average of 0.5 percent. This further supports that the LIC NTA as a controlling value. Refer to Appendix 5 for details of the comparable LIC transactions

Table 19: Australian LIC transactions - premiums / (discount) to the NTA

Transaction Announce date	Target	Buyer	1-Day Premium to Target Share Price	Premium to Target NTA
14/10/2019	URB Investments	360 Capital Group	13.2%	0.0%
20/12/2018	Watermark Market Neutral Fund	Watermark Absolute Return Fund	8.6%	0.0%
13/11/2018	Century Australia Investments	WAM Leaders	0.0%	0.2%
30/08/2018	Wealth Defenders Equities	WAM Capital	15.1%	2.4%
21/02/2017	Century Australia Investments	Century Australia Investments	1.4%	0.1%
14/09/2012	Premium Investors	WAM Capital	12.1%	0.01%
Mean			8.4%	0.5%
Median			10.3%	0.1%
Low			0.0%	0.0%
High			15.1%	2.4%

Source: Mergermarkets, S&P Capital IQ, ASX announcements, KPMG Corporate Finance Analysis

13 Valuation of the Scheme Consideration

If the Scheme is approved and implemented, Scheme Shareholders who have provided their KYC information will receive the Scheme Consideration, being one Ellerston Unit for each EGI Share.

We have assessed the value of the Scheme Consideration to be in the range of \$100.6 million and \$102.1 million, which corresponds to a value range of \$0.95 to \$0.97 per Ellerston Unit received. Our valuation is set out below.

Table 20: Valuation of Scheme Consideration

Net tangible assets				
\$'000	Notes	31-Mar-20	Low value	High value
Current assets				
Cash and cash equivalents		20,188.4	20,188.4	20,188.4
Receivables		1,573.0	1,573.0	1,573.0
Due from brokers		1,850.6	1,850.6	1,850.6
Financial assets at FV through profit or loss		81,233.1	81,233.1	81,233.1
Total current assets		104,845.1	104,845.1	104,845.1
Total assets		104,845.1	104,845.1	104,845.1
Current liabilities				
Payables		100.4	100.4	100.4
Management and performance fees payable		64.3	64.3	64.3
Due to brokers		1,017.5	1,017.5	1,017.5
Other liabilities		1,390.2	1,390.2	1,390.2
Total current liabilities		2,572.5	2,572.5	2,572.5
Non-current liabilities				
Deferred tax liability / (asset)	1	(1,791.7)	(1,791.7)	(1,791.7)
Total non-current liabilities		(1,791.7)	(1,791.7)	(1,791.7)
Total liabilities		780.8	780.8	780.8
Net tangible assets (post-tax)				
		104,064.3	104,064.3	104,064.3
Less: tax losses carried forward - not utilised	1		(1,791.7)	(1,791.7)
Less: 1H20 declared interim dividend	2		-	-
Less: Management Termination Fee	3		(1,717.1)	(1,717.1)
Plus: two year waiver of management fees	4		-	1,561.0
Plus: transaction costs associated with the Scheme	5		-	-
Net asset value (control basis)			100,555.5	102,116.5
Less: minority interest adjustment	6		-	-
Net asset value (minority basis)			100,555.5	102,116.5
Number of shares on issue as at 31 March 2020	7		105,300,394	105,300,394
Value per share (\$)			0.9549	0.9698

Source: Unaudited balance sheet as at 31 March 2020 and KPMG Corporate Finance Analysis

In assessing the Scheme Consideration, we have noted that all the assets of EGI will be progressively transferred to the Ellerston Fund post implementation of the Scheme. As outlined in Section 6, Scheme Shareholders who have provided their KYC information will ultimately receive Class B Units, which will give them entitlement to the

same assets transferred from the EGI portfolio. Accordingly, we have determined the value of the Scheme Consideration by applying a consistent net asset methodology to that adopted for the valuation of an EGI Share, starting with the same NTA to be transferred on implementation of the Scheme.

The factors considered in our assessment of the value of the Scheme Consideration are:

1. Current and deferred tax liability / (asset)

The post-tax NTA factors in all tax, realised and unrealised, in effect outlining the value of the investment portfolio post transfer to the Ellerston Fund. Therefore post-tax NTA forms our starting point.

As at 31 March 2020, EGI had \$1.8 million of unused tax losses carried forward. Post the transfer of EIG's portfolio to the Ellerston Fund, the tax losses will not be utilised. As a consequence, we have removed the unused tax losses from the NTA.

EGI has no other commitments, contingent assets or liabilities as at 31 March 2020 for which an adjustment is required to reach the post-tax NTA.

2. EGI 1H20 declared dividend

As outlined in Section 8.6, on 12 February 2020, EGI declared an interim fully franked dividend of 1.5 cents per fully paid ordinary share, amounting to approximately \$1.6 million. The associated dividend was paid during March 2020. Therefore the NTA as at 31 March 2020 has been prepared on an ex-dividend basis

3. Early Termination Fee

As outlined in Section 10 of this report, due to early termination of the Management Agreement with Ellerston Capital arising from the implementation of the Scheme, the Manager will receive an Early Termination Fee of 1.5 percent (plus GST) of the post-tax NTA or approximately \$1.7 million. Accordingly, this has been deducted from the NTA.

4. Two year waiver on the charging of management fees

Following the implementation of the Scheme, Ellerston Capital has agreed that, for two years from the Implementation Date, no management fees will be charged on Ellerston Units issued to Scheme Shareholders under the Scheme and on additional Ellerston Units issued to those Scheme Shareholders who participate in the Ellerston Unit Offer. The estimated present value of the management fee waiver amount to approximately \$1.6 million ¹¹. As we consider this is a benefit which

¹¹ Benefit arising from the two year waiver on the charging of management fees post the implementation of the Scheme, represents savings to Scheme Shareholders of 0.75 percent (including GST and input tax

forms part of the offer, this amount has been added back to the NTA to form the high end of our value range, recognising that Scheme Shareholders who elect to exit their position in the Ellerston Fund prior to the end of the two year waiver period, will receive a lesser benefit. The minimum benefit received will be nil for those Scheme Shareholders who exit their position in the Ellerston Fund on implementation of the Scheme, as reflected in the low end of our value range.

5. Transaction costs associated with the Scheme

Transaction costs relating to the Scheme has been estimated to amount to approximately \$0.85 million, which has been reflected in the NTA as at 31 March 2020, of which all has been accrued. Any additional expenses related to the Scheme are likely to be immaterial, as such no adjustment is required in arriving at the NTA.

6. Minority interest adjustment

When applying the net assets approach, the resulting value represents 100 percent of the value of the EGI portfolio and includes a premium for control. As Scheme Shareholders will effectively be receiving a minority interest in the Ellerston Fund, following the implementation of the Scheme, we are required to consider a minority discount. We have taken the following into consideration in deriving an appropriate minority discount:

- The minority discount is often perceived as the inverse of the control premium, where an acquirer would assumingly pay a higher price for control in a company and pay a lesser amount for a minority stake
- In assessing an appropriate minority discount, we have had regard to the historical premium paid by potential trade and/or financial buyers within the LIC industry. As summarised in Section 12.2 of this report, comparable transactions involving LICs have historically taken place at minimum premia to the NTA of the target, which ranged between zero and 2.4 percent with an average of 0.5 percent
- On the basis of the above, we conclude that transaction evidence suggests minimum control premia has been paid in historical transactions and correspondingly this implies a minimal discount. Further, as the liquidity mechanism in the Ellerston Fund will allow the Scheme Shareholders to realise

credits) of NAV per annum. Future NAV is dependent on the traded share price of the underlying investment pool and additional Units raised as a result of the Ellerston Unit Offer, and therefore is uncertain. As such, we have adopted the NAV as at 31 March 2020 as a proxy. Given prevailing market conditions (explained in Section 4.5 of this report) and the potential growth in the underlying NAV arising from the Ellerston Unit Offer, 31 March 2020 NAV is considered a conservative estimate.



their investment at the underlying NAV (less a buy/sell spread), we have reflected zero minority interest adjustment.

7. Class B Units to be issued following implementation of the Scheme

We understand, following the implementation of the Scheme, 105,300,394 Class B Units will be issued to those Scheme Shareholders who have provided their KYC information (one-for-one exchange ratio) (excluding any additional Ellerston Units issued under the Ellerston Unit Offer).

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Sean Collins and Ian Jedlin. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute for Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Sean and Ian has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Scheme Shareholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Booklet or any other document prepared in respect of the Propose Transaction. Accordingly, we take no responsibility for the content of the Explanatory Booklet as a whole or other documents prepared in respect of the Scheme.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of EGI for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Booklet to be issued to Scheme Shareholders. Neither the whole nor any part of this report nor any reference thereto



may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- company presentations and announcements of Ellerston Capital Limited
- annual reports for the periods ended 30 June 2017, 30 June 2018 and 30 June 2019 for Ellerston Capital Limited
- half year results and for periods ending 31 December 2017, 31 December 2018, 31 December 2019 for Ellerston Capital Limited
- various broker and analyst reports
- various press and media articles
- data providers including S&P Capital IQ Pty Ltd, Bloomberg, Thompson Financial Securities, Aspect Huntley and Connect 4.

Non-public information

- Scheme Implementation Deed, dated 7 February 2020, the Deed of Amendment, dated 9 April 2020, and the Second Amending Deed, dated 9 June 2020
- Draft Explanatory Booklet, dated 1 June 2020, including PDS for the Ellerston Global Mid Small Cap Fund
- Ellerston Global Mid Small Cap Fund Newsletter for 31 March 2020

In addition, we have had discussions with management of Ellerston Capital.

Appendix 3 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation

figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the



enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 4 – Comparable companies' trading multiples

Company	Market Cap (31-Mar-20)	MER	Feb-20 Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Argo Global Ltd	261.2	1.3%	(14.1%)	(10.2%)	(12.8%)
Antipodes Global	461.6	1.1%	(19.2%)	(13.8%)	(6.5%)
Ellerston Asian	122.7	0.8%	(18.5%)	(14.7%)	(10.3%)
Future Glb Invest Co	412.1	0.0%	(22.9%)	(8.7%)	(3.9%)
Global Value Fnd Ltd	136.6	1.5%	(10.0%)	(4.6%)	(1.0%)
Pengana International	229.9	1.5%	(19.4%)	(13.9%)	(8.5%)
MFF Capital Invest.	1,393.6	1.3%	(11.3%)	(6.1%)	(8.7%)
Magellan Global Trust	1,947.5	1.4%	(5.8%)	(1.1%)	n/a
Pm Capital Asian Ops	40.0	1.0%	(18.0%)	(12.0%)	(4.2%)
Platinum Asia Ltd	345.5	1.1%	(14.4%)	(6.2%)	(1.1%)
Pm Capital Fund	302.8	1.0%	(19.6%)	(15.0%)	(9.1%)
Platinum Capital Ltd	366.0	1.1%	(15.4%)	(0.2%)	5.8%
Templeton Global	214.8	1.2%	(14.3%)	(13.7%)	(10.5%)
WAM Global	336.8	1.3%	(15.0%)	(12.6%)	n/a
VGI Partners Global	895.2	1.5%	(10.6%)	(4.3%)	n/a
Mean		1.1%	(15.2%)	(9.1%)	(5.9%)
Median		1.2%	(15.0%)	(10.2%)	(7.5%)
Low		0.0%	(22.9%)	(15.0%)	(12.8%)
High		1.5%	(5.8%)	(0.2%)	5.8%

Source: EL&C Bailieu – Listed Investment Companies sector report, dated 31 March 2020

Description of comparable companies

Argo Global Listed Infrastructure Limited

Argo Global Listed Infrastructure Limited is a closed ended balanced mutual fund launched and managed by Argo Service Company Pty Ltd. The fund is co-managed by Cohen & Steers Capital Management, Inc. It invests in public equity and fixed income markets across the globe. The fund invests in the infrastructure sector. Argo Global Listed Infrastructure Ltd was launched on May 20, 2015 and is domiciled in Australia.

Antipodes Global Investment Company Limited

Antipodes Global Investment Company Limited is an equity mutual fund launched and managed by Antipodes Partners Limited. It invests in the public equity markets across the globe. It benchmarks its performance against the MSCI All Country World Net Index. Antipodes Global Investment Company Limited was formed on October 11, 2016 and is domiciled in Australia.

Ellerston Asian Investments Limited

Ellerston Asian Investments Limited is a close ended listed investment company launched and managed by Ellerston Capital Limited. The fund invests in the public equity markets of Asia across diversified market capitalizations. It employs fundamental analysis with top-down and bottom-up stock picking approach focusing on factors like research, analysis, skill, macro analysis, identification of thematic as well as market

conditions to create its portfolio. The fund benchmarks the performance of its portfolio against the MSCI Asia ex Japan (AUD) Index. Ellerston Asian Investments Limited was formed on August 4, 2015 and is domiciled in Australia.

Future Generation Global Investment Company Limited

Future Generation Global Investment Company Limited is a closed-ended equity fund of funds launched by Wilson Asset Management (International) Pty Limited. It primarily invests in other mutual funds which in turn invest in stocks of companies across all market capitalizations. The fund employs both quantitative and fundamental analysis with a combination of bottom-up and top-down stock selection approaches to create its portfolio. Future Generation Global Investment Company Limited was formed on July 10, 2015 and is domiciled in Australia.

Global Value Fund Limited

Global Value Fund Limited is an open ended equity mutual fund launched Mirabella Financial Services LLP. The fund is managed by Metage Capital Limited. It invests in the public equity markets across the globe. The fund also invests in the closed ended funds. It invests in the value stocks of companies. The fund employs a combination of both fundamental and quantitative analysis to create its portfolio. Global Value Fund Limited was launched in July 2014 and is domiciled in Australia.

Pengana International Equities Limited

Hunter Hall Global Value Limited is a closed-ended equity mutual fund launched and managed by Hunter Hall Investment Management Limited. The fund invests in public equity markets across the globe. It seeks to invest in stocks of companies that are operating across diversified sectors. The fund invests in value stocks of small to medium-cap companies. It benchmarks the performance of its portfolio against the MSCI World Total Return Index, Net Dividends Reinvested. Hunter Hall Global Value Limited was formed on December 22, 2003 and is domiciled in Australia.

MFF Capital Investments Limited

MFF Capital Investments Limited is a closed ended equity mutual fund launched and managed by Magellan Asset Management Limited. The fund invests in public equity markets across the globe. It invests in stocks of companies operating across diversified sectors. The fund invests in value stocks of companies. It seeks to benchmarks the performance of its portfolio against the MSCI World Index. MFF Capital Investments Limited was formed on November 10, 2006 and is domiciled in Australia.

Magellan Global Trust

Magellan Global Trust is a closed-ended equity mutual fund launched and managed by Magellan Asset Management Limited. The fund invests in the public equity markets across the globe. It invests in stocks of companies operating across diversified sectors. The fund invests in value stocks of companies across diversified market capitalizations. The fund employs fundamental analysis with a bottom-up stock picking approach to

create its portfolio. It benchmarks the performance of its portfolio against the MSCI World Net Total Return Index. Magellan Global Trust was formed on August 29, 2017 and is domiciled in Australia.

PM Capital Asian Opportunities Fund Limited

PM Capital Asian Opportunities Fund Limited is a closed-ended equity mutual fund launched and managed by PM CAPITAL Limited. It invests in public equity markets of Asia, excluding Japan. The fund seeks to invest in stocks of companies that are operating across diversified sectors. It primarily invests in value stocks of companies. The fund seeks to benchmark the performance of its portfolio against the MSCI All Country Asia (ex-Japan) Net Index. PM Capital Asian Opportunities Fund Limited was formed on May 22, 2014 and is domiciled in Australia.

Platinum Asia Investments Limited

Platinum Asia Investments Limited is a closed-ended equity mutual fund launched and managed by Platinum Asset Management Limited. It invests in the public equity markets of Asia ex Japan. The fund invests in stocks of companies operating across diversified sectors in value stocks of companies. The fund employs fundamental analysis with a bottom up approach to create its portfolio. It benchmarks the performance of its portfolio against the MSCI All Country Asia ex Japan Net Index. Platinum Asia Investments Limited was founded on September 16, 2015 and is domiciled in Australia.

Templeton Global Growth Fund Ltd.

Templeton Global Growth Fund Ltd is a closed-ended equity mutual fund launched and managed by Franklin Templeton Investments Australia Limited. The fund invests in public equity markets across the globe. It seeks to invest in value stocks of companies operating across diversified sectors. It employs fundamental analysis with a bottom-up stock picking approach to create its portfolio. The fund benchmarks the performance of its portfolio against the MSCI All Country World Free Index. Templeton Global Growth Fund Ltd. was formed in May 1987 and is domiciled in Australia.

WAM Global Limited

WAM Global Limited is an equity mutual fund launched and managed by Wilson Asset Management (International) Pty Limited. The firm invests in the public equity markets across the globe. It primarily invests in value stocks of companies. WAM Global Limited is based in Sydney, Australia.

VGI Partners Global Investments Limited

VGI Partners Global Investments Limited provides investors with the opportunity to access the investment strategy of VGI Partners. Its investment portfolio comprises global listed securities, holding a combination of long and short positions, and cash. The company was incorporated in 2017 and is based in Sydney, Australia.



Appendix 5 – Comparable Transactions

Transaction Announce date	Target	Buyer	Offer Price	Target Share Price	Target NTA	1-Day Premium to Target Share Price	Premium to Target NTA
14/10/2019	URB Investments Ltd	360 Capital Group	1.16	1.03	1.16	13.2%	0.0%
20/12/2018	Watermark Market Neutral Fund Ltd	Watermark Absolute Return Fund	0.86	0.80	0.86	8.6%	0.0%
13/11/2018	Century Australia Investments Ltd	WAM Leaders Ltd	0.93	0.93	0.93	0.0%	0.2%
30/08/2018	Wealth Defenders Equities Ltd	WAM Capital Ltd	1.00	0.87	0.97	15.1%	2.4%
21/02/2017	Century Australia Investments Ltd	Century Australia Investments Ltd	0.94	0.93	0.94	1.4%	0.1%
14/09/2012	Premium Investors Ltd	WAM Capital Ltd	0.84	0.75	0.84	12.1%	0.01%
Mean						8.4%	0.5%
Median						10.3%	0.1%
Low						0.0%	0.0%
High						15.1%	2.4%

Source: Mergermarkets, S&P Capital IQ, ASX announcements, KPMG Corporate Finance analysis

Description of comparable transactions

360 Capital acquires stake in URB Investments Limited

On October 14 2019, 360 Capital Group agreed to acquire an 88.9% stake in URB Investments Limited. URB Investments Limited is the listed Australia-based engaged in diversified portfolio of assets with exposure to urban renewal and regeneration, headquartered in Sydney. 360 Capital Group (TGP) is the listed Australia-based property investment and fund management group headquartered in Sydney. The Federal Court of Australia approved the merger on December 10, 2019 and the transaction completed on December 11 2019.

Restructure of Watermark Market Neutral Limited

On December 20 2018, WMK and Equity Trustees Limited agreed to effect a restructure of the ownership of the assets of WMK by way of scheme of arrangement to an unlisted trust structure. The Scheme involved the Responsible Entity issuing units in the Watermark Absolute Return Fund, WMK reducing its share capital to zero and all WMK Shares being cancelled by way of the Capital Reduction, WMK distributing the Units to WMK Shareholders by way of an in-specie distribution to WMK Shareholders (in part in satisfaction of any declared dividend and in part by way of the Capital Reduction), WMK transferring the WMK Assets to the Fund and the Manager being issued a single fully paid ordinary share immediately following the Capital Reduction so that WMK becomes a wholly owned subsidiary of the Manager.

WAM acquire Century Australia Limited

On November 13 2018, WAM Leaders Limited announced their intention to enter into a Scheme Implementation Agreement to acquire Century Australia Investments Limited. WAM Leaders Limited, a listed Australia-based investment firm is headquartered in Sydney. Century Australia Investments Limited, a listed Australia-based investment firm is headquartered in Sydney. WAM Leaders Limited completed the acquisition of Century Australia Investments Limited on March 5 2019.

WAM acquire Wealth Defenders Equities Limited

On August 30 2018, WAM Capital Limited (WAM) made a takeover bid to acquire all the shares it does not already own in Wealth Defender Equities Limited (WDE). WAM, a listed Australia-based company headquartered in Sydney, is closed-end investment fund of Wilson Asset Management (International) Pty Limited, an Australia-based fund manager. WDE, a listed Australia-based company headquartered in Sydney, is an investment company that provides investors with the opportunity to invest in an actively managed Australian equities portfolio with dynamic protection strategies. On October 29 2019, WAM completed the acquisition of 95.26% of WDE and made an offer for compulsory acquisition of remaining shares, which completed on December 12.

Restructure of Century Australia Investments Limited

On February 21 2017, Century Australia Investments Ltd announced its intention to restructure by way of share buyback, a recapitalisation via public offering, a change in investment manager and appointment of a new CIO. The buyback results were announced on June 1 2017.

Merger of WAM Capital Ltd and Premium Investors Limited

On September 14 2012, WAM Capital Ltd and Premium Investors Ltd announced their intentions to merger entities by way of WAM acquiring 100% of the shares in Premium Investors Ltd. Premium Investors Limited (PIL), an Australia based company headquartered in Sydney, New South Wales, is an investment company which provides small investors access to boutique investment managers. Wilson Asset Management (WAM Capital), an Australia based company headquartered in Sydney, New South Wales, is an investment company. WAM Capital Limited completed the acquisition of Premium Investors Limited on 31 December 2012.

Appendix 6 – Glossary

Abbreviation	Description
\$	Australian Dollars
AFS	Australian Financial Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Board	Board of Directors of EGI
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
DRP	Dividend Reinvestment Plan
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGI or Company	Ellerston Global Investment Limited
Ellerston Capital	Ellerston Capital Limited
Ellerston Fund	Ellerston Global Mid Small Cap Fund
Ellerston Unit	Class B Unit in the Ellerston Fund
Ellerston Unit Offer	The offer or invitation made by the Responsible Entity to Scheme Shareholders to acquire by way of issue of additional Ellerston Units as provided for in the Scheme
Explanatory Booklet	Notice of meeting and Explanatory Booklet
Foreign Shareholders	Shareholders whose address is outside of Australia and its external territories, Singapore or the United States
FY	Financial year
GST	Goods and Services Tax
IER	Independent expert report
IPO	Initial Public Offering
k	Thousand
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
KYC	in relation to a Scheme Shareholder, means all information required by the Responsible Entity to enable it to carry out the Customer Identification Procedure in respect of the Scheme Shareholder before the Scheme Shareholder may be issued Units under the Scheme
LIC	Listed Investment Company
m	Million
MER	Management expense ratio
Manager	Ellerston Capital Limited
NAV	Net Asset Value
NTA	Net Tangible Assets
OTC	Over-the-counter
the Proposed Transaction	The proposal that EGI Shareholders will exchange their EGI Shares for Class B Units in the Ellerston Fund, on a one-for-one basis
Responsible Entity	Ellerston Capital in its capacity as responsible entity of the Ellerston Fund
the Scheme	The scheme of arrangement between EGI and EGI shareholders
Scheme Consideration	One Ellerston Fund Unit
Scheme Shareholders	EGI shareholders who own an EGI share on the Scheme Record Date
SID	Scheme Implementation Deed as amended
VWAP	Volume weighted average price

Part Two – Financial Services Guide

Dated 9 June 2020

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 Corporate Finance is a division) (**KPMG Corporate Finance**) and Mr Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 and Mr Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 (**Authorised Representative**).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance 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 Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert'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 Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance 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 investment 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 financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Ellerston Global Investments Limited (Client) to provide general financial product advice in the form of a Report to be included in the Explanatory Booklet (Document) prepared by Ellerston Capital Limited in relation to the Proposed Transaction (Transaction).

You have not engaged KPMG Corporate Finance 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 Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance 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 Corporate Finance has been engaged by the Client, 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 Proposed Transaction.



Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$75,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

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

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

From time to time KPMG Corporate Finance, 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.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance 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 Corporate Finance 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: 1800 367 287

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 Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).



Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance

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Appendix 2 - Scheme



Scheme of Arrangement

—

Ellerston Global Investments Limited ACN 169 464 706

Scheme Shareholders

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Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison

Scheme of Arrangement

Details	3
1. Definitions and interpretation	3
1.1 Definitions	3
1.2 Interpretation	6
1.3 Business Day	7
1.4 Listing requirements included as law	7
2. Preliminary	7
2.1 The Company	7
2.2 Ellerston Fund	7
2.3 General	8
2.4 Consequence of this Scheme becoming Effective	8
3. Conditions	8
4. Implementation	9
4.1 Lodgement of Court orders	9
4.2 Transfer of Scheme Shares	9
5. Scheme Consideration and additional Ellerston Units	10
5.1 General	10
5.2 Ellerston Unit Offer - Election procedure	10
5.3 Ellerston Unit Offer - Payment of Subscription Monies	11
5.4 Ellerston Unit Offer - Return of Subscription Monies	12
5.5 Ellerston Unit Offer - Unclaimed Subscription Monies	12
5.6 Foreign Scheme Shareholders	13
5.7 Joint holders	15
5.8 Provision of Scheme Consideration and additional Ellerston Units	15
5.9 Trust of beneficial interest in Custody Units	18
5.10 Status of the Ellerston Units	20
5.11 Definition of 'sending'	21
6. Dealings in the Company Shares	21
6.1 Determination of Scheme Shareholders	21
6.2 Register	21
6.3 Elections are personal to Shareholder	22
7. Quotation of the Company Shares	22
8. General Scheme provisions	22
8.1 Consent	22
8.2 Binding effect of Scheme	22
8.3 Scheme Shareholders' agreements and acknowledgment	23
8.4 Warranties by Scheme Shareholders	23
8.5 Title to and rights in Scheme Shares	24
8.6 Authority given to the Company	24
8.7 Appointment of sole proxy	25
8.8 Instructions and elections	25
9. General	26
9.1 Stamp duty	26
9.2 Notices	26
9.3 Further assurances	26

Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between the parties:

Name **Ellerston Global Investments Limited** ACN 169 464 706
 Address details c/- Ellerston Capital Limited
 Level 11, 179 Elizabeth Street, Sydney NSW 200
 and **Each Scheme Shareholder**

1. Definitions and interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

applicable customer identification procedure has the meaning given in the AML/CTF Act.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Allocated Units has the meaning given in clause 5.9(a).

Business Day means a business day as defined in the ASX Listing Rules.

CHESS means the clearing house electronic sub register system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHESS Holding has the meaning given in the Settlement Rules.

Chi-X market means the market for trading in securities operated in Australia by Chi-X Australia Pty Ltd.

Company or **EGI** means Ellerston Global Investments Limited ACN 169 464 706.

Company Registry means Link Market Services Limited or any replacement provider of share registry services to the Company.

Company Share Registry means Link Market Services Limited ACN 083 214 537.

Company Share or **Share** means a fully paid ordinary share in the capital of the Company.

Company Share Register means the register of members of the Company maintained in accordance with the Corporations Act.

Company Shareholder or **Shareholder** means each person who is registered as the holder of the Company Shares from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other Court of competent jurisdiction agreed to by EGI and the Responsible Entity.

Custody Agreement means the Custody Agreement dated 9 June 2020 between the Independent Custodian and the Company in respect of Ineligible Units, Custody Units, Remaining Custody Units and Allocated Units.

Custody Units means the Ellerston Units attributable to those Scheme Shareholders who as at the KYC Information Cut-Off Date are Non-Identified Scheme Shareholders.

Deed Poll means the deed poll dated 9 June 2020 executed by the Responsible Entity under which the Responsible Entity covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.

Delivery Time means 2 hours before the commencement of the hearing of the application to the Court to approve the Scheme or, if that hearing is adjourned, the commencement of the adjourned hearing.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Election means an election that a Company Shareholder may make in accordance with this Scheme to apply for additional Ellerston Units under the Ellerston Unit Offer.

Election Calculation Date means a date to be publicly announced by the Company being at least 20 Business Days before the date of the Scheme Meeting or such other date as specified in the 'Important Dates and Times' section of the explanatory statement for this Scheme.

Election Cut-Off Date means the latest date and time for the receipt of the Election and Subscription Form, being 7.00pm on a date to be publicly announced by the Company which is at least 10 Business Days before the date of the Scheme Meeting or such other time and date as specified in the 'Important Dates and Times' section of the explanatory statement for this Scheme.

Election and Subscription Form means the form to be completed by a Company Shareholder who wishes to make an Election, which form will include provision for the completion of the KYC Information by that Scheme Shareholder.

Ellerston Capital means Ellerston Capital Limited ACN 110 397 674.

Ellerston Fund means the Ellerston Global Mid Small Cap Fund ARSN 609 725 868.

Ellerston Unit means a fully paid Class B Unit in the Ellerston Fund.

Ellerston Unit Offer means the offer or invitation made by the Responsible Entity to Company Shareholders to acquire by way of issue additional Ellerston Units as provided for in this Scheme.

End Date means the 'End Date' determined in accordance with the Scheme Implementation Deed.

Excluded Shareholder means the Responsible Entity and includes any custodian of the Responsible Entity to the extent it is acting in that capacity.

Foreign Scheme Shareholder means a Scheme Shareholder whose address in the EGI Share Register is a place outside Australia and its external territories, the Republic of Singapore or the United States unless the Responsible Entity and the Company agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Ellerston Units under this Scheme.

Identified Scheme Shareholder means a Scheme Shareholder who has provided the Responsible Entity or the Company with KYC Information in respect of the Scheme Shareholder.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between EGI and the Responsible Entity.

Ineligible Units means the Ellerston Units to which Foreign Scheme Shareholders would have been entitled under this Scheme but for the operation of clause 5.6.

Independent Custodian means Mainstream Fund Services Pty Limited ACN 118 902 891.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

KYC Information in relation to a Scheme Shareholder means all information required by the Responsible Entity to enable it to carry out the applicable customer identification procedure in respect of the Scheme Shareholder before the Scheme Shareholder may receive an issue (or transfer from the Independent Custodian) of Ellerston Units under the Scheme and (in the case of Scheme Shareholders who make a valid Election) an issue of Units under the Ellerston Unit Offer.

KYC Information Cut-Off Date means the latest date and time for the receipt of the completed KYC Information, being 7.00pm on the Business Day before the Second Court Date (or such other time and date publicly notified by the Company).

Listing Rules means the listing rules of ASX.

Manager means Ellerston Capital in its personal capacity.

Maximum Dollar Amount means the maximum amount expressed in Australian dollars in respect of which an Election may be made, calculated in accordance with clause 5.2(b).

Non-Identified Scheme Shareholder means a Scheme Shareholder who has not provided the Responsible Entity or the Company with KYC Information in respect of the Scheme Shareholder.

RE Custodian means a custodian determined and appointed by the Responsible Entity in respect of all or any of the assets of the Ellerston Fund.

Registered Address means, in relation to a Company Shareholder, the address shown in the Company's Share Register as at the Scheme Record Date.

Regulatory Authority means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute,

in any part of the world, and whether foreign, federal, state, territorial or local.

Remaining Custody Units has the meaning given in clause 5.8(e).

Responsible Entity means Ellerston Capital in its capacity as responsible entity of the Ellerston Fund.

Responsible Entity Trust Account means an Australian dollar denominated trust account established by or on behalf of the Responsible Entity to hold the Subscription Monies, on trust for Shareholders who have applied for additional Ellerston Units under the Ellerston Unit Offer and subject to the terms of this Scheme.

Scheme means this scheme of arrangement, subject to any alterations or conditions:

- (a) agreed to in writing by the Responsible Entity and the Company; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Responsible Entity and the Company.

Scheme Consideration means one Ellerston Unit for each Scheme Share, subject to:

- (a) in the case of Foreign Scheme Shareholders, the operation of clauses 5.2 and 5.6; and
- (b) in the case of Scheme Shareholders who are Non-Identified Scheme Shareholders as at the KYC Information Cut-Off Date, the operation of clauses 5.8 and 5.9.

Scheme Implementation Deed means the scheme implementation deed dated 17 February 2020 between the Responsible Entity, the Manager and the Company as amended by an Amending Deed dated 9 April 2020 and a Second Amending Deed dated 9 June 2020.

Scheme Meeting means the meeting of the Company Shareholders (other than Excluded Shareholders, if any) ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between the Responsible Entity and the Company.

Scheme Share means a Company Share held by a Scheme Shareholder at the Scheme Record Date.

Scheme Shareholders means the Company Shareholders (other than Excluded Shareholders, if any) at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.

Settlement Rules means the ASX Settlement Operating Rules.

Subscription Monies in relation to a Company Shareholder means the monies paid or payable by that Shareholder to acquire additional Ellerston Units for which that Shareholder has applied under the Ellerston Unit Offer.

Tax means any tax, levy, duty, rate, impost or charge imposed, levied or assessed by a Regulatory Authority (and any related penalty, fine, fee or interest related thereto) including stamp duty, goods and services taxes, transaction taxes and fringe benefits tax.

Trust Account (*Foreign Scheme Shareholders*) means an Australian dollar denominated trust account established and operated by or on behalf of the Independent Custodian as trustee for the Company (and with the Company holding the beneficial interest in the money in this account on trust for the benefit of Foreign Scheme Shareholders) and subject to the terms of this Scheme.

Trust Account (*Non-Identified Scheme Shareholders*) means an Australian dollar denominated trust account established and operated by or on behalf of the Independent Custodian as trustee for the Company (and with the Company holding the beneficial interest in the money in this account on trust for the benefit of Non-Identified Scheme Shareholders) and subject to the terms of this Scheme.

Withdrawal Proceeds (*Foreign Scheme Shareholders*) means the gross proceeds of withdrawal of the Ineligible Units under clause 5.6(b) less any applicable taxes and charges incurred by the Independent Custodian in connection with the withdrawal.

Withdrawal Proceeds (*Non-Identified Scheme Shareholders*) means the gross proceeds of withdrawal of the Remaining Custody Units under clause 5.8 less any applicable taxes and charges incurred by the Independent Custodian in connection with the withdrawal.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars** and **\$** is to Australian currency.
- (l) All references to time are to Sydney, Australia time.
- (m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.
- (n) A reference to, an **officer** or subsidiary is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or business rule of a financial market will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 The Company

- (a) The Company is a public company limited by shares, registered in Victoria and admitted to the official list of ASX.
- (b) The Company Shares are officially quoted on ASX. As at the date of the Scheme Implementation Deed, 105,300,394 Company Shares were on issue which were officially quoted on ASX.

2.2 Ellerston Fund

- (a) The Ellerston Fund is a registered scheme and is not listed on any financial market.
- (b) Ellerston Capital is a public company and is the responsible entity of the Ellerston Fund.

2.3 General

- (a) The Company and the Responsible Entity have agreed by executing the Scheme Implementation Deed to implement this Scheme.
- (b) This Scheme attributes actions to the Responsible Entity but does not itself impose an obligation on it to perform those actions, as the Responsible Entity is not a party to this Scheme. The Responsible Entity has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including providing or procuring the provision of the Scheme Consideration to the Scheme Shareholders, making the Ellerston Unit Offer to Company Shareholders and issuing Ellerston Units to Scheme Shareholders who have made a valid Election. A copy of the executed Deed Poll forms part of the disclosure materials provided to the Company's Shareholders prior to the Scheme Meeting.
- (c) This Scheme attributes actions to the Independent Custodian but does not itself impose an obligation on it to perform those actions, as the Independent Custodian is not a party to this Scheme. The Company has appointed the Independent Custodian pursuant to the Custody Agreement, a summary of which forms part of the disclosure materials provided to the Company's Shareholders prior to the Scheme Meeting. Pursuant to the Custody Agreement, the Company has provided directions to the Independent Custodian that are referenced in this Scheme (and a summary of which also form part of the disclosure materials provided to the Company's Shareholders prior to the Scheme Meeting). If this Scheme becomes Effective, the directions provided by the Company to the Independent Custodian will be self-executing in accordance with their terms and the terms of this Scheme.

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) the Responsible Entity will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme;
- (b) the Responsible Entity will issue Ellerston Units to Scheme Shareholders who have made a valid Election; and
- (c) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to the Responsible Entity, and the Company will enter the Responsible Entity or an RE Custodian in the Company Share Register as the holder of the Scheme Shares with the result that the Company will become wholly-owned by the Ellerston Fund.

3. Conditions

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
 - (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(e) (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by the Delivery Time on the Second Court Date;
 - (ii) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before the Delivery Time on the Second Court Date;
 - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under

section 411(6) of the Corporations Act as are agreed to in writing by the Responsible Entity and the Company;

- (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and
 - (v) the order of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect under section 411(10) of the Corporations Act, on or before the End Date.
- (b) The satisfaction of the conditions referred to in clause 3(a) is a condition precedent to the operation of clauses 4.2 and 5.
- (c) This Scheme will lapse and be of no further force or effect if:
- (i) the Effective Date does not occur on or before the End Date or any later date as the Court, with the consent of the Company and the Responsible Entity, may order; or
 - (ii) the Scheme Implementation Deed is terminated before implementation of this Scheme on the Implementation Date.

4. Implementation

4.1 Lodgement of Court orders

The Company must lodge with ASIC office copies of any Court orders under section 411 of the Corporations Act approving this Scheme as soon as possible and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration (and the issue of additional Ellerston Units to each Scheme Shareholder who has made a valid Election) in the manner contemplated by clause 5.6(b)(i) and clause 5.8(b), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Responsible Entity or an RE Custodian (as determined by the Responsible Entity), without the need for any further act by any Scheme Shareholder (other than acts performed by the Company or its officers as agent and attorney of the Scheme Shareholders under clause 8.5 or otherwise) by:
 - (i) the Company delivering to the Responsible Entity a duly completed and executed share transfer form to transfer all the Scheme Shares to the Responsible Entity; and
 - (ii) the Responsible Entity or an RE Custodian duly executing such transfer form and delivering it to the Company for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(ii), the Company entering, or procuring the entry of, the name of the Responsible Entity or an RE Custodian in the Company Share Register in respect of the Scheme Shares.

5. Scheme Consideration and additional Ellerston Units

5.1 General

- (a) Each Scheme Shareholder is entitled to receive the Scheme Consideration, subject to and in accordance with the terms of this Scheme including in the case of Foreign Scheme Shareholders the operation of clauses 5.2 and 5.6.
- (b) Each Scheme Shareholder who has made a valid Election is entitled to receive additional Ellerston Units, subject to and in accordance with the Election and the terms of this Scheme including in the case of Foreign Scheme Shareholders the operation of clauses 5.2 and 5.6.

5.2 Ellerston Unit Offer - Election procedure

- (a) Subject to this clause 5, each Company Shareholder other than a Foreign Scheme Shareholder or a Company Shareholder who did not hold any Shares on the Election Calculation Date is entitled to make an Election provided that Election is made by no later than the Election Cut-Off Date. All Elections will take effect in accordance with this Scheme to the extent that any Company Shareholder who makes an Election qualifies as a Scheme Shareholder.
- (b) The Maximum Dollar Amount in respect of which an Election may be made is calculated as 'X' in accordance with the following formula:

$$X = A \times B$$

where:

A is the number of Shares held by a Shareholder making an Election as at the Election Calculation Date; and

B is the closing price on ASX of Shares on the Election Calculation Date.

- (c) A Company Shareholder who makes an Election must pay the Subscription Monies for an amount up to the Maximum Dollar Amount in accordance with clause 5.3. If the Scheme becomes Effective, the Responsible Entity will on or soon as practicable after the Implementation Date apply those Subscription Monies as the subscription price for the issue of additional Ellerston Units to that Shareholder, with the number of Ellerston Units to be issued to that Shareholder ('Y' in the formula below) calculated in accordance with the following formula:

$$Y = \text{RSM} / \text{IP}$$

where:

RSM is the required subscription money, being the lesser of:

- (a) the Company Shareholder's Subscription Monies; and
- (b) 'X' (as defined in clause 5.2(b)); and

IP is the issue price of an Ellerston Unit calculated in accordance with clause 8 of the constitution of the Ellerston Fund,

rounded down, if necessary, to the nearest whole number of Ellerston Units.

- (d) If, as at the Scheme Record Date, the number of Shares held by a Shareholder who has made an Election is lower than the number of Shares held by that Shareholder as at the Election Calculation Date, the Maximum Dollar Amount will be commensurately reduced and any excess Subscription Monies received from a Company Shareholder that has made a valid Election will be refunded (without interest) as soon as reasonably practicable

after the Implementation Date, with the refund amount to be calculated in accordance with clause 5.4(d).

- (e) If, as at the Scheme Record Date, the number of Shares held by a Shareholder who has made an Election is higher than the number of Shares held by that Shareholder as at the Election Calculation Date, the Maximum Dollar Amount determined under clause 5.2(b) remains unchanged.
- (f) The Responsible Entity appoints the Company as its agent with authority to receive and process on behalf of the Responsible Entity all Elections, variations, withdrawals and revocations of Elections. The Company accepts the appointment.
- (g) A Company Shareholder who makes an Election may vary, withdraw or revoke that Election by:
 - (i) in the case of a withdrawal or revocation, written notice to the Company provided such notice is received on or before the Election Cut-Off Date; and
 - (ii) in the case of a variation of an Election, lodging a replacement Election and Subscription Form provided it is received on or before the Election Cut-Off Date.
- (h) An Election must be made in accordance with the terms and conditions of the Election and Subscription Form and this clause 5.2 and must be received by the Company Registry on or before the Election Cut-Off Date. An Election not made in accordance with this clause 5.2(h) (including an Election received by the Company Registry after the Election Cut-Off Date) will not be a valid Election for the purpose of this Scheme and will not be recognised for any purpose.
- (i) A Shareholder who is noted on the Company Share Register as holding one or more parcels of Company Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.2 in relation to each of those parcels of Company Shares (subject to it providing to the Company any substantiating information that the Company reasonably requires), and if a Shareholder does so it will be treated as a separate Company Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Scheme Record Date, it holds fewer Company Shares than it held at the Election Calculation Date, then, unless it has at the time of any subsequent sale of Company Shares notified the Company whether the Company Shares sold relate to any such separate Election (and if so which separate Election the Shares sold relate to), the Shareholder will be treated as not having made a valid Election in respect of any of its Company Shares (or will be treated in any other manner that the Company considers is fair to the Scheme Shareholder in all the circumstances acting reasonably).
- (j) Clause 6.3 applies to all Elections.

5.3 Ellerston Unit Offer - Payment of Subscription Monies

- (a) An Election will only be valid for the purpose of this Scheme if the Election and Subscription Form is, at the time it is provided to the Company, accompanied by payment of Subscription Monies in an amount up to the Maximum Dollar Amount, with such payment to be made in accordance with the terms and conditions of the Election and Subscription Form.
- (b) All Subscription Monies will be held by or on behalf of the Responsible Entity in the Responsible Entity Trust Account. Any interest on Subscription Monies deposited in the

Responsible Entity Trust Account (less bank fees and other charges) will be to the Responsible Entity's account.

- (c) If the Scheme becomes Effective, the Responsible Entity will on or as soon as reasonably practicable after the Implementation Date apply the aggregate Subscription Monies as the subscription price for the issue of additional Ellerston Units to Company Shareholders who have made a valid Election, with the number of Ellerston Units to be issued to each such Shareholder determined in accordance with clause 5.2(c).

5.4 Ellerston Unit Offer - Return of Subscription Monies

- (a) If the Scheme does not become Effective by the End Date, all Subscription Monies will be refunded (without interest) by the Responsible Entity to Shareholders who have made an Election, as soon as reasonably practicable after the End Date.
- (b) If a Shareholder validly withdraws or revokes an Election in accordance with clause 5.2(g), the Subscription Monies paid by that Shareholder will be refunded (without interest) by the Responsible Entity as soon as reasonably practicable after it receives notice of the withdrawal or revocation.
- (c) If a Shareholder making an Election holds no Scheme Shares as at the Scheme Record Date, the Subscription Monies paid by that Shareholder will be refunded (without interest) by the Responsible Entity as soon as reasonably practicable after the Implementation Date.
- (d) If a Shareholder making an Election holds fewer Scheme Shares as at the Scheme Record Date than it did at the Election Calculation Date, the Responsible Entity must as soon as reasonably practicable after the Implementation Date return to that Shareholder the excess portion of the Subscription Monies (without interest) which accompanied such Shareholder's Application and Subscription Form, with such excess calculated as 'X' in accordance with the following formula:

$$X = (A \times B) - (C \times B)$$

where:

- A** is the number of Shares held by a Shareholder making an Election as at the Election Calculation Date
 - B** is the closing price on ASX of Shares on the Election Calculation Date
 - C** is the number of Shares held by a Shareholder making an Election as at the Scheme Record Date.
- (e) Any refund of Subscription Monies under this clause 5.4 must be paid by the Company doing any of the following at its election:
 - (i) sending (or procuring the Company Registry to send) the refund amount to the Shareholder's Registered Address by cheque in Australian currency drawn out of the Responsible Entity Trust Account; or
 - (ii) depositing (or procuring the Company Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to the Company (or the Company Registry) by an appropriate authority from the Shareholder.

5.5 Ellerston Unit Offer - Unclaimed Subscription Monies

- (a) The Company may cancel a cheque issued under clause 5.4 if the cheque:
 - (i) is returned to the Company; or

- (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Company (or the Company Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Company must reissue a cheque that was previously cancelled under this clause 5.5(a).
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any refund of Subscription Monies which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (d) Any interest or other benefit accruing from any unclaimed refund of Subscription Monies will be to the benefit of the Responsible Entity.

5.6 Foreign Scheme Shareholders

- (a) The Responsible Entity will be under no obligation to issue, and must not issue, any Ellerston Units under this Scheme (including under the Ellerston Unit Offer) to Foreign Scheme Shareholders.
- (b) Instead, the Responsible Entity must procure that:
 - (i) the Ineligible Units are issued by the Responsible Entity to the Independent Custodian on the Implementation Date;
 - (ii) on or before the date that is 5 Business Days after the Implementation Date, the Independent Custodian receives an allotment advice or certificate (or equivalent document) in relation to the Ineligible Units;
 - (iii) as soon as reasonably practicable and in any event not more than 20 Business Days after the Implementation Date, the Independent Custodian requests the withdrawal (redemption) of the Ineligible Units; and
 - (iv) promptly after the withdrawal of Ineligible Units in accordance with clause 5.6(b)(ii), the Independent Custodian pays the Withdrawal Proceeds (*Foreign Scheme Shareholders*) into the Trust Account (*Foreign Scheme Shareholders*), for payment by the Independent Custodian to the Foreign Scheme Shareholders in accordance with the remaining provisions of this clause 5.6.
- (c) As soon as reasonably practicable and in any event no later than 10 Business Days following payment into the Trust Account (*Foreign Scheme Shareholders*) of the Withdrawal Proceeds (*Foreign Scheme Shareholders*), the Responsible Entity and the Company must procure that the Independent Custodian pays from the Trust Account (*Foreign Scheme Shareholders*) to each Foreign Scheme Shareholder who is as at the KYC Information Cut-Off Date an Identified Scheme Shareholder such amount of cash as is due to that Foreign Scheme Shareholder as Scheme Consideration in respect of their Scheme Shares, being in the case of each such person the amount they would have received had they:
 - (i) received Ellerston Units to which they would have been entitled under this Scheme but for the operation of this clause 5.6; and
 - (ii) withdrawn those Ellerston Units for an amount equal to that part of the Withdrawal Proceeds (*Foreign Scheme Shareholders*) which is attributable to the withdrawal of the Ellerston Units divided by the total number of Ellerston Units included in the Ineligible Units, provided that for the purposes of the foregoing the total cash amount payable to a Foreign Scheme Shareholder in respect of its parcel of Scheme Shares will be rounded down to the nearest whole cent,

less all applicable Taxes and charges incurred by the Independent Custodian or the Responsible Entity in connection with the withdrawal of the Ineligible Units.

- (d) In respect of any Foreign Scheme Shareholder who is not as at the KYC Information Cut-Off Date an Identified Scheme Shareholder:
- (i) subject to clause 5.6(d)(ii), the Responsible Entity and the Company must comply with clause 5.6(c) as soon as reasonably practicable after the Foreign Scheme Shareholder becomes an Identified Scheme Shareholder; and
 - (ii) if the Foreign Scheme Shareholder is still not an Identified Scheme Shareholder within 12 months from the date the Independent Custodian pays the Withdrawal Proceeds (*Foreign Scheme Shareholders*) into the Trust Account (*Foreign Scheme Shareholders*) under clause 5.6(b)(iii), the Responsible Entity will direct the Independent Custodian to treat the balance in the Trust Account (*Foreign Scheme Shareholders*) as 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (e) The amount referred to in clause 5.6(c) or 5.6(d)(i) (as applicable) must be paid by the Independent Custodian doing any of the following at its election:
- (i) sending (or procuring the Company Registry to send) it to the Foreign Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing (or procuring the Company Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to the Company (or the Company Registry) by an appropriate authority from the Foreign Scheme Shareholder.
- (f) Any interest on the amounts deposited in the Trust Account (*Foreign Scheme Shareholders*) (less bank fees and other charges) will be to the Responsible Entity's account.
- (g) If any amount is required under any Australian law or by any Regulatory Authority in Australia to be:
- (i) withheld from an amount payable under clause 5.6(c) or 5.6(d)(i) and paid to that entity or authority; or
 - (ii) retained by the Independent Custodian, the Company or the Responsible Entity out of an amount payable under clause 5.6(c) or 5.6(d)(i),
- its payment or retention by the Independent Custodian, the Company (or the Company Registry) or the Responsible Entity will constitute the full discharge of the payment obligations under this clause with respect to the amount so paid or retained until, in the case of 5.6(g)(ii), it is no longer required to be retained.
- (h) If:
- (i) written notice is given to the Responsible Entity, the Company (or the Company Registry) or the Independent Custodian of an order made by a Court of competent jurisdiction that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Foreign Scheme Shareholder, which would otherwise be payable to that Foreign Scheme Shareholder by the Company in accordance with clause 5.6(c) or 5.6(d)(i), then the Company may procure that payment is made in accordance with that order; or
 - (ii) written notice is given to the Responsible Entity, the Company (or the Company Registry) or the Independent Custodian of an order made by a court of competent jurisdiction that prevents any of those parties from making a payment by any of them to any particular Foreign Scheme Shareholder in accordance with clause 5.6(c) or 5.6(d)(i), or such payment is otherwise prohibited by applicable law, the Independent Custodian may retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Foreign Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with clause 5.6(c) or 5.6(d)(i) is permitted by that order or otherwise by law.

- (i) None of the Responsible Entity, the Company or the Independent Custodian gives any assurance as to the withdrawal price of Ineligible Units. The withdrawal of the Ineligible Units by the Independent Custodian will be at the risk of the Foreign Scheme Shareholders.
- (j) Each Foreign Scheme Shareholder appoints the Company as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Independent Custodian is required to provide to Foreign Scheme Shareholders under the Corporations Act.

5.7 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Ellerston Units comprised in the Scheme Consideration are to be issued to and registered in the names of the joint holders subject to this Scheme;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Company Share Register as at the Scheme Record Date; and
- (c) any other document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Company Share Register as at the Scheme Record Date.

5.8 Provision of Scheme Consideration and additional Ellerston Units

- (a) This clause 5.8 regulates the provision of the Scheme Consideration and additional Ellerston Units, other than with respect to Foreign Scheme Shareholders (as to whom clause 5.6 applies).
- (b) The Responsible Entity must by no later than 5.00pm on the Implementation Date:
 - (i) procure that the name of each Scheme Shareholder entitled to receive Ellerston Units under this Scheme including additional Ellerston Units for each Scheme Shareholder who has made a valid Election and who is as at the KYC Information Cut-Off Date an Identified Scheme Shareholder is entered in the Ellerston Fund's register of members as the holder of those Ellerston Units (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares); and
 - (ii) procure that the name of the Independent Custodian is entered in the Ellerston Fund's register of members as the holder of the Custody Units, with EGI acknowledging and confirming that the Independent Custodian holds the Custody Units on trust for EGI (with the trust arrangements as between the Independent Custodian and EGI being as set out in the Custody Agreement and with the trust arrangements as between EGI as trustee of the Custody Units and Non-Identified Scheme Shareholders as at the KYC Information Cut-Off Date being as set out in clause 5.9).

Provided the Responsible Entity gives written notice to the Company that it has undertaken the actions referred to in clauses 5.8(b)(i) and (ii), this will constitute the provision of the Scheme Consideration (and the issue of any additional Ellerston Units under the Ellerston Unit Offer) for the purpose of clause 4.2(a), with all other actions referred to in the remainder of this clause 5.8 being actions to otherwise perfect the provision of the Scheme Consideration (and the issue of any additional Ellerston Units under the Ellerston Unit Offer).

- (c) On or before the date that is 5 Business Days after the Implementation Date, the Responsible Entity must send or procure the sending of an allotment advice or certificate (or equivalent document) to:
 - (i) each Identified Scheme Shareholder entitled to receive Ellerston Units under this Scheme and additional Ellerston Units under the Ellerston Unit Offer, reflecting the issue to them of such Ellerston Units; and

- (ii) the Independent Custodian, reflecting the issue to it of the Custody Units.
- (d) If, within 59 Business Days after the Implementation Date, the Company or the Responsible Entity receives KYC Information in respect of a previously Non-Identified Scheme Shareholder so that they become an Identified Scheme Shareholder, the Company must execute as transferee on behalf of the Identified Scheme Shareholder in accordance with clause 8.6(b)(ii) a proper instrument of transfer of the number of Custody Units to which the Identified Scheme Shareholder is entitled, and the Company acknowledges and confirms that it has prior to the Effective Date given a direction to the Independent Custodian to:
- (i) execute as transferor a proper instrument of transfer of those Custody Units; and
 - (ii) deliver the transfer and certificates in respect of those Custody Units to the Responsible Entity's unit registry for registration and delivery to that Identified Scheme Shareholder of a new certificate or other evidence of the registration of those Custody Units in the name of that Shareholder by the Responsible Entity's unit registry.
- (e) If, as at 5.00pm on the 60th Business Day after the Implementation Date, the Independent Custodian still holds Custody Units (**Remaining Custody Units**), the Company acknowledges and confirms that it has prior to the Effective Date given a direction to the Independent Custodian to immediately request the withdrawal (redemption) of the Remaining Custody Units in accordance with the procedure specified in section 7.2 of the Ellerston Fund PDS by delivering to the Responsible Entity's unit registry (to its address as specified in the PDS) the Request Form in respect the Remaining Custody Units and the certificates (if any) in respect of the Remaining Custody Units.
- (f) Promptly after the withdrawal of Remaining Custody Units in accordance with clause 5.8(e), the Responsible Entity must procure that the Independent Custodian pays the Withdrawal Proceeds (*Non-Identified Scheme Shareholders*) into the Trust Account (*Non-Identified Scheme Shareholders*), for payment by the Independent Custodian to Scheme Shareholders in accordance with the remaining provisions of this clause 5.8. The Company acknowledges and confirms that the Independent Nominee holds the Withdrawal Proceeds (*Non-Identified Scheme Shareholders*) on trust for EGI, with EGI in turn holding the beneficial interest in those Withdrawal Proceeds on trust for Scheme Shareholders who remain Non-Identified Scheme Shareholders, in their allocated proportions.
- (g) Subject to the remaining provisions of this clause 5.8, in respect of any Non-Identified Scheme Shareholder who after 5.00pm on the 60th Business Day after the Implementation Date provides their KYC Information to the Company or the Responsible Entity and who thereby becomes an Identified Scheme Shareholder, the Responsible Entity and the Company must procure that the Independent Custodian as soon as reasonably practicable pays to that then Identified Scheme Shareholder such amount of cash as is due to that Identified Scheme Shareholder as Scheme Consideration in respect of their Scheme Shares, being in the case of each such person the amount they would have received had they:
- (i) received Ellerston Units to which they would have been entitled under this Scheme but for the operation of this clause 5.8; and
 - (ii) withdrawn those Ellerston Units for an amount equal to that part of the Withdrawal Proceeds (*Non-Identified Scheme Shareholders*) which is attributable to the withdrawal of the Ellerston Units divided by the total number of Ellerston Units included in the Custody Units, provided that for the purposes of the foregoing the total cash amount payable to a Scheme Shareholder in respect of its parcel of Scheme Shares will be rounded down to the nearest whole cent,
- less all applicable Taxes and charges incurred by the Independent Custodian or the Responsible Entity in connection with the withdrawal of the Ineligible Units.

- (h) The amount referred to in clause 5.8(g) must be paid by the Independent Custodian doing any of the following at its election:
- (i) sending (or procuring the Company Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing (or procuring the Company Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to the Company (or the Company Registry) by an appropriate authority from the Scheme Shareholder.
- (i) If any amount is required under any Australian law or by any Regulatory Authority in Australia to be:
- (i) withheld from an amount payable under clause 5.8(h) and paid to that entity or authority; or
 - (ii) retained by the Independent Custodian, the Company or the Responsible Entity out of an amount payable under clause 5.8(d) or 5.8(f),
- its payment or retention by the Independent Custodian, the Company (or the Company Registry) or the Responsible Entity will constitute the full discharge of the payment obligations under this clause with respect to the amount so paid or retained until, in the case of clause 5.8(i)(ii), it is no longer required to be retained.
- (j) If:
- (i) written notice is given to the Responsible Entity, the Company (or the Company Registry) or the Independent Custodian of an order made by a Court of competent jurisdiction that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by the Company in accordance with clause 5.8(d), then the Company may procure that payment is made in accordance with that order; or
 - (ii) written notice is given to the Responsible Entity, the Company (or the Company Registry) or the Independent Custodian of an order made by a court of competent jurisdiction that prevents any of those parties from making a payment by any of them to any particular Scheme Shareholder in accordance with clause 5.8(d), or such payment is otherwise prohibited by applicable law, the Company may retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Foreign Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with clause 5.8(d) is permitted by that order or otherwise by law.
- (k) If any Non-Identified Scheme Shareholder remains an Unidentified Scheme Shareholder within 12 months from the date the Independent Custodian pays the Withdrawal Proceeds (Non-Identified Scheme Shareholders) into the Trust Account (Non-Identified Scheme Shareholders) under clause 5.6(b)(iii), the Responsible Entity will direct the Independent Custodian to treat the balance in the Trust Account (Non-Identified Scheme Shareholders) as 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995 (NSW)*).
- (l) Any interest on the amounts deposited in the Trust Account (*Non-Identified Scheme Shareholders*) (less bank fees and other charges) will be to the Responsible Entity's account.
- (m) None of the Responsible Entity, the Company or the Independent Custodian gives any assurance as to the withdrawal price of the Remaining Custody Units. The withdrawal of the Remaining Custody Units by the Independent Custodian will be at the risk of the Non-Identified Scheme Shareholders.
- (n) Each Non-Identified Scheme Shareholder appoints the Company as its agent to receive on its behalf and Financial Services Guide or other notices (including any updates of those

documents) that the Independent Custodian is required to provide to the Non-Identified Scheme Shareholders under the Corporations Act.

5.9 Trust of beneficial interest in Custody Units

- (a) (**Declaration of trust**) EGI declares that it will hold on trust for each Non-Identified Scheme Shareholder the beneficial interest in the same number of Custody Units held by the Independent Custodian on trust for EGI, as provided in clause 5.8(b)(ii), as the number of that Non-Identified Scheme Shareholder's Scheme Shares, together with all rights attaching or accruing to that beneficial interest (such Custody Units in respect of a Non-Identified Scheme Shareholder being **Allocated Units**).
- (b) (**Record of particulars**) EGI must record (or procure that the Company Share Registry records) in its books particulars of each Non-Identified Scheme Shareholder's interest in the Custody Units, the beneficial interest in which is held on trust for the Non-Identified Scheme Shareholder.
- (c) (**Confirmations**) EGI confirms that:
- (i) Allocated Units (the beneficial interest in which is held by EGI on trust for a Non-Identified Scheme Shareholder) will be held by EGI on bare trust for that Non-Identified Scheme Shareholder absolutely;
 - (ii) no other Non-Identified Scheme Shareholder will have any right or interest in those Allocated Units; and
 - (iii) subject to clause 5.9(f), the Non-Identified Scheme Shareholder is entitled to all distributions, accretions, benefits and privileges attached to their Allocated Units absolutely, not including the right to direct EGI to issue the Allocated Units.
- (d) (**Duration and termination**) Each bare trust commences on the Implementation Date and ends 80 years (less one day) from the Implementation Date, or earlier as provided for in this Scheme. EGI may terminate the bare trust in relation to a Non-Identified Scheme Shareholder upon there ceasing to be any Allocated Units held by EGI on behalf of that Shareholder under this Scheme, including where EGI has distributed all the Allocated Units to the Shareholder or its nominee.
- (e) (**Other EGI obligations**) Subject to clause 5.9(f), EGI must:
- (i) transfer, deal with or otherwise dispose of, the Allocated Units in respect of a Non-Identified Scheme Shareholder as that Shareholder directs and not otherwise;
 - (ii) account to that Shareholder (or as it directs) for all distributions, bonuses or other distributions paid or made in respect of those Allocated Units;
 - (iii) exercise all voting and other rights or powers attaching to the Allocated Units as that Shareholder directs;
 - (iv) execute and deliver any form of transfer or proxy or other instrument relating to the Allocated Units or the exercise of the rights and powers attaching to such Allocated Units as that Shareholder directs;
 - (v) deliver promptly on demand to the Shareholder or as it directs the certificate for the Allocated Units (if relevant); and
 - (vi) to deliver promptly to the Shareholder any notices received by EGI in relation to the Allocated Units.
- (f) (**Qualification on covenants**) a Non-Identified Scheme Shareholder's entitlement under clause 5.9(e) is subject to, and the covenants provided by EGI under clause 5.9(e) do not apply in relation to a Non-Identified Scheme Shareholder unless and until, that

Shareholder has provided their KYC Information to the Company or the Responsible Entity.

- (g) **(Company not required to act)** EGI is not required to do anything under this Scheme:
 - (i) for which it does not have a right of indemnity under this Scheme; or
 - (ii) that will cause a breach of law or an obligation binding on EGI.

- (h) **(Outgoings)** Subject to clause 5.9(k), all expenses, Taxes and other amounts (**Outgoings**), and without duplication of any amounts paid or reimbursed out of the Allocated Units, incurred by EGI in the proper performance of its duties under or in connection with its obligations under this clause 5.9 are payable or reimbursable out of the Allocated Units. Outgoings include amounts in relation to any of the following:
 - (i) bank fees, interest, discount and acceptance fees for bill facilities and like amounts;
 - (ii) all Taxes (including those payable in respect of a distribution to a Non-Identified Scheme Shareholder) but excluding any Taxes that are attributable to any income EGI receives in its personal capacity;
 - (iii) fees payable to, or third party expenses from preparing any reports for any Regulatory Authority;
 - (iv) amounts payable to accountants, administrators, advisers, agents, brokers, contractors, custodians, trustees, underwriters, counterparties to any derivatives transactions or contracts entered into by EGI or its agents or other persons engaged by EGI under this Scheme (including legal costs on a full indemnity basis); and
 - (v) institution, prosecution, defence and compromise of any court proceedings (provided a compromise or settlement of any court proceeding or suit must first be approved by the Shareholder). EGI must repay to the Trust any amount it has been advanced in respect of outgoings in connection with proceedings in which, and to the extent that, they are found by a court to be liable for fraud, dishonesty, negligence, wilful misconduct or breach of duty.

- (i) **(Recoveries)** A Non-Identified Scheme Shareholder is liable to EGI for Taxes incurred by EGI that are directly attributable to that Shareholder's interest in their Allocated Units, and in relation to which EGI is not otherwise indemnified or entitled to reimbursement under this clause 5.9.

- (j) **(Liability and indemnification)** Subject to this clause 5.9(j) and clause 5.9(k), each Non-Identified Scheme Shareholder indemnifies EGI against any liability incurred by it, in properly performing any of its duties or exercising any of its powers in relation to the bare trust that arises under this clause 5.9 or attempting to do so. EGI has no lien over, or right to be indemnified out of, the Allocated Units and, to the fullest extent permitted by law, EGI waives any such lien or rights of indemnity it may otherwise have at law or in equity over or against any Allocated Units. The liability of each Non-Identified Scheme Shareholder in respect of any claim by EGI against the indemnity in this clause 5.9(j) is limited to the value of the Allocated Units at the time the liability arises less the aggregate amount of all payments made before that time under the indemnity.

- (k) **(Limitation of liability and indemnity)** The reimbursement rights, limitation of liability and indemnities in, respectively, clauses 5.9(h) and 5.9(j) do not apply to a person to the extent that an amount is due to, or liability or expenses arises directly from that person's

fraud, dishonesty, negligence or wilful misconduct (or that of its officers, employees, agents, or associates).

- (l) **(Limitation of acts)** EGI is not required to do anything:
 - (i) for which it does not have a full right of indemnity under clause 5.9(j) for that purpose; or
 - (ii) where EGI may incur an actual or contingent liability that is in the opinion of EGI in its absolute discretion, not limited satisfactorily to EGI.
- (m) **(EGI's limitation of liability – EGI's capacity)** Each Non-Identified Scheme Shareholder acknowledges and agrees that EGI will cease to have any obligation under this Scheme if EGI ceases for any reason to be the bare trustee of the Shareholder's Allocated Units (except to the extent that obligations under this Scheme at that date are expressed to continue). EGI will not be liable to pay or satisfy any Obligations except to the extent it is entitled to be indemnified under clause 5.9(j) in respect of any liability incurred by it as bare trustee of the Allocated Units – except in the case of and to the extent of fraud, negligence or material breach of trust on the part of EGI. Non-Identified Scheme Shareholders may enforce their rights against EGI arising from non-performance of EGI's obligations under this clause 5.9 only to the extent of EGI's right of indemnity under clause 5.9(j) – except in the case of and to the extent of fraud, negligence or material breach of trust on the part of EGI.
- (n) **(EGI's limitation of liability – no personal liability)** Except in the case of and to the extent of fraud, negligence or material breach of trust on the part of EGI, Non-Identified Scheme Shareholders waive their rights and release EGI from any personal liability whatsoever, in respect of any loss or damage which they may suffer as a result of any breach or non-performance by EGI of its obligations under this clause 5.9.
- (o) **(EGI's limitation of liability – EGI's acts and omissions)** Each Scheme Shareholder agrees that no act or omission of EGI (including any related failure to satisfy any obligations under this clause 5.9) will constitute fraud, negligence or material breach of trust of EGI for the purposes of this clause 5.9 to the extent to which the act or omission was caused or contributed to by any failure of the Non-Identified Scheme Shareholder or by any other act or omission of the Non-Identified Scheme Shareholder (or that of its officers, employees, agents, or associates – for the avoidance of doubt, excluding EGI and its respective affiliates and associates).
- (p) **(EGI's limitation of liability – no authority)** No attorney, agent or other person appointed in accordance with this Scheme has authority to act on behalf of EGI in a way which exposes EGI to any personal liability and no act or omission of such a person will be considered fraud, negligence or material breach of trust of EGI for the purposes of this clause 5.9.

5.10 Status of the Ellerston Units

- (a) Subject to this Scheme becoming Effective and to clause 5.8(b), the Responsible Entity must:
 - (i) issue the Ellerston Units required to be issued under this Scheme (including under the Ellerston Unit Offer) on terms such that each such Ellerston Unit will rank equally in all respects with all other Ellerston units (including the Class A units) then on issue; and
 - (ii) ensure that each Ellerston Unit required to be issued under this Scheme (including under the Ellerston Unit Offer) is duly issued and is fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of the Ellerston Fund); and

- (b) Each Scheme Shareholder who has not provided their KYC Information prior to the KYC Information Cut-Off Date agrees that the Ellerston Units to be issued to the Scheme Shareholder after the provision of that KYC Information will only rank equally with other Ellerston Units, including with respect to distributions and any then subsisting waiver of management fees charged by the Responsible Entity, as from the date of issue of the first mentioned Ellerston Units.

5.11 Definition of 'sending'

For the purposes of clause 5, the expression **sending** means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Scheme Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Scheme Record Date by any other means at no cost to the recipient.

6. Dealings in the Company Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in the Company Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Company Share Register as the holder of the relevant Company Shares on or before 7.00pm on the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 7.00pm on the Scheme Record Date at the place where the Company Share Register is kept,

and the Company will not accept for registration, nor recognise for any purpose (except a transfer to the Responsible Entity or an RE Custodian under this Scheme and any subsequent transfer by the Responsible Entity, or an RE Custodian, or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) **(Registration of transfers)** The Company must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Scheme Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires the Company to register a transfer that would result in a Company Shareholder holding a parcel of the Company Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).
- (b) **(No registration after Scheme Record Date)** The Company will not accept for registration or recognise for any purpose any transmission application or transfer in respect of the Company Shares received after 7.00pm on the Scheme Record Date, other than to the Responsible Entity or an RE Custodian in accordance with this Scheme.
- (c) **(Maintenance of the Company Share Register)** For the purpose of determining entitlements to the Scheme Consideration, the Company must maintain the Company Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The Company Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (d) **(No disposal after Scheme Record Date)** From the Scheme Record Date until registration of the Responsible Entity or an RE Custodian in respect of all Scheme Shares under clause 4, no Company Shareholder may dispose or otherwise deal with the Company Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and the Company shall be entitled to disregard any such disposal.
- (e) **(Statements of holding from Scheme Record Date)** All statements of holding for Company Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares (other than statements of holding in favour of any Excluded Shareholders). As from the Scheme Record Date, each entry current at that date on the Company Share Register (other than entries in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Company Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as reasonably practicable after the Scheme Record Date and in any event within 1 Business Day before the Scheme Record Date, the Company will ensure that details of the names, Registered Addresses and holdings of the Company Shares for, and KYC Information received as at the KYC Information Cut-Off Date of, each Scheme Shareholder are available to the Responsible Entity in the form the Responsible Entity reasonably requires.

6.3 Elections are personal to Shareholder

All Elections are personal to the Shareholder making that Election, such that any sale, transfer or other disposal of Shares prior to the Scheme Record Date in respect of which an Election was made does not give the purchaser, transferee or other party claiming rights in respect of those Shares any right to the benefit of the Election.

7. Quotation of the Company Shares

- (a) The Company will apply to ASX to suspend trading on the ASX in the Company Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by the Responsible Entity, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), the Company will apply:
 - (i) for termination of the official quotation of the Company Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) the Company may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Responsible Entity has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for the Company has consented.

8.2 Binding effect of Scheme

This Scheme binds the Company and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme

at that meeting and whether or not they provide their KYC Information) and, to the extent of any inconsistency, overrides the constitution of the Company.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Company Shares together with all rights and entitlements attaching to those the Company Shares in accordance with this Scheme;
- (b) irrevocably consents to the Company and the Responsible Entity doing all things necessary or expedient for or incidental to the implementation of this Scheme;
- (c) agrees to the variation, cancellation or modification of the rights attached to their Company Shares constituted by or resulting from this Scheme;
- (d) who holds their Company Shares in a CHESS Holding agrees to the conversion of those the Company Shares to an Issuer Sponsored Holding and irrevocably authorises the Company to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such Conversion;
- (e) agrees to become a unitholder of the Ellerston Fund and to be bound by the constitution of the Ellerston Fund;
- (f) agrees to participate in full in the Ellerston Fund's distribution reinvestment plan (**Reinvestment Plan**) in respect of all Ellerston Units issued to the Scheme Shareholder under this Scheme and all additional Ellerston Units issued to that Scheme Shareholder if it has made a valid Election under the Ellerston Unit Offer such that all distributions (if any) made by the Responsible Entity in respect of those Ellerston Units are applied to the acquisition by way of issue by the Scheme Shareholder of additional Ellerston Units issued in accordance with the Reinvestment Plan, unless and until the Scheme Shareholder notifies the Responsible Entity in writing:
 - (i) that the Scheme Shareholder does not wish to participate in the Reinvestment Plan in respect of all or some of the Scheme Shareholder's Ellerston Units; and
 - (ii) if a notice under sub-paragraph (i) is in respect of some of the Scheme Shareholder's Ellerston Units, specifying the number of Ellerston Units that will not participate in the Reinvestment Plan,

in which event all or the specified number (as the case may be) of the Scheme Shareholder's Ellerston Units will not participate in the Reinvestment Plan, such that distributions in respect of those Ellerston Units will be in cash, subject to any subsequent instruction, election or notification in respect of those Ellerston Units under the terms of the Reinvestment Plan;

- (g) who has not provided their KYC Information as at the KYC Information Cut-Off Date undertakes to do so as soon as practicable after that date; and
- (h) acknowledges and agrees that this Scheme binds the Company and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this Scheme at that Scheme Meeting and whether or not they provide their KYC Information) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of the Company.

8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to the Company, in its own right and for the benefit of the Responsible Entity that as at the Implementation Date:
 - (i) all of its Company Shares which are transferred to the Responsible Entity or an RE Custodian under this Scheme will, on the date on which they are transferred to the Responsible Entity or an RE Custodian, be free from all mortgages, charges,

- liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- (ii) all of its Company Shares which are transferred to the Responsible Entity or an RE Custodian under this Scheme will, on the date on which they are transferred to the Responsible Entity or an RE Custodian, be fully paid;
 - (iii) it has full power and capacity to transfer its the Company Shares to the Responsible Entity or an RE Custodian together with any rights attaching to those shares;
 - (iv) it has no existing right to be issued any Company Shares, Company options, Company performance rights, Company convertible notes or any other Company securities; and
 - (v) its KYC Information is complete and accurate.
- (b) Each Scheme Shareholder who makes an Election is deemed to have further warranted to the Company, in its own right and for the benefit of the Responsible Entity that:
- (i) all details and statements in its Election and Subscription Form are complete and accurate;
 - (ii) it understands that an Election and Subscription Form cannot be varied, withdrawn or revoked after the Election Cut-Off Date without the Responsible Entity's written consent which it may withhold in its absolute discretion;
 - (iii) it agrees that its Subscription Monies will be applied to subscribe for, and be issued, the number of additional Ellerston Units determined in accordance with this Scheme;
 - (iv) it authorises each of the Company and the Responsible Entity and their respective officers or agents, to do anything on behalf of the Scheme Shareholder necessary for the additional Ellerston Units to be issued to the Scheme Shareholder in accordance with this Scheme; and
 - (v) it is not a Foreign Scheme Shareholder.
- (c) The Company undertakes that it will provide the warranties in clause 8.4(a) and 8.4(b) to the Responsible Entity as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, the Responsible Entity will be beneficially entitled to the Scheme Shares transferred to it or an RE Custodian under this Scheme pending registration by the Company of the Responsible Entity or an RE Custodian in the Company Share Register as the holder of the Scheme Shares.

8.6 Authority given to the Company

- (a) This clause 8.6 is subject to the provision of the Scheme Consideration in accordance with clause 5.

- (b) Scheme Shareholders will be deemed to have authorised the Company to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including:
 - (i) executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2; and
 - (ii) executing and delivering, as agent and attorney of each Identified Scheme Shareholder a proper instrument of transfer of the Custody Units to which the Identified Scheme Shareholder is entitled as provided in clause 5.8(d).
- (c) Each Scheme Shareholder, without the need for any further act, irrevocably appoints the Company and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares and any proper instrument of transfer of Custody Units referred to in clause 8.6(a)(b)(ii)

8.7 Appointment of sole proxy

Subject to the provision of the Scheme Consideration in accordance with clause 5, on and from the Implementation Date and until the Company registers the Responsible Entity or an RE Custodian as the holder of all the Company Shares in the Company Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Responsible Entity as its attorney and agent (and directed the Responsible Entity in such capacity) to appoint an officer or agent nominated by the Responsible Entity as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of the Company, exercise the votes attaching to the Scheme Shares registered in its name and sign any the Company Shareholders' resolutions;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as under clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Responsible Entity reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), the Responsible Entity and any officer or agent nominated by the Responsible Entity under clause 8.7(a) may act in the best interests of the Responsible Entity as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

- (a) If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to the Company binding or deemed binding between the Scheme Shareholder and the Company relating to the Company or Company Shares (including any email addresses, instructions relating to communications from the Company, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from the Company) will be deemed from the Implementation Date (except to the extent determined otherwise by the Responsible Entity in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to the Responsible Entity and to be a binding instruction, notification or election to, and accepted by, the Responsible Entity in respect of the Ellerston Units issued or to be issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to the Responsible Entity at its registry.

- (b) Clause 8.8(a) does not affect the operation of clause 8.3(f).

9. General

9.1 Stamp duty

The Responsible Entity must pay all stamp duty payable in connection with the transfer of the Scheme Shares to the Responsible Entity or an RE Custodian.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to the Company, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Company's registered office or at the office of the Company Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non- receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

- (a) The Company must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) The Responsible Entity must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

Appendix 3 - Notice of Scheme Meeting

ELLERSTON GLOBAL INVESTMENTS LIMITED

ACN 169 464 706

NOTICE OF COURT ORDERED

MEETING OF ELLERSTON GLOBAL INVESTMENTS LIMITED SHAREHOLDERS

Notice is given that, by an Order of the Supreme Court of New South Wales (**Court**) made on 10 June 2020 under section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of EGI be held virtually (online only) at 11.00am (Sydney time) on Friday, 31 July 2020.

The Court has also directed that Paul Dortkamp or, if he is unable or unwilling to participate in the virtual (online only) meeting, William Best, act as Chairman of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between EGI and the Responsible Entity or any alterations or conditions required by the Court to which EGI and the Responsible Entity agree) to a scheme of arrangement proposed to be made between EGI and the holders of its ordinary shares (**Scheme**).

A copy of the Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Explanatory Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

*That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between EGI and the holders of its fully paid ordinary shares, designated the **Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and, subject to approval of the Scheme by the Court and the passing of the Early Termination Fee Resolution, the Board of Directors of EGI is authorised to implement the Scheme with any such alterations or conditions.*

BY ORDER OF THE COURT

DATED 11 June 2020



.....
Ian Kelly
Company Secretary

Explanatory notes for the Scheme Meeting

1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 14 of the Explanatory Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Explanatory Booklet includes a copy of the Scheme (refer Appendix 2) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme (the explanatory statement being all Sections of this Explanatory Booklet, other than this Appendix 3).

2. Voting entitlements

For the purposes of the Scheme Meeting, only those persons registered in the Share Register as a holder of EGI Shares at 7.00pm (Sydney time) on Wednesday, 29 July 2020 are entitled to participate and vote at the virtual (online only) Scheme Meeting in respect of each EGI Share held by them at that time, either personally, by proxy or attorney or, in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

- (a) The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the Scheme must be approved by:
 - (i) unless the Court orders otherwise, a majority in number (more than 50%) of holders of EGI Shareholders present and voting at the Scheme Meeting (whether personally, by proxy, attorney or, in the case of an EGI Shareholder or a proxy who is a corporation, by corporate representative); and
 - (ii) at least 75% of the total number of votes which are cast at the Scheme Meeting by EGI Shareholders (personally or by proxy, attorney, or in the case of an EGI Shareholder or a proxy who is a corporation, corporate representative).
- (c) The vote at the Scheme Meeting will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without any alterations or conditions agreed between EGI and the Responsible Entity or any alterations or conditions required by the Court to which EGI and the Responsible Entity agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Scheme is approved by the requisite majorities of EGI Shareholders at the Scheme Meeting, EGI intends to apply to the Court for orders approving the Scheme.

5. How to vote

EGI Shareholders who are entitled to vote at the Scheme Meeting may vote:

- (a) by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an EGI Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the Scheme Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held EGI Shares

If you hold EGI Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

7. Voting in person (or by attorney or corporate representative)

- (a) Eligible EGI Shareholders wishing to vote personally or their attorneys or, in the case of an EGI Shareholder or proxy who is a corporation, corporate representatives should log in online to participate in the virtual Scheme Meeting by clicking on the following link: <https://agmlive.link/EGI20>. Please refer to Section 4.4 for further details on how to watch and participate in the Scheme Meeting online.
- (b) The relevant parties who plan to participate in the Scheme Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, to register and to obtain a voting card.
- (c) The power of attorney appointing your attorney to participate in and vote at the Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Ellerston Global Investments Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 11.00am (Sydney time) on Wednesday, 29 July 2020 in any of the following ways:
 - (i) **By post** in the provided reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Share Registry:

Ellerston Global Investments Limited, C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
 - (ii) **By fax** to the Share Registry on +61 2 9287 0309
- (e) Your appointment of an attorney does not preclude you from logging in online and participating and voting at the Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the Scheme Meeting, you or your attorney or, in the case of an EGI Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the virtual Scheme Meeting to be held at 11.00am (Sydney time) on Friday, 31 July 2020 by clicking on the following link: <https://agmlive.link/EGI20>.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
 - (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the power; or
 - (iv) transferred the shares in respect of which the vote was cast,unless EGI received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, an EGI Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry before 11.00am (Sydney time) on Wednesday, 29 July 2020.
- (i) The appointment of a representative may set out restrictions on the representative's powers.

- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Eligible EGI Shareholders wishing to appoint a proxy to vote on their behalf at the Scheme Meeting must:

- (a) complete and sign or validly authenticate the Scheme Meeting Proxy Form accompanying the Explanatory Booklet and delivering the signed and completed Proxy Form to the Share Registry by 11.00am (Sydney time) on Wednesday, 29 July 2020; or
- (b) appoint a proxy online by 11.00am (Sydney time) on Wednesday, 29 July 2020, in accordance with the instructions below.

9. Submitting proxies

Eligible EGI Shareholders wishing to appoint a proxy to participate and vote on their behalf at the Scheme Meeting must return the provided Scheme Meeting Proxy Form to the Share Registry in any of the following ways:

- (a) **By post** in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

Ellerston Global Investments Limited, C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

- (b) **By fax** to the Share Registry on +61 2 9287 0309

As the cut off date for receipt of proxies is 11.00am (Sydney time) on Wednesday, 29 July 2020, you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

Alternatively EGI Shareholders may choose to appoint a proxy online as follows:

- (c) **Online:** if you wish to appoint your proxy online, you should do so by visiting www.linkmarketservices.com.au and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Sydney time) on Wednesday, 29 July 2020.

10. Notes for proxy appointments

- (a) Proxies participating in the Scheme Meeting will receive an email from Link Market Services prior to the Scheme Meeting containing details of their Proxy Number which they will need to use for the online registration process. Your proxy must participate in the Scheme Meeting by logging in online 15 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, to register and to obtain a voting card.
- (b) An EGI Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that EGI Shareholder's behalf.
- (c) A proxy need not be an EGI Shareholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Scheme Meeting Proxy Form. Replacement Scheme Meeting Proxy Forms can also be obtained from the Share Registry.
- (e) If you hold EGI Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Scheme Meeting Proxy Form.

- (f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
- (i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and
 - (ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.
- (g) If a proxy appointment is signed or validly authenticated by an EGI Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy in respect of the resolution to be considered at the Scheme Meeting.
- (h) If:
- (i) an EGI Shareholder nominates the Chairman of the meeting as their proxy; or
 - (ii) the Chairman is otherwise appointed to act as proxy,
- then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Scheme Meeting.
- (i) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).
- (j) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
- (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the proxy; or
 - (iv) transferred the shares in respect of which the vote was cast,
- unless EGI received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.
- (k) Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the Scheme Meeting. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Scheme Meeting. This means that if you appoint a proxy prior to the Scheme Meeting but then decide to attend the Scheme Meeting yourself, your proxy retains the ability to vote, not you.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to participate in the Scheme Meeting from EGI's website <https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments/>, or by contacting the Company Secretary of EGI or the Share Registry.

Appendix 4 - Notice of General Meeting

ELLERSTON GLOBAL INVESTMENTS LIMITED

ACN 169 464 706

NOTICE OF GENERAL MEETING OF ELLERSTON GLOBAL INVESTMENTS LIMITED SHAREHOLDERS

Notice is given that, an General Meeting of Ellerston Global Investments Limited ACN 169 464 706 (**EGI**) will be held on at 12.00 noon (Sydney time) on Friday, 31 July 2020, or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later), for the purpose of considering and if thought fit passing the following proposed resolution (**Resolution**).

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, approve the Early Termination Fee Resolution.

A copy of the Early Termination Fee Resolution and a copy of the Explanatory Statement required by section 218 of the Corporations Act in relation to the Scheme are contained in the Explanatory Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

Subject to, and interdependent with the approval of the Scheme by the Court under section 411(4)(b) of the Corporations Act and the Implementation Date occurring before the End Date, that for the purposes of section 208 of the Corporations Act, and for all other purposes, EGI Shareholders approve:

- (a) *EGI's agreement to pay the Early Termination Fee to the Manager in recognition that the Responsible Entity will provide a two year waiver of management fees for the Ellerston Class B units on implementation of the Scheme; and*
- (b) *EGI entering into arrangements to give effect to, and to pay the Early Termination Fee to the Manager.*

The above resolution is referred to in this notice of meeting as the Early Termination Fee **Resolution**.

VOTING EXCLUSION STATEMENT – ASHOK JACOB

In accordance with section 224 of the Corporations Act, no votes may be cast (in any capacity) on the Early Termination Fee Resolution by or on behalf of Ellerston Capital Limited, Ashok Jacob or any of their respective associates.

However, the above does not prevent the casting of a vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Early Termination Fee Resolution; and
- it is not cast on behalf of Ellerston Capital, Ashok Jacob or any of their respective associates.

BY ORDER OF THE INDEPENDENT DIRECTORS

DATED 11 June 2020



.....

Ian Kelly
Company Secretary

Explanatory notes for the General Meeting

1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 14 of the Explanatory Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the Early Termination Fee Resolution (noting the Early Termination Fee Resolution is intrinsically tied to the implementation of the Scheme). The Explanatory Booklet includes information regarding the Early Termination Fee (Section 2.5) and a copy of the explanatory statement required by Chapter 2E of the Corporations Act in relation to the Early Termination Fee Resolution (the explanatory statement being all Sections of this Explanatory Booklet, other than this Appendix 4).

2. Voting entitlements

For the purposes of the General Meeting, only those persons registered in the Share Register as a holder of EGI Shares at 7.00pm (Sydney time) on Wednesday, 29 July 2020 are entitled to participate and vote at the virtual (online only) General Meeting in respect of each EGI Share held by them at that time, either personally, by proxy or attorney or, in the case of an EGI Shareholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

The Early Termination Fee Resolution is a general resolution of EGI, and therefore requires a 50.1% majority to pass.

4. How to vote

EGI Shareholders who are entitled to vote at the General Meeting may vote:

- (a) by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an EGI Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the General Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

5. Jointly held EGI Shares

If you hold EGI Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the General Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

6. Voting in person (or by attorney or corporate representative)

- (a) Eligible EGI Shareholders wishing to vote personally or their attorneys or, in the case of an EGI Shareholder or proxy who is a corporation, corporate representatives should log in online to participate in the virtual General Meeting by clicking on the following link: <https://agmlive.link/EGIGM20>. Please refer to Section 4.4 for further details on how to watch and participate in the General Meeting online.

- (b) The relevant parties who plan to participate in the General Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the General Meeting, if possible, to register and to obtain a voting card.
- (c) The power of attorney appointing your attorney to participate in and vote at the General Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Ellerston Global Investments Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 11.00am (Sydney time) on Wednesday, 29 July 2020 in any of the following ways:
- (i) **By post** in the provided reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Share Registry:
 Ellerston Global Investments Limited, C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia
- (ii) **By fax** to the Share Registry on +61 2 9287 0309
- (e) Your appointment of an attorney does not preclude you from logging in online and participating and voting at the General Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the General Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the General Meeting, you or your attorney or, in the case of an EGI Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the virtual General Meeting to be held at 12.00 noon (Sydney time) on Friday, 31 July 2020 or as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned (whichever time is later) by clicking on the following link: <https://agmlive.link/EGIGM20> following the conclusion or adjournment of the Scheme Meeting .
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
- (i) died;
- (ii) became mentally incapacitated;
- (iii) revoked the power; or
- (iv) transferred the shares in respect of which the vote was cast,
- unless EGI received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, an EGI Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry before 11.00am (Sydney time) on Wednesday, 29 July 2020.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

7. Voting by proxy

Eligible EGI Shareholders wishing to appoint a proxy to vote on their behalf at the General Meeting must:

- (a) complete and sign or validly authenticate the General Meeting Proxy Form accompanying the Explanatory Booklet and delivering the signed and completed General Meeting Proxy Form to the Share Registry by 11.00am (Sydney time) on Wednesday, 29 July 2020
- (b) appoint a proxy online by 11.00am (Sydney time) on Wednesday, 29 July 2020, in accordance with the instructions below.

8. Submitting proxies

Eligible EGI Shareholders wishing to appoint a proxy to participate and vote on their behalf at the General Meeting must return the provided General Meeting Proxy Form to the Share Registry in any of the following ways:

- (a) **By post** in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

Ellerston Global Investments Limited, C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

- (b) **By fax** to the Share Registry on +61 2 9287 0309

Alternatively EGI Shareholders may choose to appoint a proxy online as follows:

- (c) **Online:** if you wish to appoint your proxy online, you should do so by visiting www.linkmarketservices.com.au and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Sydney time) on Wednesday, 29 July 2020.

9. Notes for proxy appointments

- (a) Proxies participating in the General Meeting will receive an email from Link Market Services prior to the General Meeting containing details of their Proxy Number which they will need to use for the online registration process. Your proxy must participate in the General Meeting by logging in online 15 minutes prior to the time designated for the commencement of the General Meeting, if possible, to register and to obtain a voting card.
- (b) An EGI Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that EGI Shareholder's behalf.
- (c) A proxy need not be an EGI Shareholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the General Meeting Proxy Form. Replacement General Meeting Proxy Forms can also be obtained from the Share Registry.
- (e) If you hold EGI Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the General Meeting Proxy Form.
- (f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

- (i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and
 - (ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.
- (g) If a proxy appointment is signed or validly authenticated by an EGI Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy in respect of the resolution to be considered at the General Meeting.
- (h) If:
- (i) an EGI Shareholder nominates the Chairman of the meeting as their proxy; or
 - (ii) the Chairman is otherwise appointed to act as proxy,
- then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the General Meeting.
- (i) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the General Meeting).
- (j) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
- (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the proxy; or
 - (iv) transferred the shares in respect of which the vote was cast,
- unless EGI received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.
- (k) Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the General Meeting. You may do so by contacting the Share Registry on +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the General Meeting. This means that if you appoint a proxy prior to the General Meeting but then decide to attend the General Meeting yourself, your proxy retains the ability to vote, not you.

10. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to participate in the General Meeting from EGI's website <https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments/>, or by contacting the Company Secretary of EGI or the Share Registry.

Appendix 5 - Scheme Implementation Deed



Amended and Restated Scheme Implementation Deed

—

Ellerston Capital Limited as responsible entity of the
Ellerston Fund (**Responsible Entity**)

Ellerston Global Investments Limited (**Company**)

Ellerston Capital Limited (**Manager**)

—

Amended and Restated Scheme Implementation Deed

Details	4
Agreed terms	5
1. Defined terms & interpretation	5
1.1 Defined terms	5
1.2 Interpretation	10
1.3 Business Day	11
1.4 Consents or approvals	11
1.5 Listing requirements included as law	11
1.6 Reasonable endeavours	11
2. Agreement to proceed with Scheme, General Meeting and Ellerston Unit Offer	11
2.1 Company to propose the Scheme and convene the General Meeting	11
2.2 Responsible Entity and the Manager to assist	11
2.3 Responsible Entity to make Ellerston Unit Offer	11
3. Conditions Precedent and Pre-implementation Steps	12
3.1 Conditions precedent	12
3.2 Satisfaction	13
3.3 Waiver of conditions precedent	14
3.4 If a condition precedent is not fulfilled or waived	14
3.5 Appeal process	15
3.6 Scheme voted down	15
3.7 Termination on failure of condition precedent	15
4. Transaction Steps	15
4.1 Scheme and General Meeting	15
4.2 Collection of KYC Information	16
4.3 Scheme Consideration	16
4.4 Ellerston Unit Offer	16
4.5 Allotment and issue of Units	16
4.6 Foreign Scheme Shareholders and Non-Identified Scheme Shareholders	17
5. Implementation	17
5.1 Company's obligations	17
5.2 Manager's obligations	20
5.3 Responsible Entity's obligations	20
5.4 Explanatory Booklet - preparation principles	22
5.5 Conduct of the Company business	23
5.6 Operation of the Ellerston Fund	24
5.7 Independent Board Committee recommendations and Intentions	24
5.8 Early termination of EGI Management Agreement and related matters	25
6. Actions on and following Implementation Date	25
6.1 Reconstitution of the board of each member of Company Group	25
6.2 Sequence of actions on the Implementation Date	26
7. Representations and Warranties	26
7.1 Responsible Entity Representations and Warranties	26

7.2	Company Representations and Warranties	26
7.3	Timing of representations and warranties	26
7.4	Survival of representations	26
8.	Releases	26
8.1	Company Parties	26
8.2	Responsible Entity Parties	27
8.3	Directors' and officers' insurance	27
8.4	Obligations in relation to directors' and officers' insurance	27
9.	Public Announcements	28
9.1	Announcement of the Scheme	28
9.2	Other public announcements	28
9.3	Required announcement	28
9.4	Statements on termination	28
10.	Termination	28
10.1	General rights	28
10.2	Effect of termination	29
10.3	Termination by written agreement	29
11.	Confidentiality	29
11.1	Confidentiality Obligation	29
11.2	Exceptions to confidentiality	29
12.	GST	29
12.1	Recovery of GST	29
12.2	Liability net of GST	29
12.3	Adjustment events	29
12.4	Survival	29
12.5	Definitions	29
13.	Notices	30
14.	Limitation of Responsible Entity's liability	30
15.	General Provisions	31
15.1	Amendment	31
15.2	Assignment	31
15.3	Costs and stamp duty	31
15.4	Counterparts	31
15.5	Entire agreement	31
15.6	Further assurances	32
15.7	Governing law and jurisdiction	32
15.8	No merger	32
15.9	No third party beneficiary	32
15.10	No waiver	32
15.11	Severability of provisions	32
15.12	Waiver of immunity	32
	Schedule 1 - Responsible Entity Representations and Warranties	33
	Schedule 2 - Company Representations and Warranties	35
	Schedule 3 - Form of Scheme	37
	Schedule 4 - Form of Deed Poll	38
	Schedule 5 - Indicative timetable	39
	Signing page	40

Details

Date 17 February 2020 (incorporating amendments under Amending Deed dated 9 April 2020 and Second Amending Deed dated 9 June 2020)

Parties

Name **Ellerston Capital Limited** ACN 110 397 674 as responsible entity of the **Ellerston Global Mid Small Cap Fund** ARSN 609 725 868

Short form name **Responsible Entity**

Notice details Level 11, 179 Elizabeth Street, Sydney, NSW, 2000
Email: JForde@ellerstoncapital.com
Attention: John Forde

Name **Ellerston Global Investments Limited** ACN 169 464 706

Short form name **Company**

Notice details Level 11, 179 Elizabeth Street, Sydney, NSW, 2000
Email: IKelly@ellerstoncapital.com
Attention: Ian Kelly

Name **Ellerston Capital Limited** ACN 110 397 674 as investment manager of the Company

Short form name **Manager**

Notice details Level 11, 179 Elizabeth Street, Sydney, NSW, 2000
Email: JForde@ellerstoncapital.com
Attention: John Forde

Background

- A The Responsible Entity has agreed to acquire all of the issued shares in the Company.
- B The Independent Directors of the Company intend to propose to Company Shareholders for their approval a merger with the Responsible Entity by way of a scheme of arrangement under section 411 of the Corporations Act, the effect of which would be to make the Company wholly owned by the Ellerston Fund.
- C The Responsible Entity and the Company have agreed to implement the Scheme on the terms and conditions of this deed.
- D The Manager has agreed to assist the Company with the preparation of the Explanatory Booklet and otherwise assist with the implementation of the Scheme.
- E The Responsible Entity has also agreed to make the Ellerston Unit Offer to Company Shareholders on the terms and conditions of this deed and the Scheme.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

Adviser means in relation to an entity:

- (a) a financier to the entity in connection with the Scheme; or
- (b) a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Scheme by the entity.

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

applicable customer identification procedure has the meaning given in the AML/CTF Act.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, if the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a business day as defined in the ASX Listing Rules.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Company Accounts means the audited individual and consolidated accounts (including the financial statements, notes forming part of or intended to be read with the financial statements, directors' report and declaration, and auditor's report) of the Company at and for the year ended 30 June 2019.

Company Board means the board of directors of the Company.

Company Conditions means the conditions precedent set out under the heading, 'Company Conditions' in clause 3.1.

Company Group means the Company and its subsidiaries.

Company Information means information about the Company prepared by the Company or any of its Advisers for inclusion in the Explanatory Booklet.

Company Party means a director, officer or employee of the Company.

Company Registry means Link Market Services Limited or any replacement provider of share registry services to the Company.

Company Representation and Warranty means a representation and warranty of the Company set out in Schedule 2.

Company Share means a fully paid ordinary share in the capital of the Company.

Company Shareholder means a person who is registered as the holder of Company Shares from time to time.

Company Share Register means the register of members of the Company maintained in accordance with the Corporations Act.

Company Share Registry means Link Market Services Limited ACN 083 214 537.

Competing Proposal means any expression of interest, proposal, offer, transaction or arrangement (including any takeover bid, scheme of arrangement, shareholder approved acquisition, share or asset sale, recapitalisation or issue of securities, capital reduction, share buy back or repurchase, joint venture, reverse takeover, dual listed company structure or other synthetic merger) under which a Third Party will or may, if the expression of interest, proposal, offer, transaction or arrangement is entered into and completed:

- (a) acquire control of the Company;
- (b) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in assets with an aggregate book value representing 20% or more of the total assets of the Company Group as set out in Company's consolidated balance sheet as at 30 June 2019;
- (c) otherwise (whether directly or indirectly) acquire or merge or amalgamate with Company;
- (d) come to have voting power in the Company of more than 20%; or
- (e) enter into any agreement or understanding requiring the Company to abandon, or otherwise fail to proceed with, the Scheme

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or the Federal Court of Australia or any other court of competent jurisdiction agreed between the Responsible Entity and the Company.

Court Approval Date means the date the Court approves the Scheme for the purposes of section 411(4)(b) of the Corporations Act.

Custody Agreement means the agreement dated 9 June 2020 between the Company and the Independent Custodian with respect to the Ineligible Units and the Custody Units.

Custody Units has the meaning given in clause 4.6(b).

Deed Poll means the deed poll in favour of all Scheme Shareholders in the form set out in Schedule 4 (or such other form agreed in writing between the parties acting reasonably).

Early Termination Fee means the fee payable by the Company to the Responsible Entity under clause 5.8 for the early termination of the EGI Management Agreement, being an amount equal to 1.50% of the net tangible asset value of each security in each class of the Company's asset portfolio as calculated under the ASX Listing Rules as at the Implementation Date.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

EGI Management Agreement means the investment management agreement between the Company and the Manager dated on or around 17 October 2014.

Election means an election that a Company Shareholder may make in accordance with the Scheme to apply for additional Ellerston Units under the Ellerston Unit Offer.

Ellerston Fund means the Ellerston Global Mid Small Cap Fund ARSN 609 725 868.

Ellerston Unit means a fully paid Class B Unit in the Ellerston Fund.

Ellerston Unit Offer means the offer or invitation to be made by the Responsible Entity to Company Shareholders to acquire by way of issue additional Ellerston Units as provided for in the Scheme.

End Date means 30 September 2020, subject to any extension under clause 3.4.

Excluded Shareholder has the meaning given in the Scheme.

Explanatory Booklet means the explanatory booklet to be prepared by the Company (with input from the Responsible Entity) in respect of the Scheme and the Ellerston Unit Offer in accordance with the terms of this deed and to be despatched to Company Shareholders.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Foreign Scheme Shareholder means a Scheme Shareholder whose address in the Company Share Register is a place outside Australia and its external territories, the Republic of Singapore or the United States unless the Responsible Entity and the Company agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Units under the Scheme.

General Meeting means the general meeting of the Company Shareholders to consider and vote on the General Meeting Resolution.

General Meeting Resolution means the resolution to be proposed at the General Meeting to approve the payment of the Early Termination Fee (in recognition that the Responsible Entity will waive management fees on Ellerston Units for two years following the Implementation Date) for the purpose of sections 208(1)(a) of the Corporations Act and for all other purposes.

Identified Scheme Shareholder means a Scheme Shareholder who has provided the Responsible Entity or the Company with KYC Information in respect of the Scheme Shareholder.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between the parties.

Independent Board Committee or **IBC** means a committee of the Company Board comprising all Independent Directors.

Independent Director means a director of the Company who is not nominated by or any officer or shareholder (directly or indirectly through one or more interposed entities) of the Manager.

Independent Expert means the independent expert in respect of the Scheme appointed by Company.

Independent Expert's Report means a report (including any updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interest of Company Shareholders.

Independent Custodian means Mainstream Fund Services Pty Limited ACN 118 902 891, as a party to the Custody Agreement.

Ineligible Units has the meaning given in clause 4.6(a).

Insolvency Event means in the case of any entity:

- (a) it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;
- (b) it stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (c) it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or Claim the subject of a good faith dispute);
- (d) it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;
- (e) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
 - (i) its winding up, dissolution, deregistration or administration; or
 - (ii) it entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them,(other than frivolous or vexatious applications, orders, proceedings, notices or steps);
- (f) a receiver, receiver and manager, administrative receiver or similar officer is appointed to:
 - (i) a security interest becomes enforceable or is enforced over; or

- (ii) a distress, attachment or other execution is levied or enforced or applied for over, all or a substantial part of its assets; or
- (g) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.

ITAA 1997 means the *Income Tax Assessment Act 1997* (Cth).

Joint Conditions means the conditions precedent set out under the heading 'Joint Conditions' in clause 3.1.

Joint Information means the information to be included in the Explanatory Booklet regarding the profile of the combined Company/Responsible Entity, assuming the Scheme is approved and implemented, and risk factors associated with the Scheme, being information that is to be prepared jointly by the Company, the Manager and the Responsible Entity.

Joint Public Announcement means the public announcement in relation to the Scheme to be issued by the Company and the Responsible Entity to ASX in the form agreed between the parties prior to the date of this deed.

KYC Information in relation to a Scheme Shareholder means all information required by the Responsible Entity to enable it to carry out the applicable customer identification procedure in respect of the Scheme Shareholder before the Scheme Shareholder may receive an issue (or transfer from the Independent Custodian) of Units under the Scheme and (in the case of Scheme Shareholders who make a valid Election) an issue of Units under the Ellerston Unit Offer.

KYC Information Condition means the receipt by the Company (as agent of the Responsible Entity under clause 4.2) or by the Independent Custodian (as agent of the Company) of KYC Information from those persons registered as EGI Shareholders at 7.00pm on the Business Day before the Second Court Date holding between them at least 75% of the then total number of EGI Shares on issue.

Liability means a debt, obligation, liability, loss, expense, cost or damage of any kind and however arising, including any penalty, fine or interest and including those which are prospective or contingent and those the amount of which for the time being is not ascertained or ascertainable.

Listing Rules means the official listing rules of ASX as amended from time to time.

Non-Identified Scheme Shareholder means a Scheme Shareholder who has not provided the Responsible Entity or the Company with KYC Information in respect of the Scheme Shareholder.

Regulatory Approvals means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority or exemption from, by or with a Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without notification.

Regulatory Authority means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute,

in Australia whether federal, state, territorial or local.

Relevant Date means in relation to a condition precedent, the date or time specified in this deed for its fulfilment (or where no such date or time is specified, the Business Day before the End Date), subject to extension under clause 3.4.

Representative means in relation to the Responsible Entity or the Company:

- (a) each other member of the Responsible Entity or the Company (as applicable);
- (b) an officer or employee of a member of the Responsible Entity or the Company (as applicable); or
- (c) an Adviser to a member of the Responsible Entity or the Company (as applicable).

Responsible Entity Board means the board of directors of the Responsible Entity.

Responsible Entity Condition means the condition precedent set out under the heading 'Responsible Entity Condition' in clause 3.1.

Responsible Entity Group means the Responsible Entity and its subsidiaries.

Responsible Entity Information means information about the Responsible Entity, the Ellerston Fund or the Ellerston Unit Offer provided or approved by the Responsible Entity or any of its Advisers to the Company in writing for inclusion in the Explanatory Booklet and includes all forms and other documents that the Responsible Entity requires to enable a Company Shareholder to comply with the Responsible Entity's applicable customer identification procedure to enable the issue of Units to the Company Shareholder as a Scheme Shareholder on implementation of the Scheme and under the Ellerston Unit Offer, in compliance with the AML/CTF Act.

Responsible Entity Party means a director, officer or employee of the Responsible Entity.

Responsible Entity Representation and Warranty means a representation and warranty of the Responsible Entity set out in Schedule 1.

RG 60 means Regulatory Guide 60 'Schemes of arrangement' issued by ASIC on 22 September 2011.

RG 76 means Regulatory Guide 76 'Related party transactions' issued by ASIC on 30 March 2011.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Company and the Scheme Shareholders under which the Responsible Entity proposes to acquire all of the Company Shares substantially in the form of Schedule 3, subject to any alterations or conditions:

- (a) agreed to in writing by the Responsible Entity and the Company; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Responsible Entity and the Company.

Scheme Consideration has the meaning set out in the Scheme.

Scheme Meeting means the meeting of the Company Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between the parties.

Scheme Resolution means the approval of the Scheme by the Company Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act.

Scheme Share means a Company Share held by a Scheme Shareholder.

Scheme Shareholder means a Company Shareholder at the Scheme Record Date who is not an Excluded Shareholder.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Superior Proposal means a bona fide Competing Proposal received after the date of this deed that the Company Board or the IBC determines, acting in good faith in order to satisfy what the

Company Board or IBC considers to be its fiduciary or statutory duties (having taken advice from its external financial and legal advisers):

- (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including any conditions and the likely availability of finance; and
- (b) would, if completed substantially in accordance with its terms, be likely to be more favourable to the Company Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal.

Tax means all forms of taxes, duties, imposts, charges, withholdings, rates, levies or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines, expenses and other additional statutory charges, incidental or related to the imposition.

Tax Law means any law in relation to any Tax.

Tax Relief means any relief, allowance, exemption, credit, exclusion set-off, deduction, loss, refund or rebate granted or available in respect of Tax under any Tax Law.

Third Party means any person or entity (including a Regulatory Authority) other than the Manager, the Responsible Entity or the Company.

Timetable means the indicative timetable for the implementation of the Scheme set out in Schedule 5, including any amendments to that timetable agreed by the parties in writing and acting reasonably.

Unit means a fully paid Class B unit in the Ellerston Fund.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or attachment is a reference to a clause of, or schedule or attachment to, this deed.
- (f) A reference to an agreement or document (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document, and includes the recitals, schedules and attachments to that agreement or document.
- (g) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to dollars and \$ is to Australian currency.
- (l) All references to time are to Sydney, Australia time.

- (m) Mentioning anything after **includes**, including, **for example**, or similar expressions, does not limit what else might be included.
- (n) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (o) A reference to **associate, control** (by an entity of another entity), **officer, related body corporate, subsidiary, relevant interest** or **voting power** is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Consents or approvals

If the doing of any act, matter or thing under this deed is dependent on the consent or approval of a party or is within the discretion of a party, the consent or approval may be given or the discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion unless expressly provided otherwise.

1.5 Listing requirements included as law

A listing rule or business rule of a financial market, including an ASIC market integrity rule, will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.6 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or best endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

- (a) to pay any money or provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Regulatory Authority; or
 - (b) to commence any legal action or proceeding against any person,
- except where that provision expressly specifies otherwise.

2. Agreement to proceed with Scheme, General Meeting and Ellerston Unit Offer

2.1 Company to propose the Scheme and convene the General Meeting

- (a) The Company agrees to propose and implement the Scheme on and subject to the terms of this deed.
- (b) The Company agrees to convene the General Meeting on and subject to the terms of this deed.
- (c) The Company agrees that the Scheme Resolution and the General Meeting Resolution will each be proposed to be inter-conditional on the passage of the other resolution, such that neither resolution will take effect unless each resolution is duly passed.

2.2 Responsible Entity and the Manager to assist

The Responsible Entity and the Manager agree to assist the Company to propose and implement the Scheme on and subject to the terms of this deed.

2.3 Responsible Entity to make Ellerston Unit Offer

The Responsible Entity agrees to make the Ellerston Unit Offer on and subject to the terms of this deed and the Scheme.

3. Conditions Precedent and Pre-implementation Steps

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of the Responsible Entity under clauses 4.3, 4.4, 4.5 and 4.6 are not binding, unless each of the following conditions precedent is satisfied or waived in accordance with clauses 3.3 and 3.4:

Joint Conditions

(Conditions precedent for the benefit of all parties)

- (a) **(ASIC and ASX consents)** before 8.00am on the Second Court Date, ASIC and ASX issue or provide such consents or approvals or have done such other acts which the Company and the Responsible Entity agree are reasonably necessary to implement the Scheme;
- (b) **(Other Regulatory Authority approvals)** before 8.00am on the Second Court Date:
 - (i) all other approvals of a Regulatory Authority which the Company and the Responsible Entity agree are necessary to implement the Scheme are obtained and have not been withdrawn or revoked; and
 - (ii) none of the following has been issued or made:
 - (A) a conditional or unconditional decision, determination or statement by any Regulatory Authority to the effect that it objects to the Scheme, and that decision, determination or statement would have the effect or likely effect of materially impeding the implementation of the Scheme;
 - (B) a preliminary or final decision, determination, or order issued by any Regulatory Authority preventing the Scheme; or
 - (C) a temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or the Takeovers Panel or other legal restraint or prohibition preventing the Scheme;
- (c) **(Company Shareholder approvals)** before 8.00am on the Second Court Date:
 - (i) the Scheme is duly approved by Company Shareholders (excluding any Excluded Shareholders) at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act; and
 - (ii) the General Meeting Resolution is duly passed by Company Shareholders at the General Meeting.
- (d) **(KYC Information Condition)** before 8.00am on the Second Court Date the KYC Information Condition is satisfied;
- (e) **(Court approval)** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon any party (acting reasonably);
- (f) **(Independent Expert's Report)** the Independent Expert's Report contains an opinion of the Independent Expert to the effect that the Scheme is in the best interest of Company Shareholders and the Independent Expert maintains that opinion (including by not withdrawing or changing that opinion) at all times up to 8.00am on the Second Court Date;

Responsible Entity Condition

(Condition precedent for the benefit of Responsible Entity only)

- (g) **(Company Warranties)** the Company Representation and Warranties being true and correct in all material respects on the date of this deed and at 8.00am on the Second Court Date;

Company Condition

(Condition precedent for the benefit of Company only)

- (h) **(Responsible Entity Warranties)** the Responsible Entity Representation and Warranties being true and correct in all material respects on the date of this deed and at 8.00am on the Second Court Date.

3.2 Satisfaction

- (a) The Responsible Entity and the Company must use reasonable endeavours to procure that the Joint Conditions are satisfied.
- (b) The Responsible Entity must use reasonable endeavours to procure that the Company Condition is satisfied.
- (c) The Company must use reasonable endeavours to procure that the Responsible Entity Condition is satisfied.
- (d) The Responsible Entity, the Manager and the Company must provide reasonable assistance in satisfying the other conditions precedent in clause 3.1, and ensure that there is no occurrence within the control of the Responsible Entity, the Manager or the Company (as the context requires) that would prevent any condition precedent in clause 3.1 being satisfied.
- (e) Each of the Responsible Entity, the Manager and the Company must:
 - (i) consult and co-operate fully with each other in relation to the satisfaction of the conditions precedent, including in relation to all material communications with Regulatory Authorities in relation to Regulatory Approvals;
 - (ii) promptly provide to each other all material communications with Regulatory Authorities in relation to Regulatory Approvals;
 - (iii) promptly notify each other if it becomes aware that any condition precedent has been satisfied; and
 - (iv) promptly notify each other of any failure to satisfy a condition precedent or of any fact or circumstance that may result in a condition precedent becoming incapable of being satisfied or that may result in a condition precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under this clause).
- (f) Without limiting this clause 3.2:
 - (i) the Company must provide the Responsible Entity with all information reasonably requested in connection with the Responsible Entity's applications for each Regulatory Approval referred to in clauses 3.1(a) and 3.1(b); and
 - (ii) the Responsible Entity must consult with the Company, and the Company must consult with the Responsible Entity, as applicable, in relation to the submission of and progress of obtaining each Regulatory Approval referred to in clause 3.1.
- (g) On the Second Court Date:
 - (i) the Responsible Entity, the Manager and the Company must give the Court a joint certificate (or such other evidence as the Court requires) confirming whether or not the Joint Conditions (other than the condition precedent at clause 3.1(e)) have been satisfied or waived;
 - (ii) the Responsible Entity must:
 - (A) give the Court a certificate (or such other evidence as the Court requires) confirming (in respect of matters within its knowledge) whether or not the Company Conditions have been satisfied or waived; and
 - (B) give the Company a draft of its certificate by 5.00pm on the Business Day before the Second Court Date; and

- (iii) the Company must:
 - (A) give the Court a certificate (or such other evidence as the Court requires) confirming (in respect of matters within its knowledge) whether or not the Responsible Entity Conditions have been satisfied or waived; and
 - (B) give the Responsible Entity a draft of its certificate by 5.00pm on the Business Day before the Second Court Date.

3.3 Waiver of conditions precedent

- (a) The conditions precedent in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(e) cannot be waived.
- (b) The remaining Joint Conditions are for the benefit of the Responsible Entity and the Company and may only be waived by both of them in writing.
- (c) The Responsible Entity Condition is for the sole benefit of the Responsible Entity and may only be waived by the Responsible Entity in writing.
- (d) The Company Condition is for the sole benefit of the Company and may only be waived by the Company in writing.
- (e) A party entitled to waive a condition precedent may do so conditionally or unconditionally in its absolute discretion.
- (f) If a party waives the breach or non-fulfilment of a condition precedent, that waiver will not preclude it from suing another party for any breach of this deed that resulted from the breach or non-fulfilment of the condition precedent that was waived or arising from the same event which gave rise to the breach or non-fulfilment of the condition precedent.
- (g) Waiver of a breach or non-fulfilment in respect of a condition precedent does not constitute:
 - (i) a waiver of the breach or non-fulfilment of any other condition precedent resulting from the same event; or
 - (ii) a waiver of the breach or non-fulfilment of that condition precedent resulting from any other event.

3.4 If a condition precedent is not fulfilled or waived

- (a) If a condition precedent cannot be fulfilled (or has not been fulfilled or waived) by the Relevant Date, or the Scheme has not become Effective by the End Date, the Company and the Responsible Entity must, prior to any termination under clause 3.7, consult in good faith and act reasonably (and obtain appropriate advice) for a period of at least 10 Business Days to develop potential structures and approaches and to determine whether:
 - (i) the Scheme may proceed by way of alternative means or methods and, if so, agree on the terms of such alternative means or methods (to avoid doubt, any such alternative means or methods must not involve any material additional economic cost (including increasing the amount of any Tax payable or reducing any Tax Relief available) to the Responsible Entity or to the Company or any Company Shareholder or be materially less advantageous to the Responsible Entity or Company Shareholders);
 - (ii) to extend the Relevant Date;
 - (iii) to adjourn or change the date of the Scheme Meeting; and/or
 - (iv) to extend the End Date.
- (b) Without limiting the foregoing, if a condition precedent is not satisfied by the date contemplated in the Timetable as the Second Court Date, the Company and the Responsible Entity agree (unless there is no reasonable prospect that the condition precedent will be satisfied) that the Second Court Date be deferred until such date (not later than the Business Day before the End Date) as reasonably required to enable more time to satisfy the condition precedent.

3.5 Appeal process

- (a) Without limiting clause 3.4, if the Court refuses to make any orders convening the Scheme Meeting or approving the Scheme, the Company must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an independent barrister who is a Queens Counsel or Special Counsel with at least 15 years' experience advises in writing, a copy of which is provided to the Responsible Entity, that in their view an appeal would have no reasonable prospect of success).
- (b) Any costs incurred as a result of the operation of clause 3.5(a) are to be borne equally by the Company and the Responsible Entity.

3.6 Scheme voted down

Without limiting clause 3.4 or clause 3.5, if the Scheme is not approved by a majority in number of the Company Shareholders (other than Excluded Shareholders) present and voting (in person or by proxy) at the Scheme Meeting (headcount test), that fact will not of itself be treated as preventing the condition precedent in clause 3.1(c) from being satisfied, and the Company must, if counsel for the Responsible Entity has certified that there are reasonable prospects of success on such an application, do everything it reasonably can to obtain Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act, and an order of the Court in accordance with section 411(4)(a)(ii)(B) of the Corporations Act that the headcount test need not be satisfied, and must consult and co-operate fully with the Responsible Entity in that regard.

3.7 Termination on failure of condition precedent

- (a) If:
 - (i) the Scheme has not become Effective by the End Date; or
 - (ii) any event occurs which would, or in fact does, prevent a condition precedent being satisfied and that condition precedent is not waived by the Company or the Responsible Entity or both (as applicable) in accordance with clause 3.3,then, subject to clause 3.7(b), the Responsible Entity, the Manager or the Company may terminate this deed without any liability to the others because of that termination.
- (b) A party will not be entitled to terminate this deed under clause 3.7(a) if the relevant occurrence, or the failure of the satisfaction of a condition precedent, or of the Scheme becoming Effective, arises out of, or is substantially contributed to by:
 - (i) a breach of this deed by that party; or
 - (ii) a deliberate act or omission of that party.
- (c) Subject to any rights or obligations arising under or under clauses that are expressed to survive termination of this deed, on termination of this deed no party will have any rights against or obligations to any other party under this deed except for those rights and obligations which accrued before termination.

4. Transaction Steps

4.1 Scheme and General Meeting

- (a) The Company must propose the Scheme under which:
 - (i) all of the Scheme Shares will be transferred to the Responsible Entity; and
 - (ii) the Scheme Shareholders will be entitled to receive the Scheme Consideration.
- (b) The Company must convene the General Meeting, to be held on same day as the Scheme Meeting, to consider and vote on the General Meeting Resolution. The Scheme Resolution and the General Meeting Resolution must each be proposed on terms that comply with the inter-conditionality principle in clause 2.1(c).

4.2 Collection of KYC Information

- (a) The Responsible Entity appoints the Company to be its agent with authority and for the purpose of carrying out applicable customer identification procedures on the Responsible Entity's behalf in relation to Company Shareholders who provide KYC Information to the Company.
- (b) The Company accepts the appointment. The Company may delegate the performance of the functions relevant to its appointment to the Independent Custodian.

4.3 Scheme Consideration

The Responsible Entity undertakes to the Company (in its own right and as trustee on behalf of the Scheme Shareholders) that, in consideration of the transfer to the Responsible Entity or its custodian of each Scheme Share under the terms of the Scheme, on the Implementation Date it will accept that transfer and the Responsible Entity will provide each Scheme Shareholder the Scheme Consideration in accordance with the terms of the Scheme.

4.4 Ellerston Unit Offer

- (a) The Responsible Entity acknowledges and agrees that it will:
 - (i) make the Ellerston Unit Offer to Company Shareholders (other than Foreign Scheme Shareholders), which offer will be subject to the Scheme becoming Effective;
 - (ii) include in the Explanatory Booklet information relevant to the Ellerston Unit Offer (such information to form part of the Responsible Entity Information); and
 - (iii) issue Ellerston Units to Scheme Shareholders who have made a valid Election.
- (b) The Responsible Entity appoints the Company as its agent with authority to receive and process on behalf of the Responsible Entity all Elections, variations, withdrawals and revocations of Elections. The Company accepts the appointment. The Company may delegate the performance of the functions relevant to its appointment to the Company Share Registry.

4.5 Allotment and issue of Units

- (a) Subject to the Scheme becoming Effective, the Responsible Entity must:
 - (i) allot and issue the Units to Scheme Shareholders in accordance with the Scheme on terms such that each such Unit will rank equally in all respects with each existing Unit as from the date of issue of the first-mentioned Units;
 - (ii) allot and issue the additional Units to Scheme Shareholders who have made a valid Election; and
 - (iii) ensure that on issue, each Unit so issued will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (b) To facilitate the issue of the Units to Scheme Shareholders on the Implementation Date (or the subsequent transfer of issued Units by the Independent Custodian to Scheme Shareholders after the Implementation Date), the Company must provide to the Responsible Entity, or procure the provision to the Responsible Entity of, a complete copy of the Company Share Register as at the Scheme Record Date (which must include the name, address and registered holding of each Scheme Shareholder as at the Scheme Record Date) and whether the Scheme Shareholder is an Identified Scheme Shareholder, within 2 Business Days after the Scheme Record Date. The details and information to be provided under this clause must be provided in such form as the Responsible Entity, its Representatives or unit registry may reasonably require.
- (c) The Responsible Entity will not issue any Units to Foreign Scheme Shareholders or Non-Identified Scheme Shareholders. Clause 4.6 will apply to Foreign Scheme Shareholders and Non-Identified Scheme Shareholders.

- (d) The Responsible Entity will not offer participation in the Ellerston Unit Offer nor issue any Units under that offer to Foreign Scheme Shareholders.

4.6 Foreign Scheme Shareholders and Non-Identified Scheme Shareholders

- (a) The Responsible Entity will issue the Units that would otherwise have been issued to the Foreign Scheme Shareholders as Scheme Consideration to the Independent Custodian appointed by the Company, in accordance with the terms of the Scheme (such Units, **Ineligible Units**). The Responsible Entity will issue the Ineligible Units to the Independent Custodian on the Implementation Date and before the Scheme Shares held by Foreign Scheme Shareholders are transferred to the Responsible Entity on that date.
- (b) The Responsible Entity will issue the Units that would otherwise have been issued as Scheme Consideration to persons who as at the KYC Information Cut-Off Date are Non-Identified Scheme Shareholders to the Independent Custodian appointed by the Company, in accordance with the terms of the Scheme (such Units, **Custody Units**). The Responsible Entity will issue the Custody Units to the Independent Custodian on the Implementation Date and before the Scheme Shares held by Non-Identified Scheme Shareholders are transferred to the Responsible Entity on that date.
- (c) The Responsible Entity and the Company must procure that the Independent Custodian deals with the Ineligible Units and the Custody Units in accordance with the terms of the Scheme. The Company must further procure that the Independent Custodian deals with the Ineligible Units and the Custody Units in accordance with the Custody Agreement.

5. Implementation

5.1 Company's obligations

The Company must take all necessary steps to propose and (subject to all of the conditions in clause 3.1 being satisfied or waived in accordance with their terms) implement the Scheme as soon as is reasonably practicable and, without limiting the foregoing, must use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult with the Responsible Entity on a regular basis about its progress in that regard), including by doing any acts it is authorised and able to do on behalf of the Company Shareholders and each of the following.

- (a) **(Preparation of Explanatory Booklet)** Prepare the Explanatory Booklet in accordance with clause 5.4.
- (b) **(Confirmation of the Company Information)** Before the Explanatory Booklet is provided to ASIC under section 411(2) of the Corporations Act and again before the Explanatory Booklet is despatched to the Company Shareholders, either:
 - (i) confirm in writing to the Responsible Entity that the Company Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) make the changes required to ensure that the Company Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission.
- (c) **(Joint Information)** Promptly contribute to and assist with the preparation and verification of the Joint Information.
- (d) **(Confirmation of Joint Information)** Before the Explanatory Booklet is provided to ASIC under section 411(2) of the Corporations Act and again before the Explanatory Booklet is despatched to the Company Shareholders, either:
 - (i) confirm in writing to the Responsible Entity that the Joint Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or

- (ii) provide to the Responsible Entity the changes required to ensure that the Joint Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission,

to the extent that any part of the Joint Information is prepared or contributed solely by the Company.

- (e) **(Regulatory notifications)** In relation to the Regulatory Approvals, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by the Company in relation to the Scheme.
- (f) **(Independent Expert)** Appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare the Independent Expert's Report as soon as practicable (but ensuring that clause 5.1(aa) is complied with in briefing the Independent Expert).
- (g) **(Consult with the Responsible Entity on ancillary documents)** Consult with the Responsible Entity as to the content and presentation of all relevant originating process, affidavits, submissions and draft minutes of Court orders and other civil procedure documents to be filed with the Court in connection with the Scheme, such consultation to include allowing the Responsible Entity a reasonable opportunity to review and make comments on drafts of those documents, consider in good faith, for the purpose of amending those drafts, comments from the Responsible Entity and its Representatives on those drafts, and provide the Responsible Entity with copies of any correspondence with ASIC and ASX in connection with the Scheme (and an opportunity to comment on drafts of any substantive written communications to ASIC or ASX).
- (h) **(approval of draft for ASIC and ASX)** As soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC and ASX, procure that a meeting of the IBC is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and to ASX for its review and approval for the purposes of Appendix 7A to the Listing Rules.
- (i) **(liaison with ASIC and ASX)** As soon as reasonably practicable after the date of this deed:
 - (i) provide an advanced draft of the Explanatory Booklet, in a form approved in accordance with this deed to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and to ASX for its review and approval for the purposes of Appendix 7A to the Listing Rules; and
 - (ii) liaise with ASIC and ASX during the period of their respective consideration of that draft of the Explanatory Booklet and keep the Responsible Entity reasonably informed of any matters raised by ASIC or ASX in relation to the Explanatory Booklet and use reasonable endeavours, in consultation with the Responsible Entity, to resolve any such matters.
- (j) **(approval of Explanatory Booklet)** As soon as reasonably practicable after the conclusion of the reviews by ASIC and ASX of the Explanatory Booklet, procure that a meeting of the IBC is held to consider approving the Explanatory Booklet for despatch to the Company Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act.
- (k) **(section 411(17)(b) statement)** Apply to ASIC for a statement under section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme.
- (l) **(confirmation of no objection from ASX)** Request ASX to confirm that it has no objection to the draft Explanatory Statement.
- (m) **(first Court hearing)** Apply to the Court under section 411(1) of the Corporations Act for orders directing the Company to convene the Scheme Meeting.

- (n) **(ASIC registration)** Request ASIC to register under section 412(6) of the Corporations Act the explanatory statement for the Scheme as contained in the Explanatory Booklet, in the form approved by the Court.
- (o) **(Scheme Meeting)** Use all reasonable endeavours necessary to comply with the orders of the Court including, as required, despatching the Explanatory Booklet to the Company Shareholders and convening and holding the Scheme Meeting, and using reasonable endeavours to ensure that all the Company Shareholders vote as a single class and with equal weight being given to their votes.
- (p) **(General Meeting)** Convene and hold the General Meeting, in accordance with the principles in clause 4.1.
- (q) **(Proxy reports)** Cause the Company Registry to report to it and the Responsible Entity on the status of proxy forms received by the Company Registry for the Scheme Meeting and General Meeting, at 15 Business Days before the date of those meetings, at each subsequent Business Day up to the deadline for receipt of proxy forms and at such deadline, and provide such other information as the Company may receive concerning the voting intentions of the Company Shareholders to the Responsible Entity.
- (r) **(KYC Information reports)** Cause the Independent Custodian to report to it and the Responsible Entity on those Company Shareholders that have provided their KYC Information;
- (s) **(Court approval)** Subject to all conditions precedent in clause 3.1 (other than that in clause 3.1(e)) being satisfied or waived in accordance with this deed, apply to the Court for orders approving the Scheme, and consult with the Responsible Entity as to the content of all relevant affidavits, submissions and draft minutes of Court orders.
- (t) **(Court order)** Lodge with ASIC an office copy of any Court order approving the Scheme in accordance with the Timetable (or such later date as the Responsible Entity may agree in writing).
- (u) **(Implementation of Scheme)** If the Scheme is approved by the Court:
 - (i) subject to the Listing Rules, lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act, within the timeframe contemplated by the Timetable;
 - (ii) procure ASX to suspend trading in the Company Shares from the close of trading on the Effective Date;
 - (iii) with effect from the Scheme Record Date, determine the identity of Scheme Shareholders, which of those Shareholders are Identified Scheme Shareholders and the entitlements of the Identified Scheme Shareholders to the Scheme Consideration;
 - (iv) subject to the Responsible Entity satisfying its obligations under clause 4.3 execute proper instruments of transfer of the Scheme Shares on behalf of the Scheme Shareholders and procure the registration in the Company Share Register of all transfers of Scheme Shares to the Responsible Entity under those instruments on the Implementation Date;
 - (v) use its best endeavours to ensure that the termination of official quotation and removal of Company from the official list of the ASX does not occur until after the Implementation Date; and
 - (vi) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme.
- (v) **(Regulatory notifications)** In relation to the Regulatory Approvals, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by Company in relation to the Scheme.
- (w) **(Responsible Entity Information)** Without the prior written consent of the Responsible Entity, not use the Responsible Entity Information or the Joint Information (to the extent

any part of the latter is prepared or contributed solely by the Responsible Entity) for any purposes other than those expressly contemplated by this deed or the Scheme.

- (x) **(Compliance with laws)** Do everything reasonably within its power to ensure that the Scheme are effected in accordance with all applicable laws and regulations.
- (y) **(Engagement with major Company Shareholders)** In co-operation with the Responsible Entity and the Manager, consult with major Company Shareholders regarding the Scheme Resolution and the General Meeting Resolution and encourage the public support of those resolutions by major Company Shareholders.
- (z) **(Practical assistance)** Make its officers and employees available for any meetings with the Company Shareholders which the Responsible Entity may seek, and permit the Responsible Entity to accompany them at such meetings and take such other steps as the Responsible Entity may require to facilitate an explanation by the Responsible Entity of the merits of the Scheme.
- (aa) **(Presentation of information to the Independent Expert)** Allow the Responsible Entity such opportunities as it reasonably requests (and equal opportunity with the Company) to present to the Independent Expert in relation to its business, to assist the Independent Expert's understanding of those matters, and, to the extent any parts of the Independent Expert's Report are made available for review, provide those to the Responsible Entity and convey the Responsible Entity's comments to the Independent Expert (and enable the Responsible Entity to meet with the Independent Expert), and ensure that the Independent Expert is briefed in a manner which is balanced and fair to the Responsible Entity. The Company must ensure that the Responsible Entity receives equal access with the Company in briefing the Independent Expert. Any correspondence with the Independent Expert must be copied to all parties.

5.2 Manager's obligations

The Manager must assist the Company to comply with its obligations under clause 5.1.

5.3 Responsible Entity's obligations

The Responsible Entity must take all necessary steps to facilitate the Scheme and the Ellerston Unit Offer as soon as is reasonably practicable and, without limiting the foregoing, must use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult with the Company on a regular basis about its progress in that regard), including by doing each of the following:

- (a) **(Responsible Entity Information)** Prepare and provide to the Company the Responsible Entity Information for inclusion in the Explanatory Booklet to comply with all applicable laws, including the Corporations Act, the AML/CTF Act, RG 60, RG 76 and the ASX Listing Rules relevant to the Responsible Entity Information and consult with Company as to the content and presentation of the Responsible Entity Information in the Explanatory Booklet, such consultation to include allowing Company a reasonable opportunity to review and make comments on successive drafts of the Responsible Entity Information before lodgement of the Explanatory Booklet with ASIC.
- (b) **(Joint Information)** Promptly contribute to and assist with the preparation and verification of the Joint Information.
- (c) **(Confirmation of Joint Information)** Before the Explanatory Booklet is provided to ASIC under section 411(2) of the Corporations Act and to ASX under Appendix 7A to the Listing Rules and again before the Explanatory Booklet is despatched to the Company Shareholders, either:
 - (i) confirm in writing to the Company that the Joint Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) provide to the Company the changes required to ensure that the Joint Information in the form and context in which it appears in the Explanatory Booklet is not

misleading or deceptive in any material respect and does not contain any material omission,

to the extent that any part of the Joint Information is prepared or contributed solely by the Responsible Entity.

- (d) **(Regulatory notifications)** In relation to the Regulatory Approvals, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by the Responsible Entity in relation to the Scheme.
- (e) **(Assist Independent Expert)** Promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report as soon as practicable.
- (f) **(Review drafts of Explanatory Booklet)** As soon as practicable after delivery, review drafts of the Explanatory Booklet prepared by the Company and provide any comments on those drafts, with this review to incorporate a review of any parts of the Independent Expert's Report that have been supplied for review.
- (g) **(Confirmation of the Responsible Entity Information)** Before the Explanatory Booklet is provided to ASIC under section 411(2) of the Corporations Act and to ASX under Appendix 7A to the Listing Rules and again before the Explanatory Booklet is despatched to the Company Shareholders, either:
 - (i) confirm in writing to the Company that the Responsible Entity Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) provide to the Company the changes required to ensure that the Responsible Entity Information in the form and context in which it appears in the Explanatory Booklet is not misleading or deceptive in any material respect and does not contain any material omission.
- (h) **(Deed Poll)** Before the First Court Date, enter into the Deed Poll and deliver it to Company. If the Scheme becomes Effective, discharge its obligations under and in accordance with the Deed Poll.
- (i) **(Court representation)** If requested by the Company or if the Responsible Entity acting reasonably considers it necessary or appropriate, procure that it is represented by counsel at the Court hearings convened for the purpose of sections 411(1) and 411(4)(b) of the Corporations Act, at which, through its counsel or solicitors, the Responsible Entity will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this deed, the Scheme and the Deed Poll.
- (j) **(Company Information)** Without the prior written consent of the Company, not use the Company Information or the Joint Information (to the extent any part of the latter is prepared or contributed solely by the Company) for any purposes other than those expressly contemplated by this deed or the Scheme.
- (k) **(Scheme Consideration)** If the Scheme becomes Effective, provide the Scheme Consideration in accordance with the Scheme.
- (l) **(Ellerston Unit Offer)** If the Scheme becomes Effective, issue additional Ellerston Units in accordance with the Scheme to all Scheme Shareholders who have made a valid Election.
- (m) **(Compliance with laws)** Do everything reasonably within its power to ensure that the Scheme is effected and the Ellerston Unit Offer is conducted in accordance with all applicable laws and regulations.

5.4 Explanatory Booklet - preparation principles

- (a) As soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, the Company must prepare the Explanatory Booklet in compliance with:
 - (i) all applicable laws, in particular with the Corporations Act, the AML/CTF Act, RG 60, RG 76 and the Listing Rules; and
 - (ii) this clause 5.4.
- (b) The Explanatory Booklet will include or be accompanied by:
 - (i) the terms of the Scheme and the Ellerston Unit Offer;
 - (ii) the notice of Scheme Meeting, the notice of General Meeting and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme, together with a proxy form for the Scheme Meeting and a proxy form for the General Meeting;
 - (iii) the Company Information;
 - (iv) the Responsible Entity Information;
 - (v) the Joint Information;
 - (vi) a copy of this deed (without the schedules or annexures) or a summary of it;
 - (vii) a copy of the executed Deed Poll;
 - (viii) a copy of the Independent's Expert Report;
 - (ix) a summary of the key terms of the executed Custody Agreement and the proper instruction issued by the Company to the Independent Custodian under that agreement; and
 - (x) the documents the Responsible Entity reasonably requires to be completed by Scheme Shareholders to enable the Responsible Entity to comply with the applicable customer identification procedure in respect of the Scheme Shareholders.
- (c) The Explanatory Booklet must include a statement that:
 - (i) other than the Responsible Entity Information and the Independent Expert's Report, the Explanatory Booklet has been prepared by the Company and is the responsibility of the Company, and that the Responsible Entity does not assume any responsibility for the accuracy or completeness of the Explanatory Booklet (other than the Responsible Entity Information and the Joint Information);
 - (ii) the Responsible Entity Information has been provided by the Responsible Entity and is the responsibility of the Responsible Entity, and that the Company does not assume any responsibility for the accuracy or completeness of Responsible Entity Information; and
 - (iii) the Joint Information has been provided by the Responsible Entity and the Company and is their joint responsibility.
- (d) The Explanatory Booklet must include information on the Independent Directors' recommendations in connection with the Scheme in compliance with paragraph 8301 of Schedule 8 to the Corporations Regulations.
- (e) The Company must make available to the Responsible Entity drafts of the Explanatory Booklet (including any part of the draft of the Independent Expert's Report that has been made available to Company), consult with the Responsible Entity in relation to the content of those drafts, and consider in good faith, for the purpose of amending those drafts, comments from the Responsible Entity on those drafts, such consultation to include allowing the Responsible Entity a reasonable opportunity to review and make comments on successive drafts of the Company Information before lodgement of the Explanatory Booklet with ASIC. The Responsible Entity acknowledges and agrees that the Company

has ultimate discretion with respect to the preparation, form and content of the Explanatory Booklet, other than as expressly provided in this deed with respect to the Responsible Entity Information.

- (f) The Company must seek approval from the Responsible Entity for the form and context in which the Responsible Entity Information appears in the Explanatory Booklet, which approval the Responsible Entity must not unreasonably withhold or delay, and the Company must not lodge the Explanatory Booklet with ASIC until such approval is obtained from the Responsible Entity.
- (g) The Company must take all reasonable steps to ensure that the Explanatory Booklet (other than the Responsible Entity Information) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is despatched to the Company Shareholders.
- (h) The Responsible Entity must take all reasonable steps to ensure that the Responsible Entity Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Explanatory Booklet is despatched to the Company Shareholders.
- (i) The Responsible Entity and the Company must jointly take all reasonable steps to ensure that the Joint Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Explanatory Booklet is despatched to the Company Shareholders.
- (j) The Company must provide to the Responsible Entity all such further or new information of which Company becomes aware that arises after the Explanatory Booklet has been despatched until the date of the Scheme Meeting and General Meeting where this is or may be necessary to ensure that the Explanatory Booklet continues to comply with the Corporations Act, the AML/CTF Act, RG 60, RG 76 and the Listing Rules.
- (k) The Responsible Entity must provide to the Company all such further or new information of which the Responsible Entity becomes aware that arises after the Explanatory Booklet has been despatched until the date of the Scheme Meeting and General Meeting where this is or may be necessary to ensure that the Responsible Entity Information continues to comply with the Corporations Act, the AML/CTF Act, RG 60, RG 76 and the Listing Rules.
- (l) The Company and the Responsible Entity each agree that the efficient preparation of the Explanatory Booklet and the implementation of the Scheme are in the interests of the Company Shareholders and the Responsible Entity and that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 5.4 and to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

5.5 Conduct of the Company business

- (a) From the date of this deed up until and including the Implementation Date, the Company and the Manager must ensure that the Company:
 - (i) conducts its business in the ordinary course and substantially (subject to any applicable laws, regulations and Regulatory Approvals) in the manner in which such business has been conducted in the period before the date of this deed and in compliance in all material respects with all applicable laws, regulations and Regulatory Approvals;
 - (ii) make all reasonable efforts to:
 - (A) keep available the services of their officers and employees; and
 - (B) preserve their relationships with Regulatory Authorities, ratings agencies, customers, suppliers, landlords, trade unions, licensors, licensees and others with whom they have business dealings;
 - (iii) not enter any lines of business or other activities in which the Company is not engaged at the date of this deed; and

- (iv) respond to any reasonable request from the Responsible Entity and its Representatives (including in response to requests for information from stock exchanges and Regulatory Authorities) for information concerning the Company and its business.
- (b) Nothing in this clause 5.5 requires the Company to provide the Responsible Entity with any information:
- (i) in breach of an obligation of confidentiality to any person;
 - (ii) of a commercially sensitive nature, except under clause 5.5(a); or
 - (iii) concerning the consideration of the Scheme by the Company Board or the Company management,
- or to provide access or co-operation to the extent it would result in a disruption to any material aspects of the Company Group's businesses and operations.

5.6 Operation of the Ellerston Fund

From the date of this deed up until and including the Implementation Date, the Responsible Entity must ensure that the Responsible Entity operates the Ellerston Fund in the ordinary course and substantially (subject to any applicable laws, regulations and Regulatory Approvals) in the manner in which the Ellerston Fund has been conducted in the period before the date of this deed and in compliance in all material respects with all applicable laws, regulations and Regulatory Approvals.

5.7 Independent Board Committee recommendations and Intentions

- (a) The parties acknowledge that the Joint Public Announcement will state that the IBC:
- (i) unanimously considers the Scheme to be in the best interests of the Company Shareholders; and
 - (ii) recommends that the Company Shareholders approve the Scheme Resolution, in each case in the absence of a Superior Proposal for Company and subject to the Independent Expert's Report concluding that the Scheme is in the best interests of the Company Shareholders (**Recommendation**).
- (b) The Company represents and warrants that the IBC and each of the Independent Directors will:
- (i) not withdraw the statements and recommendations set out in the Joint Public Announcement;
 - (ii) in the Explanatory Booklet, state that the IBC unanimously considers the Scheme to be in the best interests of the Company Shareholders and unanimously recommends that the Company Shareholders approve the Scheme Resolution, in the absence of a Superior Proposal for Company, and will not withdraw those statements or recommendations once made; and
 - (iii) does not make any public statement to the effect, or take any other action that suggests, that the Scheme is no longer so considered or recommended,
- unless any of the following occur:
- (iv) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Scheme is not in the best interests of the Company Shareholders; or
 - (v) the Company receives a Competing Proposal and a majority of the IBC determines that the Competing Proposal constitutes a Superior Proposal and any Independent Director, after considering the matter in good faith, no longer considers the Scheme to be in the best interests of the Company Shareholders;
- (c) The Company must ensure that the Joint Public Announcement and the Explanatory Booklet state that each Independent Director intends to cause any Company Shares in which they have a relevant interest to be voted in favour of the Scheme Resolution

(Voting Intention), which statement must not be qualified in any way other than by words to the effect of 'in the absence of a Superior Proposal' and in the case of the Joint Public Announcement only 'subject to the Independent Expert concluding that the Scheme is in the best interests of the Company Shareholders'.

- (d) The Responsible Entity acknowledges that each Independent Director may, at any time after the date of this deed, publicly (or otherwise) withdraw, change or in any way qualify their Voting Intention if:
 - (i) a Superior Proposal is made; or
 - (ii) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Scheme is not in the best interest of Company Shareholders;
- (e) The Company represents and warrants to the Responsible Entity that each Independent Director has confirmed their agreement not to do anything inconsistent with their Voting Intention (including withdrawing, changing, or in any way qualifying their Recommendation or Voting Intention) other than in circumstances referred to in clause 5.7(d).
- (f) Nothing in this clause applies to a Company Director who is not an Independent Director and the Company does not give any warranty or undertaking in relation to any such Company Director.

5.8 Early termination of EGI Management Agreement and related matters

- (a) Subject to and conditional on the Scheme becoming Effective, the parties acknowledge and agree that:
 - (i) the EGI Management Agreement will by force of this clause be terminated with effect on and from the Implementation Date;
 - (ii) on the Implementation Date (and in accordance with the sequence of steps in clause 6.2), the Company must pay the Responsible Entity the Early Termination Fee; and
 - (iii) as soon as reasonably practicable after the Implementation Date or such later date as the Responsible Entity determines from time to time, the investment portfolio of the Company will be sold and transferred to the Responsible Entity in accordance with clause 5.8(b).
- (b) For the purpose of clause 5.8(a)(a)(iii) the parties acknowledge and agree:
 - (i) before the Implementation Date, the parties will enter into a sale agreement under which the Company agrees to sell and the Responsible Entity agrees to purchase each security in each class of the Company's investment portfolio as at the Implementation Date (**Portfolio** and **Portfolio Sale Agreement** respectively);
 - (ii) the value of consideration payable by the Responsible Entity to the Company under the Portfolio Sale Agreement will be the aggregate market value of the Portfolio as agreed between the Company and the Responsible Entity on the Implementation Date (**Sale Consideration**) and
 - (iii) the Sale Consideration will be settled on terms as agreed between the parties from time to time.

6. Actions on and following Implementation Date

6.1 Reconstitution of the board of each member of Company Group

- (a) On the Implementation Date, but subject to the Scheme Consideration having been provided to Scheme Shareholders in accordance with the Scheme and receipt by the Company of signed consents to act, the Company must take all actions necessary (and in accordance with the constitution of the Company, the Corporations Act and the Listing

Rules) to reconstitute the Company Board in accordance with the directions of Responsible Entity.

- (b) Without limiting clause 6.1(a), on the Implementation Date, subject to receipt by the Company of written notices of resignation to the effect that the outgoing directors have no claim outstanding against any the Company Group, the Company must procure that all outgoing Company Directors resign from the Company Board.

6.2 Sequence of actions on the Implementation Date

On the Implementation Date, the transactions which form part of the Scheme will be implemented in the following sequence:

- (a) the Responsible Entity will provide the Scheme Consideration to Scheme Shareholders in accordance with the Scheme (including the issue of Ineligible Units and Custody Units to the Independent Custodian);
- (b) the Company will pay the Early Termination Fee to the Responsible Entity;
- (c) the Company Board will be reconstituted in accordance with clause 6.1.; and
- (d) the Responsible Entity will acquire all of the Scheme Shares.

7. Representations and Warranties

7.1 Responsible Entity Representations and Warranties

The Responsible Entity represents and warrants to the Company (in its own right and separately as trustee or nominee for each of the other Company Parties) that each Responsible Entity Representation and Warranty is true and correct.

7.2 Company Representations and Warranties

The Company represents and warrants to the Responsible Entity (in its own right and separately as trustee or nominee for each of the other Responsible Entity Parties) that each Company Representation and Warranty is true and correct.

7.3 Timing of representations and warranties

Unless expressed to be given at a particular time (in which case it is given at that time), each Responsible Entity Representation and Warranty and each Company Representation and Warranty is given:

- (a) at the date of this deed; and
- (b) at all times up until 8.00am on the Second Court Date.

7.4 Survival of representations

Each Responsible Entity Representation and Warranty and Company Representation and Warranty:

- (a) is severable; and
- (b) survives the termination of this deed (but does not survive, and will be taken to have no further force or effect following implementation of the Scheme).

8. Releases

8.1 Company Parties

- (a) Without limiting the Responsible Entity's rights under clause 10, the Responsible Entity (for itself and as agent of every member of the Responsible Entity Group) releases all

rights against and agrees with Company that it will not make a Claim against, any Company Party (other than the Company) in connection with:

- (i) the Company's execution or delivery of this deed;
- (ii) any breach of any representation, covenant and warranty of the Company in this deed;
- (iii) the implementation of the Scheme; or
- (iv) any disclosure made by any Company Party that contains any statement which is false or misleading whether in content or by omission,

except to the extent the relevant Company Party has not acted in good faith or has engaged in wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. The Company receives and holds the benefit of this clause as trustee for each other Company Party.

8.2 Responsible Entity Parties

- (a) Without limiting the Company's rights under clause 10, the Company releases its rights against, and agrees with the Responsible Entity that it will not make a Claim against, any Responsible Entity Party (other than the Responsible Entity) in connection with:

- (i) the Responsible Entity's execution or delivery of this deed;
- (ii) any breach of any representation, covenant and warranty of the Responsible Entity in this deed;
- (iii) the implementation of the Scheme; or
- (iv) any disclosure made by the Responsible Entity Party that contains any statement which is false or misleading whether in content or by omission,

except to the extent that the relevant Responsible Entity Party has not acted in good faith or has engaged in wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. The Responsible Entity receives and holds the benefit of this clause as trustee for each other Responsible Entity Party.

8.3 Directors' and officers' insurance

The Responsible Entity acknowledges that the Company will prior to the Effective Date, arrange for the cover currently provided under its directors' and officers' insurance policy which expires on 31 August 2020 (**Policy**) to be extended for a further period of 12 months.

8.4 Obligations in relation to directors' and officers' insurance

From the Implementation Date, the Company must not:

- (a) vary or cancel the Policy; or
- (b) unless required under the Policy, commit any act or omission that may prejudice any claim by a director or officer of the Company under the Policy as extended under clause 8.3 above.

Nothing in clause 8.3 or 8.4 will require the Responsible Entity or the Company to incur any additional premium after the Implementation Date or require the Company to not fulfil its contractual obligations under the Policy.

9. Public Announcements

9.1 Announcement of the Scheme

Immediately after the execution of this deed, the Company and the Responsible Entity must each issue the Joint Public Announcement.

9.2 Other public announcements

Subject to clause 9.3, prior to making any public announcement or disclosure of or in relation to the Scheme or any other transaction the subject of this deed or the Scheme each party must use its reasonable endeavours to consult with the other party as to, and seek to agree with the other party (each party acting reasonably and in good faith), the timing, form and content of that announcement or disclosure.

9.3 Required announcement

Where a party is required by applicable law, the ASX Listing Rules or any other applicable stock exchange regulation to make any announcement or to make any disclosure in connection with the Scheme or any other transaction the subject of this deed or the Scheme, it may do so but must use reasonable endeavours, to the extent practicable and lawful, to consult with the other party before making the relevant disclosure and must give the other parties as much notice as reasonably practical.

9.4 Statements on termination

The parties must act in good faith and use all reasonable endeavours to issue agreed statements in respect of any termination of this deed and, to that end but without limitation, clauses 9.2 and 9.3 apply to any such statements or disclosures.

10. Termination

10.1 General rights

- (a) The Responsible Entity or the Company may terminate this deed by written notice to the other at any time before 8.00am on the Second Court Date if:
 - (i) the other has materially breached any provision of this deed including any Company Representation and Warranty or Responsible Entity Representation and Warranty (as applicable);
 - (ii) the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate this deed; and
 - (iii) the relevant circumstances continue to exist for 10 Business Days from the time the notice of intention to terminate is given (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date).
- (b) The Responsible Entity may terminate this deed by written notice to each other party if the Company fails to issue the Joint Public Announcement in accordance with clause 9.1 or if, after issuing the Joint Public Announcement, the IBC:
 - (i) makes a public statement withdrawing or adversely changing or modifying its or their recommendation that the Company Shareholders vote in favour of the Scheme Resolution or makes a recommendation or statement that is inconsistent with such recommendation or statement; or
 - (ii) without limiting the foregoing, makes a public statement indicating that they no longer support the Scheme or that they support another transaction (including a Competing Proposal).
- (c) The Responsible Entity or the Company may terminate this deed by written notice to the others in the circumstances set out in, and in accordance with clause 3.7.

10.2 Effect of termination

If this deed is validly terminated by a party in compliance with clauses 3.7 or 10.1, this deed will be of no force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued before termination and the provisions of this clause and of clauses 1, 7.4, 8, 9, 11, 12, 13 and 14, which will remain in force after the termination.

10.3 Termination by written agreement

The parties may terminate this deed by another written agreement between them.

11. Confidentiality

11.1 Confidentiality Obligation

Each party acknowledges and agrees that all information received by it from any other party before or after the date of this deed is confidential and must remain confidential and not be disclosed to any Third Party without the consent of the other parties.

11.2 Exceptions to confidentiality

A party may make any disclosures in relation to this deed as it thinks necessary:

- (a) to its professional advisers, insurers, bankers, financial advisers and financiers, if those persons undertake to keep information disclosed confidential;
- (b) to comply with any law or requirement of any Regulatory Authority or the rules of ASX; or
- (c) to its representatives to whom it is necessary to disclose the information if that representative undertakes to keep the information confidential.

12. GST

12.1 Recovery of GST

If GST is payable, or notionally payable, on a supply made under or in connection with this deed, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable, or notionally payable, on that supply (**GST Amount**). Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time that the other consideration for the supply is provided. This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive or the supply is subject to reverse charge.

12.2 Liability net of GST

Where any indemnity, reimbursement or similar payment under this deed is based on any cost, expense or other liability, it may be reduced by any input tax credit entitlement, or notional input tax credit entitlement, in relation to the relevant cost, expense or other liability.

12.3 Adjustment events

If an adjustment event occurs in relation to a supply under or in connection with this deed, the GST Amount will be recalculated to reflect that adjustment and an appropriate payment will be made between the parties and the supplier shall issue an adjustment note to the recipient.

12.4 Survival

This clause will continue to apply after expiration or termination of this deed.

12.5 Definitions

Unless the context requires otherwise, words used in this clause that have a specific meaning in the GST law (as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)) have the same meaning in this clause.

13. Notices

Any notice, demand, consent or other communication (**Notice**) given or made under this deed:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, fax or email to the address, fax number or email address specified in the Details or the address, fax number or email address last notified by the intended recipient to the sender;
- (c) will be conclusively taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, 2 Business Days after the date of posting (if posted to an address in the same country) or 7 Business Days after the date of posting (if posted to an address in another country);
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error; and
 - (iv) in the case of email, when the message is sent unless a transmission failure report is received or generated by the sender's computer or device,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5.00pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

14. Limitation of Responsible Entity's liability

- (a) The parties agree that the Responsible Entity enters into this deed as trustee and responsible entity of the Ellerston Fund and in no other capacity.
- (b) The parties agree that the liability of the Responsible Entity to the Company is limited to the amount that the Responsible Entity actually receives in the exercise of its right of indemnity against the assets of the Ellerston Fund.
- (c) Each of the Company and the Manager may enforce its rights under this deed against the Responsible Entity only to the extent that the Responsible Entity's right of indemnity out of the assets of the Ellerston Fund.
- (d) If the Company or the Manager does not recover all money owing to it by enforcing the rights referred to in clause 14(c), it may not seek to recover the shortfall by:
 - (i) bringing proceedings against the Responsible Entity in its personal capacity; or
 - (ii) applying to have the Responsible Entity wound up or proving in the winding up of the Responsible Entity unless another creditor has initiated proceedings to wind up the Responsible Entity.
- (e) Each of the Manager and the Company waives its rights and releases the Responsible Entity from any personal liability whatever, in respect of any loss or damage which:
 - (i) it may suffer as a result of the Responsible Entity's non-performance of its obligations under this deed; and
 - (ii) cannot be paid or satisfied out of the assets of the Ellerston Fund out of which the Responsible Entity is entitled to be indemnified in respect of any liability incurred as trustee.
- (f) The limitation in this clause does not apply to the extent that any liability of the Responsible Entity arises from fraud, gross negligence or breach of trust by the Responsible Entity as the trustee of the Ellerston Fund. For these purposes, the parties

agree that the Responsible Entity cannot be regarded as having acted fraudulently, with gross negligence or in breach of trust to the extent to which the fraud, gross negligence or breach of trust has been contributed to by a failure of the Company or the Manager to fulfil its obligations under this deed or any other act or omission of either the Manager or the Company or any other person.

- (g) Nothing in clause 14(f) will make the Responsible Entity liable for any claim for an amount greater than the amount which the Responsible Entity would have been able to claim and recover from the assets of the Ellerston Fund in relation to the relevant liability if the Responsible Entity's right of indemnification out of the assets of the Ellerston Fund had not been prejudiced by the Responsible Entity's failure to properly perform its duties.
- (h) The Responsible Entity is not obliged to do or refrain from doing anything under this deed (including incur any liability) unless the Responsible Entity's liability is limited in the same manner as set out above in this clause.
- (i) Each of the Manager and the Company acknowledges and agrees that in respect of any liability or obligation incurred by the Responsible Entity under or arising out of this deed, it will not be permitted to set off liabilities or obligations against it or have any recourse to the assets of any managed investment scheme or trust of which the Responsible Entity is the responsible entity or trustee, other than the Ellerston Fund.
- (j) This clause applies despite any other provision of this deed and extends to all liabilities and obligations of the Responsible Entity in any way connected with any representations, warranty, conduct, omission, agreement or transaction related to this deed. In the event of any inconsistency, this clause prevails and survives termination of this deed.

15. General Provisions

15.1 Amendment

- (a) This deed other than clause 8 may be amended only by another deed executed by all the parties.
- (b) Clause 8 may be amended only by another deed executed by all of the parties and the consent of all of the Responsible Entity Parties and all of the Company Parties.

15.2 Assignment

A party cannot assign, charge, encumber or otherwise deal with at law or in equity any of its rights or obligations under this deed, or attempt or purport to do so, without the prior consent of each other party.

15.3 Costs and stamp duty

Each party must each bear their own costs arising out of the negotiation, preparation and execution of this deed. All stamp duty (including fines, penalties and interest) payable on or in connection with this deed and any instrument executed under or any transaction evidenced by this deed must (subject to the remaining provisions of this clause) be borne by Responsible Entity.

15.4 Counterparts

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

15.5 Entire agreement

This deed contains the entire agreement between the parties with respect to its subject matter. This deed sets out the only conduct relied on by the parties and supersedes all earlier conduct and prior agreements and understandings between the parties in connection with its subject matter.

15.6 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this deed.

15.7 Governing law and jurisdiction

This deed is governed by the laws of New South Wales. In relation to it and related non contractual matters each party irrevocably submits to the non exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

15.8 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Scheme.

15.9 No third party beneficiary

This deed is binding upon and inures solely to the benefit of each party to it and each of their respective permitted successors and assigns, and nothing in this deed, express or implied, is intended to or will confer upon any other person, other than the Responsible Entity Parties and the Company Parties (to the extent set out in clause 8), any third party beneficiary rights.

15.10 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this deed does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

15.11 Severability of provisions

Any provision of this deed that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this deed nor affect the validity or enforceability of that provision in any other jurisdiction.

15.12 Waiver of immunity

With respect to any legal action or proceedings arising out of or in any way related to this deed and related non contractual matters, Responsible Entity irrevocably and unconditionally:

- (a) waives any immunity that it or its assets may have at any time (including from suit, judgment, attachment, execution or other enforcement);
- (b) agrees that it will not raise, rely on or claim any immunity; and
- (c) consents to any relief or any process, including against any property (irrespective of its use or intended use).

Schedule 1 - Responsible Entity Representations and Warranties

1. The Responsible Entity is a validly existing corporation registered under the laws of its place of incorporation. The Ellerston Fund has been duly constituted and registered by ASIC. The Responsible Entity is the sole trustee and responsible entity of the Ellerston Fund.
2. The execution and delivery of this deed has been properly authorised by all necessary corporate action and the Responsible Entity has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed.
3. This deed constitutes legal, valid and binding obligations on it and this deed does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which the Responsible Entity is a party or is bound.
4. As at the date of this deed, the Ellerston Fund has 26,239,940 units on issue (designated as Class A units) held by seven unitholders, and the Responsible Entity has not issued (and is not required to issue) any other securities or instruments which are still outstanding (or may become outstanding) and which may convert into Units or other interests in the Ellerston Fund by way of new issue.
5. The Responsible Entity Information provided to Company for inclusion in the Explanatory Booklet will:
 - (a) be provided in good faith;
 - (b) comply in all material respects with the requirements of the Corporations Act, the AML/CTF Act, the Listing Rules, RG 60 and RG 76, including disclosure of all the information that would be required under paragraphs (c), (f), (g), (h), (i), (k), (l) and (m) of section 636(1) of the Corporations Act to be included in a bidder's statement if Responsible Entity were offering the Scheme Consideration as consideration under a takeover bid; and
 - (c) be provided on the understanding that Company will rely on that information for the purposes of preparing the Explanatory Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act.
6. The Joint Information provided by Responsible Entity to Company for inclusion in the Explanatory Booklet will, to the extent that the Joint Information relates solely to Responsible Entity or has been prepared by Responsible Entity:
 - (a) be provided in good faith;
 - (b) comply in all material respects with the requirements of the Corporations Act, the Listing Rules, RG 60 and RG 76, including disclosure of all the information that would be required under paragraphs (c), (f), (g), (h), (i), (k), (l) and (m) of section 636(1) of the Corporations Act to be included in a bidder's statement if Responsible Entity were offering the Scheme Consideration as consideration under a takeover bid; and
 - (c) be provided on the understanding that Company will rely on that information for the purposes of preparing the Explanatory Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act.
7. All information provided by or on behalf of Responsible Entity to the Independent Expert to enable the Independent Expert's Report to be included in the Explanatory Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Explanatory Booklet.
8. As at the date the Explanatory Booklet is despatched to the Company Shareholders, the Responsible Entity Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act will not be misleading or deceptive in any material respect (whether by omission or otherwise).

9. As at the date of this deed, the Responsible Entity is not in breach of its continuous disclosure obligations under section 675 of the Corporations Act and is not relying on the exclusion in regulation 6CA.1.01 of the Corporations Regulations 2001 (Cth) to withhold any information from disclosure and its public disclosures in relation to the Ellerston Fund (taken as a whole) are not misleading in any material respect (whether by omission or otherwise).
10. The Responsible Entity will, as a continuing obligation, provide to Company all such further or new information which may arise after the Explanatory Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the Responsible Entity Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act, is not misleading or deceptive in any material respect (whether by omission or otherwise).
11. There are no restrictions on the Responsible Entity issuing Units to Identified Scheme Shareholders in accordance with the Scheme and under the Ellerston Unit Offer, whether under the constitution of the Ellerston Fund or otherwise.

Schedule 2 - Company Representations and Warranties

1. The Company is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this deed by the Company has been properly authorised by all necessary corporate action and the Company has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed.
3. This deed constitutes legal, valid and binding obligations on the Company and the execution of this deed of itself does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which the Company or any of its Subsidiaries is a party or to which they are bound.
4. The Company Information contained in the Explanatory Booklet:
 - (a) will be prepared and included in the Explanatory Booklet in good faith; and
 - (b) will comply in all material respects with the requirements of the Corporations Act, Listing Rules, RG 60 and RG 76.
5. The Joint Information provided by the Company for inclusion in the Explanatory Booklet will, to the extent that the Joint Information relates solely to the Company or has been prepared by the Company:
 - (a) be provided in good faith; and
 - (b) comply in all material respects with the requirements of the Corporations Act, the Listing Rules, RG 60 and RG 76; and
 - (c) be provided on the understanding that Responsible Entity will rely on that information for the purposes of preparing the section of the Explanatory Booklet containing the Joint Information,
6. As at the date the Explanatory Booklet is despatched to the Company Shareholders, the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Responsible Entity Information and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise).
7. As at the date of this deed, the Company is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Scheme or as disclosed in writing to Responsible Entity on or before the date of this deed) and its public disclosures to ASX (taken as a whole) are not misleading in any material respect (whether by omission or otherwise).
8. To the best of the Company's knowledge, after making due and proper enquiry, all information the Company has provided to the Responsible Entity or its Representatives prior to the date of this deed is not misleading in any material respect (whether by omission or otherwise), including that there are reasonable grounds for all statements as to future matters and a reasonable basis for all statements of opinion in that information.
9. After making due and proper enquiry, the Company is not aware of any material information relating to its businesses that has not been disclosed to the Responsible Entity or its Representatives as at the date of this deed which:
 - (a) is objectively necessary for the Responsible Entity to make an informed decision as to whether to proceed with the Scheme; or
 - (b) might reasonably be expected to cause Responsible Entity not to proceed with the Scheme at all or to only proceed with the Scheme on materially different terms.

10. As at the date of this deed, the total issued capital of the Company is 105,300,394 Company Shares and there are no other Company options, performance rights, shares, convertible notes or other securities (or offers or agreements to issue any of the foregoing).

Schedule 3 - Form of Scheme

[Not reproduced here. Refer to Appendix 2 of the Explanatory Booklet]

Schedule 4 - Form of Deed Poll

[Not reproduced here. Refer to Appendix 6 of the Explanatory Booklet]

Schedule 5 - Indicative timetable

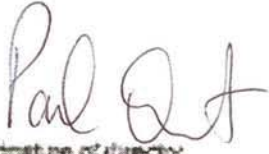
[Not reproduced here. Refer to pages 10 and 11 of the Explanatory Booklet]

Signing page

EXECUTED as a deed

COMPANY

Executed by Ellerton Global Investments Limited in accordance with Section 127 of the Corporations Act 2001



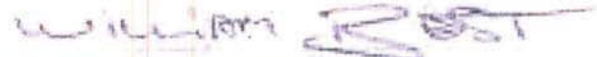
Signature of director

PAUL DORTKAMP

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)



Name of director/company secretary (print)

RESPONSIBLE ENTITY

Executed by Ellerton Capital Limited as responsible entity of the Ellerton Global Mid Small Cap Fund ARSN 609 726 888 in accordance with Section 127 of the Corporations Act 2001



Signature of director

BRIAN O'SULLIVAN

Name of director (print)




Signature of director/company secretary
(Please delete as applicable)

Ian Kelly

Name of director/company secretary (print)

MANAGER

Executed by Ellerton Capital Limited as the manager of Ellerton Global Investments Limited in accordance with Section 127 of the Corporations Act 2001



Signature of director

BRIAN O'SULLIVAN



Signature of director/company secretary
(Please delete as applicable)

Ian Kelly

Appendix 6 - Deed Poll



Deed poll

—
Ellerston Capital Limited as responsible entity of the
Ellerston Fund (**Responsible Entity**)
—

Deed poll

Details	3
Agreed terms	4
1. Defined terms & interpretation	4
1.1 Defined terms	4
1.2 Terms defined in Scheme Implementation Deed	4
1.3 Incorporation by reference	4
2. Nature of this deed poll	4
3. Conditions	4
3.1 Conditions	4
3.2 Termination	4
3.3 Consequences of termination	4
4. Performance of obligations	5
4.1 Generally	5
4.2 Provision of Scheme Consideration	5
5. Warranties	5
6. Limitation of the Responsible Entity's Liability	5
7. Continuing Obligations	6
7.1 Deed poll irrevocable	6
7.2 Variation	6
8. Notices	6
9. General Provisions	7
9.1 Assignment	7
9.2 Cumulative rights	7
9.3 No waiver	7
9.4 Stamp duty	7
9.5 Further assurances	8
9.6 Governing law and jurisdiction	8
Signing page	9

Details

Date 9 June 2020

Deed poll made by

Name **Ellerston Capital Limited** ACN 110 397 674 as responsible entity of the **Ellerston Global Mid Small Cap Fund** ARSN 609 725 868

Short form name **Responsible Entity**

Notice details Level 11, 179 Elizabeth Street, Sydney, NSW, 2000
Email: JForde@ellerstoncapital.com
Attention: John Forde

in favour of each Scheme Shareholder

Background

- A On 17 February 2020, the Responsible Entity and the Company entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to the Responsible Entity in return for the Scheme Consideration.
- C The Responsible Entity enters this deed poll to covenant in favour of Scheme Shareholders to:
 - (i) perform the steps attributed to it under the Scheme; and
 - (ii) provide the Scheme Consideration in accordance with the Scheme.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

Scheme Implementation Deed means the Scheme Implementation Deed dated 17 February 2020 between the Responsible Entity and the Company, as amended by an amending deed dated 9 April 2020 and a second amending deed dated 9 June 2020.

Company means Ellerston Global Investments Limited as trustee for the Scheme Shareholders.

1.2 Terms defined in Scheme Implementation Deed

Words and phrases defined in the Scheme Implementation Deed have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

2. Nature of this deed poll

The Responsible Entity acknowledges that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

3. Conditions

3.1 Conditions

The Responsible Entity's obligations under clause 4 are subject to the Scheme becoming Effective.

3.2 Termination

The Responsible Entity's obligations under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date or any later date as the Court, with the consent of the Responsible Entity and the Company, may order,

unless the Company and the Responsible Entity otherwise agree.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) the Responsible Entity is released from its obligations to further perform this deed poll; and
- (b) Scheme Shareholders retain the rights they have against the Responsible Entity in respect of any breach of this deed poll which occurred before it terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, the Responsible Entity covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if the Responsible Entity was a party to the Scheme.

4.2 Provision of Scheme Consideration

Subject to clause 3, the Responsible Entity undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to (or to be held on behalf of) each Scheme Shareholder in accordance with the terms of the Scheme.

5. Warranties

The Responsible Entity represents and warrants to each Scheme Shareholder that:

- (a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) (**Ellerston Fund**) the Ellerston Fund has been duly constituted and registered by ASIC, and the Responsible Entity is the sole trustee and responsible entity of the Ellerston Fund;
- (c) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (e) (**documents binding**) this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (f) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Regulatory Authority binding on it;
 - (ii) its constitution or other constituent documents; or
 - (iii) any other document which is binding on it or its assets; and
- (g) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it or the Ellerston Fund for its winding up or deregistration or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Limitation of the Responsible Entity's Liability

- (a) The Responsible Entity enters into this deed as trustee and responsible entity of the Ellerston Fund and in no other capacity.
- (b) The liability of the Responsible Entity to the Company is limited to the amount that the Responsible Entity actually receives in the exercise of its right of indemnity against the assets of the Ellerston Fund.
- (c) A Scheme Shareholder may enforce its rights under this deed poll against the Responsible Entity only to the extent that the Responsible Entity's right of indemnity out of the assets of the Ellerston Fund.
- (d) If a Scheme Shareholder does not recover all money owing to it by enforcing the rights referred to in clause 6(c), it may not seek to recover the shortfall by:

- (i) bringing proceedings against the Responsible Entity in its personal capacity; or
 - (ii) applying to have the Responsible Entity wound up or proving in the winding up of the Responsible Entity unless another creditor has initiated proceedings to wind up the Responsible Entity.
- (e) The limitation in this clause does not apply to the extent that any liability of the Responsible Entity arises from fraud, gross negligence or breach of trust by the Responsible Entity as the trustee of the Ellerston Fund.
- (f) Nothing in clause 6(e) will make the Responsible Entity liable for any claim for an amount greater than the amount which the Responsible Entity would have been able to claim and recover from the assets of the Ellerston Fund in relation to the relevant liability if the Responsible Entity's right of indemnification out of the assets of the Ellerston Fund had not been prejudiced by the Responsible Entity's failure to properly perform its duties.
- (g) The Responsible Entity is not obliged to do or refrain from doing anything under this deed (including incur any liability) unless the Responsible Entity's liability is limited in the same manner as set out above in this clause.
- (h) In respect of any liability or obligation incurred by the Responsible Entity under or arising out of this deed poll, it will not be permitted to set off liabilities or obligations against it or have any recourse to the assets of any managed investment scheme or trust of which the Responsible Entity is the responsible entity or trustee, other than the Ellerston Fund.
- (i) This clause applies despite any other provision of this deed poll and extends to all liabilities and obligations of the Responsible Entity in any way connected with any representations, warranty, conduct, omission, agreement or transaction related to this deed. In the event of any inconsistency, this clause prevails and survives termination of this deed.

7. Continuing Obligations

7.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) the Responsible Entity having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

7.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Company; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Company and is approved by the Court,

in which event the Responsible Entity will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

8. Notices

Any notice, demand or other communication (a **Notice**) to the Responsible Entity in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or email to the address specified in the Details;

- (c) will be conclusively taken to be duly given or made:
- (i) in the case of delivery in person, when delivered at the address of the addressee as provided in clause 8(b), unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
 - (ii) in the case of delivery by post, 2 Business Days after the date of posting (if posted to an address in the same country) or 7 Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of email, when the message is sent unless a transmission failure report is received by the sender's computer or device but if the result is that the message would be taken to be given or made on a day that is not a Business Day in the place to which the message is sent or is later than 5.00pm (local time) it will be taken to have been duly given or made at the start of business on the next Business Day in that place.

9. General Provisions

9.1 Assignment

- (a) The rights and obligations of the Responsible Entity and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of the Responsible Entity and the Company.
- (b) Any purported dealing in contravention of clause 9.1(a) is invalid.

9.2 Cumulative rights

The rights, powers and remedies of the Responsible Entity and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

9.3 No waiver

- (a) The Responsible Entity may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of the Responsible Entity as a waiver of any right unless the waiver is in writing and signed by the Responsible Entity, as appropriate.
- (d) The meanings of the terms used in this clause 9.3 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

9.4 Stamp duty

The Responsible Entity:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of

Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and

- (b) indemnifies and undertakes to keep indemnified each Scheme Shareholder against any liability arising from failure to comply with clause 9.4(a).

9.5 Further assurances

The Responsible Entity will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

9.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters the Responsible Entity irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

Signing page

EXECUTED as a deed poll.

Executed by Ellerston Capital Limited as responsible entity of the Ellerston Global Mid Small Cap Fund in accordance with Section 127 of the *Corporations Act 2001*



Signature of director

Brian O'Sullivan

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)

Ian Kelly

Name of director/company secretary (print)

Appendix 7 – Ellerston Fund PDS



ELLERSTON CAPITAL

24 April 2020

Ellerston Global Mid Small Cap
Fund – Class B Units
Product Disclosure Statement

SYDNEY OFFICE

Level 11, 179 Elizabeth Street,
Sydney NSW 2000
Ph: 02 9021 7701
E: info@ellerstoncapital.com
APIR Code: ECL3306AU

Ellerston Global Mid Small Cap Fund – Class B Units

IMPORTANT INFORMATION

Ellerston Capital Limited ABN 34 110 397 674, AFSL No. 283 000 (“Ellerston Capital”, “the Manager” or “we”) is the issuer of this product disclosure statement (PDS) dated 24 April 2020. Investments in Class B Units (Units) in the Ellerston Global Mid Small Cap Fund ARSN 609 725 868 (Fund) are made available by Ellerston Capital as the responsible entity of the Fund.

Applications for Units under this PDS may only be made on the Application Form accompanying this PDS. The Application Form contains important terms relating to the Fund and should be read in full before deciding to invest. The Application Form does not form a part of this PDS.

The information in this PDS is general information only and does not take into account your individual objectives, financial situation or needs. It is important that you carefully read this PDS in full before deciding to invest in Units. In particular, you should carefully consider the risks associated with an investment in the Fund and whether the information in this PDS is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the product offered in this PDS you should speak to your financial adviser or other professional adviser.

You should rely only on information in this PDS. No person is authorised to provide any information, or to make any representations, in connection with the issue of Units, which is not contained in this PDS. Any information or representations not contained in this PDS may not be relied upon as having been authorised by the Manager in connection with the issue of Units. This PDS supersedes and replaces all previous representations made in respect of the Manager and the Fund.

This PDS only constitutes an offer of, or invitation to apply for, financial products to persons within Australia or in places where it is lawful to make such an offer or invitation. Units in the Fund are not available for purchase within the United States or to US Persons.

This PDS is available electronically at www.ellerstoncapital.com. If you access an electronic copy of this PDS, then you should ensure that you download and read the entire PDS and the Application Form. If you are printing an electronic copy of this PDS, you must print all pages, including the Application Form. If you make this PDS available to another person, you must give them the entire electronic file or printout, including the Application Form. A paper copy of this PDS (including any supplementary document) can be obtained free of charge by calling Ellerston Capital on (02) 9021 7701 or by emailing info@ellerstoncapital.com.

You will be asked to provide personal information to us (directly or through the Registry) if you apply for Units. For information about how the Manager collects, holds and uses this personal information see [Section 10.7](#).

An investment in the Fund is subject to investment and other risks, including possible delays in repayment and loss of income and principal invested. Investments in the Fund are not deposits with, or other liabilities of Ellerston Capital, any member of the Manager's Group, Service Providers or related bodies corporate, affiliates, associates or officers of any of the above entities. None of these entities guarantees any particular rate of return or the performance of the Fund nor do they guarantee the repayment of capital from the Fund. There are no forecasts or prospective financial information relating to the Fund in this PDS.

No person other than Ellerston Capital has caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS or the establishment or performance of the Fund. ASIC takes no responsibility for the contents of this PDS.

All actions referred to in this PDS as being taken by the Fund are performed by Ellerston Capital as responsible entity of the Fund or its delegates, as the case may be, in respect of the Fund.

None of the Service Providers have or will undertake any due diligence inquiries with respect to investments of the Fund for the benefit of the Fund or its prospective investors.

To the full extent permitted by law no:

- Representation or warranty (express or implied) is given; and
- Responsibility or liability (including in negligence) is accepted,

by any company or person, in the group of companies to which each Service Provider belongs, as to the truth, accuracy or completeness of any statement, opinion, forecast, information or other matter (whether expressed or implied) contained in this PDS or as to any other matter concerning it.

The Manager reserves the right to vary the Offer, including by closing the Offer at any time, accepting late applications, changing the timing of the Offer, either generally or in particular cases, without notifying any recipient of this PDS or any applicants. Prospective investors are encouraged to submit their applications as soon as possible.

Subject to the law and the Constitution, the Manager may change at any time the information, terms and conditions set out in this PDS and otherwise applying to Units. Where a person is a Unit holder, they will be provided with at least 30 days' written notice of any such change which is materially detrimental to them as a Unit holder including any increase to fees. Unit holders who redeem their Units prior to the change will ordinarily not be bound by the change. Where a change is not materially adverse to Unit holders the information may be made available at: www.ellerstoncapital.com. Unit holders may obtain a paper copy of this information free of charge by contacting the Manager.

Certain capitalised expressions used in this PDS have defined meanings, which are explained in the Glossary – [Section 11](#). References to \$ or A\$ are to Australian dollars.

Ellerston Global Mid Small Cap Fund – Class B Units APIR Code: ECL3306AU

Table of Contents

1.	KEY FEATURES OF THE FUND	2
2.	ABOUT ELLERSTON CAPITAL	5
3.	DISCLOSURE PRINCIPLES AND BENCHMARKS	6
4.	ABOUT THE ELLERSTON GLOBAL MID SMALL CAP FUND	9
5.	RISKS	14
6.	FEES AND OTHER COSTS	16
7.	HOW THE FUND WORKS	22
8.	TAX CONSIDERATIONS	26
9.	MATERIAL DOCUMENTS	29
10.	ADDITIONAL INFORMATION	30
11.	GLOSSARY	33
12.	CORPORATE DIRECTORY	34

1. Key features of the Fund

This table contains a summary of the key features of the Units. You should read the PDS in full before deciding whether to invest. See the Glossary in **Section 11** for definitions of terms.

KEY FUND INFORMATION		
INVESTMENT OBJECTIVE	<p>The investment objective of the Fund is to generate a 3% outperformance over the MSCI World Mid Cap Index net return (NR)(AUD) over a rolling 5 year period with a focus on risk management and capital preservation. The Fund aims to achieve this by investing in a concentrated portfolio primarily targeting between 20 and 40 Securities with a global mid small cap bias. The Fund will be denominated in Australian dollars and currency exposures will be generally unhedged. The Fund seeks to:</p> <ul style="list-style-type: none"> • Provide investors with access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio; and • Increase the value of the Fund by allocating capital to a limited number of securities in which the Manager has the highest conviction. 	Section 4.1
INVESTMENT STRATEGY	<p>The Fund's investment strategy is to construct a concentrated portfolio of Securities using the Manager's distinctively contrarian, high conviction, benchmark independent investment approach. The focus is on disciplined 'bottom up' stock selection based on rigorous Fundamental analysis which is overlaid with the Manager's 'top down' assessment of macroeconomic conditions and the market outlook.</p> <p>The trade-off between risk and potential return is improved by implementing the highest conviction ideas from a filtered universe of securities that the Manager feels are in a period of "price discovery" and offer an attractive risk/reward dynamic.</p> <p>In following this approach, the Manager aims to allocate capital to securities they have identified with the most compelling risk/reward profile.</p>	Section 4.1
BENCHMARK	MSCI World Mid Cap Index (NR) (AUD)	
INVESTMENTS	<p>The Fund may invest in a wide range of financial investments, including, but not limited to:</p> <ul style="list-style-type: none"> • International listed Securities (including emerging markets); • Australian listed Securities; • International unlisted Securities (including emerging markets); • Australian unlisted Securities; • Cash and cash-like Investments; • Foreign currencies; and • Derivatives including Exchange Traded Derivatives and OTC Derivatives. 	Section 4.1
INVESTMENT GUIDELINES AND EXPOSURES	<p>The Manager has the following guidelines:</p> <ul style="list-style-type: none"> • Target number of positions: between 20 – 40 Securities; • Target maximum Security exposure: 10% of Net Asset Value at the time of investment; • Minimum Net Long exposure limit of 50% for all asset types (excluding foreign exchange). • Maximum Net Long exposure limit of 100% for all asset types (excluding foreign exchange). • A minimum of 80% of the portfolio must be invested in Securities. 	Section 4.2

DERIVATIVES	Derivatives such as futures, exchange traded options, index options and OTC Derivatives may be used with the objective being to protect or enhance the total performance of the Fund or to increase/decrease overall portfolio exposure and country exposures. Derivatives may have similar effects to leverage as they increase the level of investible assets.	Sections 4.2 and 5.1
WITHDRAWALS/ REDEMPTION	Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day.	Section 7.2
KEY RISKS	<p>There are a number of risks associated with investing in the Fund. The key risks include:</p> <ul style="list-style-type: none"> • Manager Risk. The success of the Fund is dependent on the ability of the Manager to identify investment opportunities that achieve the Fund's investment objective. • Currency Risk. Foreign exchange fluctuations may have a positive or adverse impact in the investment returns of the fund. • Security Specific Risk: The risk that the price of shares in a particular company may be affected by the operational and financial circumstances of the issuer of those securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates) earnings and cash flows. • Fund Risk: The success of the Fund depends upon our ability to develop and implement the Fund's investment strategy and identify investment opportunities that achieve the Fund's investment objective. • Distribution Risk: The Fund is not designed for investors seeking regular income payments. There is no guarantee that any distributable income will be generated. In certain circumstances, Unitholders may be liable for tax on distributions even if they have not received any distribution in cash. • Derivatives Risk: The use of Derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain. The use of Derivatives involves counterparty risk and incurs cost. • Concentration Risk: The concentrated nature of the Fund may increase the potential for volatility of returns. • Tax Risk: The expected tax treatment of the fund and your investment in the fund may change as a result of changes in the taxation laws and interpretation of them. <p>This is not a comprehensive summary of all the risks of investing in the Fund. We recommend that you obtain financial advice before investing.</p>	Section 5.1

KEY PRODUCT FEATURES		
Costs of Investing in the Fund		
Management Fee	Management Fee of 0.75% pa* of the Net Asset Value	Sections 6.1 and 6.2
Performance Fee	10% of the investment return over the Benchmark return, after recovering any underperformance in past periods	Sections 6.1 and 6.2
Buy/Sell Spread	0.25% on application / 0.25% on redemption	Section 6.2
Investment Requirements		
Minimum Initial Investment	Minimum initial investment – \$25,000 Minimum additional investment – \$10,000	Section 7.1
Applications	Daily. Completed Applications to be received by the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day	Section 7.1
Distributions		
Frequency	Half yearly each 30 June and 31 December where the Fund has distributable income	Section 7.4
Payment Method	Paid into your nominated bank account or reinvested as additional Units	Section 7.4

* All fees set out are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

REPORTING		
MONTHLY AND ANNUAL NEWSLETTER	A monthly and annual newsletter will be available on our website www.ellerstoncapital.com	Section 10.1
REGULAR REPORTING	Confirmation of all applications and redemptions An annual periodic statement providing your account balance, transaction summary and distribution details (if any)	Section 10.1
ONLINE ACCESS	Investors are able to access their holdings, transaction history and other statements online through our secure web portal: https://secure-ellerstoncapital.com	
UNIT PRICING	Unit prices are on our website www.ellerstoncapital.com	Section 7.5
ANNUAL AUDITED FINANCIAL REPORT	Annual audited financial report for the Fund	Section 10.1
ANNUAL TAX REPORTING	Annual tax statement for the Fund Exit statement if you have redeemed Units during the financial year	Section 8.1

2. About Ellerston Capital

Ellerston Capital is a specialist investment manager providing a range of innovative Australian and international investment strategies. As a firm majority owned by its principals and employees, our clients' objectives are our objectives.

As a dedicated investment manager, we aim to do one thing exceptionally well: grow and protect our clients' wealth through investing. We are passionate about creating value for our clients by identifying outstanding investment ideas and designing portfolios that perform over the long term. Our funds target a diverse range of strategies including, but not limited to, long only Australian, global and Asian equities, Australian market neutral, global long-short equity and private equity.

Ellerston Capital has been managing money since 2002. Our clients include Government, industry and corporate superannuation funds, international funds, family offices and high net worth investors.

Ellerston Capital's family office heritage means there is an absolute return mindset with a strong emphasis on risk management. Ellerston Capital supports our investment teams with an institutional-grade infrastructure.

KEY PERSONNEL

Bill Pridham, Portfolio Manager

Bill Pridham, as Portfolio Manager, has overall responsibility for the Fund and devotes the majority of his time to the Fund. Bill is supported by a team of investment professionals, each of whom have significant skill and experience in different geographies, sectors and industries.

Bill Pridham joined Ellerston Capital in November 2015 and has 22 years financial markets experience.

Prior to Ellerston Capital, Bill was an Investment Manager at JGL Investments. At JGL, he managed a listed equity portfolio with a global mandate and absolute return focus. Prior to JGL Investments, Bill worked as an Investment Analyst at Kira Capital, Senior Research Analyst at QIC and CIO at MMC Asset Management. Bill started his career at UBS Australia as a Senior Research Analyst.

Bill holds a Bachelor of Commerce from Bond University and is a CFA Charterholder.

There have been no adverse regulatory findings against Mr. Pridham or the Manager. Updates on Ellerston Capital and the investment team are available via www.ellerstoncapital.com.

3. Disclosure Principles and Benchmarks

DISCLOSURE PRINCIPLES

ASIC has required that funds such as this Fund disclose to Unit holders information against a number of stated disclosure principles. This table below contains a summary of the disclosure principles for the Units.

DISCLOSURE PRINCIPLES		FURTHER INFORMATION
1. INVESTMENT STRATEGY	<p>The investment objective of the Fund is to generate a 3% outperformance over the MSCI World Mid Cap Index (NR) (AUD) over a rolling 5 year period, with a focus on risk management and capital preservation.</p> <p>The Fund’s investment strategy is to construct a concentrated portfolio of Securities using the Manager’s distinctively contrarian, high conviction, benchmark independent investment approach. The focus is on disciplined ‘bottom up’ stock selection based on rigorous Fundamental analysis. This is overlaid with the Manager’s ‘top down’ assessment of macroeconomic conditions and the market outlook.</p> <p>The filters employed by the Manager aim to identify and capture all the opportunities that fit its investment criteria. The Manager is looking for equity investments that are in what we would call “a period of price discovery”. This may be the result of a spin-off, fallen angel, new CEO being appointed, corporate restructure or post IPO to name a few. Essentially, it is a period of time that creates a window of opportunity to make an investment with an attractive risk/reward dynamic.</p> <p>The Fund predominately invests in Securities and will have a broad investment universe with a small to mid-cap bias. The Fund will be denominated in Australian dollars and currency exposures will be generally unhedged.</p> <p>The Fund may also invest in Exchange Traded Derivatives, OTC Derivatives and Cash and Cash-like Investments. The Manager may utilise Derivatives as part of its investment strategy with the aim of generating or protecting returns.</p> <p>The key dependency underpinning the investment strategy is the research, analysis, skill and experience of the Manager.</p> <p>There are a number of risks associated with investing in the Fund. The key risks include returns being subject to the skill of the Manager, and risks associated with the use of Derivatives.</p> <p>The Manager’s risk management strategy is set out in Section 4.4.</p> <p>The Manager may change the investment objective and strategy to meet current market conditions. Unit holders will be given 30 days prior notice if any of these changes are materially adverse, otherwise these changes will be available on the Manager’s website.</p>	<p>Section 4.1</p> <p>Sections 4.1 and 4.2</p> <p>Section 4.2</p> <p>Section 5.1</p> <p>Section 4.4</p> <p>Section 4.5</p>
2. INVESTMENT MANAGER	<p>The responsible entity and investment manager is Ellerston Capital Limited.</p> <p>Bill Pridham (Portfolio Manager) has overall responsibility for the Fund’s investment decisions and is supported by a team of investment professionals.</p>	<p>Section 2</p>
3. FUND STRUCTURE	<p>The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act 2001 (Cth) (‘Corporations Act’). The Fund expects to invest directly in its investments.</p> <p>The key Service Providers are regularly monitored by the Manager to ensure compliance with their service agreement obligations. Except as stated above, there are no related party relationships and all arrangements are on arm’s length terms.</p> <p>There are various risks associated with this structure including counterparty risk.</p>	<p>Section 4.6</p> <p>Section 4.7</p> <p>Section 5.1</p>

4. VALUATION, LOCATION AND CUSTODY OF ASSETS	<p>The key aspects of the Fund's valuation policy are set out in Section 7.5.</p> <p>The Administrator and Custodian holds the Fund's assets. Cash may also be held on deposit with one or more Australian banks.</p>	<p>Section 7.5 Section 4.2</p>
5. LIQUIDITY	<p>The Manager reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.</p>	<p>Section 4.2</p>
6. LEVERAGE	<p>The Fund does not borrow and there is no Leverage on a net basis. The Fund may invest in Derivatives which can provide Leverage implicitly. Some Derivatives may have the same effect as borrowing as it allows the Fund's assets to have a larger economic exposure. The use of Leverage could enhance returns, although it may also increase losses and the volatility of returns.</p>	<p>Section 4.2 and 4.6</p>
7. DERIVATIVES	<p>Derivatives may be used as part of the Fund's strategy with the objective being to protect or enhance the total performance of the Fund or to increase/decrease overall portfolio exposure and country exposures.</p> <p>The Fund may utilise any type of Derivative, including Exchange Traded Derivatives such as Futures and Options and OTC Derivatives such as Swaps, Options and forward contracts (for example over currencies).</p> <p>The Manager engages reputable and regulated brokerage firms as Derivatives counterparties following due diligence.</p> <p>The use of Derivatives involves risk including counterparty risk and the risks associated with Leverage.</p>	<p>Section 4.2 and 4.6 Section 5.1</p>
8. SHORT SELLING	<p>The Fund will not utilise Short Selling as part of its investment strategy.</p>	
9. WITHDRAWALS/ REDEMPTIONS	<p>Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day.</p> <p>Redemptions may be suspended in limited circumstances as set out in Section 7.2. Unit holders will be notified in writing of any material changes to their redemption rights.</p>	<p>Section 7.2</p>

DISCLOSURE BENCHMARKS

This PDS addresses the following two disclosure benchmarks:

- **Valuation of assets:** this benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider; and
- **Periodic reporting:** this benchmark addresses whether we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis.

Each benchmark identifies a key area that ASIC considers investors should understand before making a decision to invest into the Fund.

Where a responsible entity does not meet a particular disclosure benchmark, ASIC requires that the responsible entity explain why the benchmark is not met and what alternative measures it has in place to mitigate the concern underlying the benchmark.

Benchmark 1: Valuation of Assets

The Fund meets this benchmark.

Benchmark 2: Periodic Reporting

The Fund meets this benchmark.

The following Fund information will be provided to Unitholders on a monthly basis:

- Net Asset Value of the Fund and Redemption Price of Units;
- Any changes to key Service Providers including any change in related party status;
- Net returns after fees, costs and relevant taxes;
- Any material changes to the Fund's risk profile and strategy; and
- Any material changes related to the primary investment personnel responsible for managing the Fund.

The information will be reported in the monthly newsletter which will be available on our website at www.ellerstoncapital.com.

Annual reporting will include:

- Asset allocation to each asset type;
- Liquidity profile at the end of the relevant period;
- Maturity profile of Fund's liabilities at the end of the relevant period;
- Details on derivative counterparties engaged;
- Monthly or annual returns; and
- Any changes to key Service Providers including any change in related party status.

This information will also be available on our website.

4. About the Ellerston Global Mid Small Cap Fund

4.1. FUND OVERVIEW

INVESTMENT OBJECTIVE	<p>The investment objective of the Fund is to generate a 3% outperformance over the MSCI World Mid Cap Index (NR) (AUD) over a rolling 5 year period, with a focus on risk management and capital preservation. The Fund aims to achieve this by investing in a concentrated portfolio primarily targeting between 20 and 40 Securities. The Fund will be denominated in Australian dollars and currency exposures will be generally unhedged. The Fund seeks to:</p> <ul style="list-style-type: none"> • Provide investors with access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio; and • Increase the value of the Fund by allocating capital to a limited number of Securities in which the Manager has the highest conviction.
INVESTMENT STRATEGY	<p>The Fund's investment strategy is to construct a concentrated portfolio of Securities using the Manager's distinctively contrarian, high conviction, benchmark independent investment approach. The trade-off between risk and potential returns is improved by implementing the highest conviction ideas from a filtered universe of Securities that the Manager feels are in a period of price discovery and offer an attractive risk/reward dynamic. The focus is on disciplined 'bottom up' stock selection based on rigorous Fundamental analysis. This is overlaid with the Manager's 'top down' assessment of macroeconomic conditions and the market outlook.</p> <p>The strategy will be implemented by the Manager's highly experienced investment team, made up of equity specialists with deep expertise across international and Australian markets.</p> <p>The Fund will have a broad investment universe and will have a mid - small cap bias. The Manager will seek to invest capital where it believes the most compelling risk/reward opportunities exist.</p> <p>The filters employed by the Manager aim to identify and capture all the opportunities that fit its investment criteria. The Manager is looking for equity investments that are in what we would call "a period of price discovery". This may be the result of a spin-off, fallen angel, new CEO being appointed, corporate restructure or post IPO to name a few. Essentially, it is a period of time that creates a window of opportunity to make an investment with an attractive risk/reward dynamic.</p> <p>The Manager may from time to time significantly increase exposure to Cash or Cash-like Investments, which may include circumstances where the Manager believes investment opportunities are limited, to protect capital or to manage liquidity.</p> <p>In following this approach, the Manager aims to allocate capital to Securities they have identified with the most compelling risk/reward profile.</p> <p>Portfolio Construction Summary</p> <p>To achieve the target return profile, the Manager will construct a portfolio based on the risk/reward profile of Securities within the investment criteria.</p> <p>Individual security analysis is qualitative, focusing on management, strategy and factors affecting the business, industry and quantitative, focusing on areas such as earnings, cash flow, liquidity, capital structure and balance sheet strength.</p> <p>Once the security analysis is complete, the risk/reward profile understood, and the level of conviction assessed, an appropriate position size is determined for inclusion in the portfolio.</p> <p>The Manager will also assess the potential impact of the macroeconomic climate and market outlook on the Fund's investments, sector and geographic exposures. This 'top down' view can be particularly important in establishing the level of conviction in a particular security and therefore its weight in the investment portfolio.</p> <p>The Manager will use the strategy, its investment experience and skill to meet the Fund's return objective.</p> <p>Refer to Sections 5.1 and 8 for general and tax related risks associated with the Fund's investments.</p> <p>There is no guarantee that the investment objective will be achieved.</p>

PORTFOLIO GUIDELINES	Benchmark	MSCI World Mid Cap Index (NR) (AUD)
	Investment universe	Securities Exchange Traded and OTC Derivatives Cash and Cash-like investments
	Target number of positions	Between 20 and 40 Securities
	Target maximum position exposure	Maximum Security position exposure: 10% of Net Asset Value at the time of investment. Minimum Net Long exposure limit of 50% for all asset types (excluding foreign exchange). Maximum Net Long exposure limit of 100% for all asset types (excluding foreign exchange).
LOCATION AND CURRENCY	<p>The Fund will invest predominantly outside of Australia, focusing on the United States, UK and Europe with opportunistic allocations to Asia and emerging markets from time to time.</p> <p>The currency of denomination of investments will generally follow the location of the investments. The Manager intends that the Fund will be generally unhedged, but it is aware of currency and cash exposures and will manage them in line with its macroeconomic and market outlook.</p>	
FUND INFORMATION AND PERFORMANCE	Performance information for the Fund will be displayed at www.ellerstoncapital.com . Prospective investors in the Fund can obtain performance information by telephoning (02) 9021 7701 or by emailing info@ellerstoncapital.com .	
LABOUR, ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS	The Manager integrates consideration of labour standards or social, environmental or ethical considerations through the application of ESG (Environmental Social and Governance) factors when making investment decisions in respect of the Fund. Such issues may affect the financial performance of an investment and any such financial effect would influence our investments.	

It is not intended that the Fund will have any material asset (being over 10% of the Net Asset Value of the Fund). Save where specified to the contrary, the above thresholds in the Portfolio Guidelines apply as at the time of the relevant investment. Where a Portfolio Guideline would be breached merely because of any market movements (e.g. as a result of strong performance), capital restructure, corporate action, capital flows or similar event, the Manager will take action to rebalance or reduce relevant positions back to below that threshold within a reasonable timeframe if it believes it is in the best interests of the Fund. The above Portfolio Guidelines incorporate the Delta Exposure obtained through Derivatives.

4.2. ASSET TYPES

The table below sets out a sample of the asset types the Fund may invest in and the overall allocation ranges.

ASSET TYPES	ALLOCATION RANGE
Equities	
• Securities	80-100%
Cash and fixed interest	
• Cash and Cash-Like Investments	0-20%
Derivatives	
• Exchange Traded	0-50%
• OTC Derivatives (for example foreign exchange forwards)	0-100%

Leverage

The Fund does not borrow and there is no Leverage on a net basis. The Fund may invest in Derivatives which can provide Leverage implicitly. Some Derivatives may have the same effect as borrowing as it allows the Fund's assets to have a larger economic exposure. The use of Leverage could enhance returns, although it may also increase losses and the volatility of returns.

The maximum allocation to Exchange Traded Derivatives is 50% (for example index options) however the Fund will not use Derivatives to increase the Fund's minimum net Long exposure above 50%. Although the gross exposure of the Fund can be higher than 100% (for example the Fund may invest in index put options) but not more than 150%, this does not have the effect of leveraging the total assets of the Fund, because the Fund has a maximum net Long exposure limit of 100% for all asset types (excluding foreign exchange).

There is typically no other Leverage embedded in the underlying assets of the Fund, other than Leverage embedded in holdings of listed Securities.

Sources of Leverage

Derivatives are typically sourced from Derivative counterparties such as investment banks and brokers. These counterparties are licensed by their local regulatory authority however may not be typically prudentially regulated. Exchange Traded Derivative transactions are cleared through an exchange, which reduces the counterparty risk that is associated with the use of OTC Derivatives (see Risks in [Section 5](#) for a discussion of counterparty risk).

Worked Example of Leverage

A worked example of the impact of Leverage through the use of Derivatives is set out below.

This example assumes that the Fund is fully invested in accordance with the maximum net Long exposure limit of 100% for all asset types (excluding foreign exchange).

In this example for every \$100 invested in the Fund, the Fund will have \$100 of Long exposure including any implicit leverage from the use of Derivatives. A 10% increase in the value of the Fund's assets (including Derivatives, but excluding foreign exchange) would result in a 10% increase in the overall value of the Fund, while a 10% decrease in the value of the Fund's assets would result in a 10% reduction in the overall value of the Fund.

Please note that the above example has been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

See [Section 5.1](#) for risks associated with the use of Leverage.

Collateral

The Fund may use the assets of the Fund as security or collateral for Derivatives.

With respect to Exchange Traded Derivatives, the exchange does not take similar security however the Fund may be subject to initial and subsequent margin calls which are required to be paid by the Fund. See [Section 5.1](#) for more detail regarding the risks associated with the above.

Derivatives

The Fund may use Derivatives as part of its overall investment strategy, including but not limited to:

- To increase/decrease overall portfolio and country exposures;
- Investing indirectly where the Manager determines that investing indirectly would, for example, be commercially advantageous, tax efficient or provide a more practicable means of access to the relevant investment;
- Hedging (foreign currency or the downside risk for part or all of the Fund's portfolio); or
- Short term portfolio management purposes, for example obtaining economic exposure to the market whilst physical exposures are being bought.

The Fund may utilise any type of Derivative, including Exchange Traded Derivatives such as Futures and Options and OTC Derivatives, such as Swaps, Options and forward contracts (for example over currencies).

Derivative Counterparties

The Manager engages reputable and regulated investment banks and brokerage firms as Derivative counterparties after conducting due diligence on factors such as their regulatory status, past disciplinary actions and compliance systems. The Fund also conducts a detailed legal review of relevant agreements (including with a view to protecting against counterparty risk).

See [Section 5.1](#) for risks associated with Derivatives. Also see "[Collateral](#)" above for information regarding the risk of providing collateral.

Liquidity

The Manager reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.

Key Dependencies

The key dependency underpinning the investment strategy is the research, analysis, skill and experience of the Manager. With the investment techniques available to the Fund, the Fund aims to generate Alpha on each investment that is, generating a profit which is not dependent on the general movements of the market (e.g. market conditions or interest rates) but rather on the skill of the Manager.

Key Risks

See **Section 5.1** for key risks associated with the investment strategy.

4.3. HEDGING

The Fund may have an exposure to fluctuations in foreign currencies to the extent that the Manager invests in international Securities. Whilst currency exposures will be generally unhedged, the Manager may elect to hedge this foreign currency exposure. There is no guarantee that any hedging will be successful. The cost of implementing hedging may be significant.

See **Section 5.1** for risks associated with hedging.

4.4. RISK MANAGEMENT STRATEGY

The Manager has risk management processes in place including actively monitoring the Fund's exposure and liquidity, undertaking due diligence. The Fund's portfolio is regularly monitored and reviewed. Counterparty risks associated with OTC Derivatives are managed by reviewing the open positions to assess the quantum of exposure and monitoring the credit risk associated with each.

The Manager's risk management process also includes a comprehensive compliance framework. This framework includes compliance policies, training, monitoring and maintaining a Compliance Plan and a Compliance Committee. The Compliance Plan sets out how the Manager will ensure compliance with both the Corporations Act and the Constitution. The Compliance Committee comprises one representative from the Manager and two external representatives. It monitors the Fund's adherence with the Compliance Plan. The independent members of the Committee are highly experienced and qualified individuals and are responsible for monitoring all of the Manager's registered schemes. The Compliance Plan is audited externally on an annual basis. The Manager has a compliance team, the head of which reports directly to the Board. The Manager also segregates the Manager's staff that make investment decisions from those that are responsible for administering the Fund.

The Manager maintains business continuity and disaster recovery plans. The accounting role for the Fund is performed by the Administrator, an independent third party. The financial statements are audited annually.

4.5. CHANGES TO THE INVESTMENT OBJECTIVE AND STRATEGY

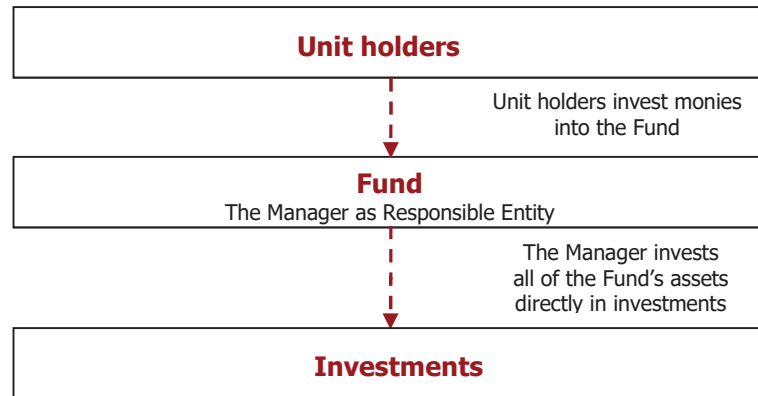
The Manager may change at any time the investment objective and strategy to meet current market conditions. Where a change is not materially adverse to Unit holders the information may be made available at: www.ellerstoncapital.com. Otherwise Unitholders will be given 30 Business Days' prior notice.

4.6. FUND STRUCTURE

The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund may invest directly in financial investments or access its portfolio of assets through investments in entities managed by the Manager. The Fund may invest through other managed investment schemes (both registered as such under the Corporations Act and un-registered schemes) of which the Manager is responsible entity/trustee however it currently does not do so. To the extent that it does, the Manager will waive or set off additional management and performance fees payable to it in respect of such investments so that Unit holders only bear the fees set out in **Section 6**. The Manager does not anticipate investing through other schemes of which it is not the responsible entity/trustee.

Investment structure

The diagram below indicates how the Fund invests in assets.



4.7. KEY SERVICE PROVIDERS TO THE FUND

ROLE	PROVIDER	KEY FUNCTIONS
Responsible entity and Manager	Ellerston Capital Limited	Responsible entity of the Fund. Managing the Fund's investments. See Section 2 .
Administrator and Custodian	State Street Australia Limited	Holds custody of the Fund's assets. Investment accounting, fund accounting and Net Asset Value calculations.
Registrar	Link Market Services Limited	Investor services and fund registry.
Auditor	Ernst & Young	Auditing annual financial accounts and the Fund's compliance plan.

Cash may be held on deposit with one or more Australian banks.

Each key Service Provider has entered into a service agreement which sets out the Service Provider's obligations to the Fund. The Manager monitors the performance of the key Service Providers on an ongoing basis to determine their compliance with service agreement obligations (e.g. receiving compliance attestations).

There are no related party relationships within the above structure. All arrangements are on an arm's length basis. All the entities described in this section are Australian. See **Section 5.1** for risks relating to the above, in particular counterparty risks.

4.8. CLASSES OF UNITS IN THE FUND

The Fund may issue additional classes of units at a future date.

5. Risks

An investment in the Fund entails risks. There can be no assurance that the Fund's investment objective will be achieved. Investors should consider any investment in the Fund as a supplement to an overall investment portfolio and should invest only if they are willing to undertake the risks involved. Unit holders in the Fund could lose some or all of their investment in the Fund.

Investors should consider the following risks in determining whether an investment in the Fund is suitable for them. They should seek professional advice before investing. The summary below is a guide only and not an exhaustive list of all the risks of investing in the Fund.

5.1. RISKS APPLICABLE TO THE FUND

Manager Risk

The success of the Fund depends upon the ability of the Manager to develop and implement its investment strategy and identify investment opportunities that achieve the Fund's investment objective. The investment performance of the Fund is dependent on the talents, professional networks and efforts of key personnel within the Manager.

The Manager may lose key personnel (see [Section 2](#)) which could impact on its ability to continue to implement the Fund's investment strategy.

Counterparty and Service Provider Risk

Default by any of the Fund's counterparties or Service Providers may cause losses to the Fund. Counterparties and Service Providers may also hold security over the Fund's assets so that they rank ahead of Unit holders in recovering the assets of the Fund. The Manager will seek counterparties and Service Providers which have a low risk of defaulting, although these risks cannot be eliminated entirely.

Derivatives

The Fund may invest in Derivatives (including Futures, foreign exchange contracts and stock and index Options) which are sophisticated financial products. Derivatives may give rise to Leverage and hence have the potential to cause losses that are large in proportion to the money invested in them. Refer to [Section 4.2](#) for more details about how Derivatives are used and the risks set out in "Leverage and Borrowing" below. The use of Derivatives also gives rise to counterparty risks as set out above.

Past Performance and History

There can be no assurance that the Fund will achieve its investment objective. The Fund's past performance information should not be relied upon as (and is not) an indicator of future performance.

Leverage

The Fund may invest in Derivatives that have the same effect as borrowing. This could enhance returns, although it may also increase losses. Leverage may produce more volatile returns compared to investing without making use of Leverage. Refer to [Section 4.2](#) for further details.

The amount invested in Derivatives at any point in time may be substantial. If the Fund were forced to liquidate its portfolio by counterparty on short notice this could result in significant losses to Unit holders.

General Investment Risk

Like most investments, the investment returns on each of the Fund's investments may be subject to economic variables (including interest rates, unemployment, inflation and economic growth), market conditions, factors impacting particular investments and government policy. These factors are generally beyond the control of the Manager. The Fund attempts to reduce the majority of market risk however the Fund may not be successful in this regard.

Investments in Securities can rise or fall in value due to the operational and financial circumstances of the issuer of those Securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates), their profits, earnings and cash flows. Any movements in the value of these Securities may be magnified through the use of Derivatives.

Foreign Investment Risk

The Fund may, through its foreign investments (including emerging markets) and exposure to foreign currencies, have exposure to risks not usually associated with investing in Australia and other developed markets such as political, social and economic instability, difficulty in enforcing legal rights, unforeseen taxes and less stringent regulatory protections, reporting and disclosure. These factors

may affect the value of the Fund, volatility of the Fund's returns and liquidity of the Fund's investments.

Currency Risk

The Fund will have foreign currency exposure. Foreign exchange fluctuations may have a positive or adverse impact on the investment returns of the Fund. The Fund's foreign currency exposure may be over or under hedged or not hedged at all. It may not always be possible to hedge all foreign currency exposures and there is no guarantee that hedging will be successful.

The Fund may also hedge the exposure of the other investments in the Fund against investment loss, but is under no obligation to do so. There is no guarantee that any hedging will be successful. The cost of implementing hedging may be significant.

Concentration Risk

There is potential for volatility due to the lack of diversity with the investment portfolio. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility.

Regulation

Regulation of the Manager, the Fund and its investments may change, which may impact on the investment returns and nature (e.g. ability to trade investments internationally) of the Fund.

Tax

The taxation of the Manager, the Fund and its investments is complex and dependent on the taxation laws and the manner in which these are interpreted and administered by the government agencies and courts. The relevant taxation laws and the manner in which they are interpreted and/or administered by the government agencies and courts may change. Such changes may impact on the investment returns and their character. See **Section 8** for further details.

Redemption and Liquidity Risk

Redemptions from the Fund may be limited in the situations described in **Section 7.2**. The Fund may not be able to promptly liquidate some of its investments at an amount close to their fair value, or liquidate them at all. This would cause losses to the Fund or reduce the ability of Unit holders to redeem from the Fund.

Pandemic Risk

The impact of pandemics may have adverse implications on the Fund's ability to achieve its investment objectives.

5.2. RISK MANAGEMENT

See **Section 4.4** above for information about the Manager's risk management strategies.

6. Fees and Other Costs

Consumer Advisory Warning

The warning below is required by law.

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 adviser.

To Find Out More

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

6.1. FEES AND OTHER COSTS

This document shows fees and other 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 another part of this document.

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

TYPE OF FEE AND COST	AMOUNT ¹	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 fee²: The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee²: 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

Management Costs ³ : The fees and costs for managing your investment payable to the manager		
Management Fee	0.75% per year of the Net Asset Value.	Calculated and accrued daily and paid from the assets of the Fund monthly in arrears. The Management Fee is reflected in the Unit price. The amount of this fee may be negotiated with the Manager and will be waived for an initial 2 year period. Refer to Section 6.2 for more details.
Expenses	Estimated at 0.20% per year of the Net Asset Value	Calculated and accrued daily and paid from the assets of the Fund when the amounts are due. These expenses are reflected in the Unit price. Refer to Section 6.2 for more details.
Performance Fee	10% of the investment return over the Benchmark return, after recovering any underperformance in past periods. Estimated at 0.30% p.a. of the Net Asset Value of each Unit.	Calculated and accrued daily and paid from the assets of the Fund after 30 June each year in arrears. The performance fee is reflected in the Unit price. Refer to Section 6.2 for more details.
Fees and costs for managing your investment not payable to the Manager ⁴		
Indirect Costs	Estimated at 0.25% p.a. of the Net Asset Value.	Indirect Costs are variable and are deducted from the assets of the Fund when they are incurred. These costs are not charged separately and are not paid to the Manager.
Service fees		
Switching fee: The fee for changing investment options.	Nil	Not applicable

Notes:

- 1 All fees set out in this **Section 6** are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.
2. You may also incur the Buy/Sell Spread when your money moves in or out of the Fund. Please refer to **Section 6.2** "Buy/Sell Spread" for further details.
3. Management costs do not include the Fund's transactional and operational costs. Refer to **Section 6.2** for more details.
4. These amounts do not include any other indirect costs and may vary in future years. Refer to **Section 6.2** for more details.

6.2. ADDITIONAL EXPLANATION OF FEES AND COSTS

GST

All fees set out in this **Section 6** are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

Management Costs

Management Costs are the ongoing Management Fee, estimated Indirect Costs, Expenses and Performance Fee.

Management Costs are paid by the Fund (i.e. they are not charged directly to your account). Management Costs do not include the Buy/Sell Spread (see "**Buy/Sell Spread**" below).

The Management Costs are estimated to be 1.5% per year of the Net Asset Value (\$150 per \$10,000) comprising the Management Fee of 0.75% per year, estimated Expenses of 0.20% per year, estimated Performance Fee of 0.30% per year and estimated Indirect Costs of 0.25% per year.

Management Fee

The Manager will be paid a Management Fee of 0.75% per year of the Net Asset Value. The Management Fee is calculated and accrued daily and paid from the Fund monthly in arrears. The Management Fee is reflected in the Unit Price. The amount of this fee for wholesale clients (as defined in the Corporations Act) may be negotiated with the Manager (see "**Rebate for Wholesale Clients**")

below). However, please refer to the waiver arrangements that will apply to holders of Units issued under the Scheme and the Ellerston Unit Offer (see "Fee Waivers and Deferrals" below).

Expenses

All costs or general expenses incurred (or that will be incurred) by the Manager in connection with the management of the Fund and the Offer are payable out of the Fund. The Manager is responsible for providing at its cost all office personnel, office space and office facilities required for the performance of its services. The Fund will pay all other expenses incidental to its operations, including, but not limited to, fees payable to the Fund's Service Providers (e.g. Administrator and Registry) and their out of pocket expenses incurred on behalf of the Fund, taxes imposed on the Fund or the Manager; governmental charges and duties; the Fund's advisers (e.g. legal, accounting and audit); printing and distributing the PDS, subscription materials, marketing materials and any reports and notices to Unitholders or prospective Unitholders. The Fund may also pay unanticipated expenses arising from its business, such as litigation and indemnification expenses. The total of these ongoing expenses is estimated at 0.20% per year of the Net Asset Value (\$50 per \$25,000). However, the actual ongoing expenses may be higher than this estimate.

Performance Fee

The Manager is entitled to a Performance Fee for outperforming the Benchmark. The Performance Fee is a way of providing an incentive for the Manager to strive to continually produce returns above the Benchmark and is in addition to the Management Fee and so forms part of the Management Costs charged to Unitholders.

The Performance Fee is equal to 10% of the amount by which the accumulated investment return exceeds the accumulated return of the Benchmark during each financial year (Calculation Period). The Performance Fee is estimated to be 0.30% of the Net Asset Value of the Fund.

If the Fund underperforms against the Benchmark during a Calculation Period, a Performance Fee will not be paid. Any underperformance will be carried forward to the following Calculation Period and must be recouped before any Performance Fees can be accrued or be paid.

The Performance Fee is accrued in the Unit price. The Performance Fee is payable at the end of each Calculation Period. The Manager may alter the Calculation Period. We will notify you of any change to the Calculation Period.

The investment return is the positive or negative change in the Net Asset Value per Unit after deducting Management Fees but before any accrued Performance Fees and distributions (whether income or capital). Further adjustments may be made for subscriptions and redemptions and capital restructures.

The investment return and the Benchmark return are calculated at the end of each Business Day and are accumulated.

The Manager has no obligation to restore to the Fund Performance Fees previously earned and paid, notwithstanding a loss in a subsequent Calculation Period. Where Units are redeemed during a Calculation Period, any accrued Performance Fees in respect of those Units may become due and payable to the Manager. If the Manager is removed as responsible entity of the Fund before the end of a Calculation Period, then the Performance Fee will be calculated and paid as though the date of removal were the end of the Calculation Period.

The Performance Fee is calculated on the performance of the Units and not the performance of an individual Unit holder's investment. As a result, the actual Performance Fee payable on the Unit holder's investment may be affected by the timing of that person's applications and redemptions or by Unitholders as a whole.

The Manager may elect to receive part of its Management Fee and/or Performance Fee in the form of Units in the Fund. Any Units issued to the Manager will be at the Application Price for those Units applicable at that time. No Buy/Sell Spread will be payable on the issue of these Units.

Worked Example of Performance Fee

The example that follows is for the purpose of illustrating how Performance Fees may be calculated only.

The example assumes that the investment return of the Fund and the Benchmark is steady during the course of the Calculation Period. In reality, the investment return of the Fund and the Benchmark will vary during the course of the Calculation Period. The example also assumes that no subscriptions or redemptions are made during the Calculation Period.

Importantly, the example assumes the investment return of the Fund has exceeded the return of the Benchmark. Note that the investment return of the Fund and the Benchmark is for illustrative purposes only and is not an indication of future performance. Future performance may differ from that used in this example.

The value of your Units at the beginning of a Calculation Period is \$100,000 and at the end of the Calculation Period (before accruing any Performance Fee) is \$105,050.

The investment return for the Calculation Period is 5.05%, namely $5.05\% \times \$100,000 = \$5,050$. The return on the Benchmark is 2.05%, namely $2.05\% \times \$100,000 = \$2,050$.

The Performance Fee is $10\% \times (\$5,050 - \$2,050) = \$300$

For each \$100,000 that you have invested in Units at the beginning of the Calculation Period, you would have earned \$5,050 and been charged \$300 in Performance Fees.

Indirect Costs

In general, Indirect Costs are any amounts that reduce the returns on the Units that is paid from, or the amount or value of, the income or assets of the Fund (including an underlying investment of the Fund). They also include costs associated with investments incurred with underlying funds and investments in certain derivatives in underlying funds. Indirect costs are reflected in the Unit price of your investment in the Fund.

The Manager estimates the Indirect Costs of the Fund to be 0.25% pa of the Net Asset Value of the Fund.

Transactional and Operational Costs

The Fund may incur transactional and operational costs such as brokerage, settlement, exchange fees and clearing costs. Transactional and operational costs are additional costs to Unitholders that are deducted from the assets of the Fund. Such costs are recovered as they are incurred and reflected in the Unit price. Transactional and operational costs may vary as the turnover in the underlying assets may change substantially as investment and market conditions change, which may affect the level of transactional and operational costs. Further, there are highly variable drivers upon which such transactional and operational costs are dependent.

The Manager estimates the transactional and operational costs of the Fund to be 0.47% pa of the Net Asset Value of the Fund.

Separately, any additional transactional and operational costs incurred as a result of Unitholders coming into and out of the Fund may be accounted for in the Buy/Sell spread.

Buy/Sell Spread

An amount equal to 0.25% is effectively deducted from the Unit holder's application and redemption monies. This amount is retained by the Fund on account of the Manager's estimate of costs associated with buying and selling assets represented by the relevant application or redemption and is not paid to the Manager. This Buy/Sell Spread may change at any time to reflect such costs. Such costs are an additional cost to you and will impact on the return on your investment. Such costs could include estimated brokerage and stamp duties, taxes and other charges and expenses from buying or selling Fund investments. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other Unitholders.

Tax

See **Section 8** for information.

Rebate for Wholesale Clients

We may rebate part of our Management Fee for the Units to Unitholders that are wholesale clients (as defined under the Corporations Act). Please contact the Manager for further details.

Fees Waiver and Deferral

General

In accordance with clause 25.4 of the Fund's constitution, we may defer the receipt of any fees from time to time. If we do, this will not affect our right to receive the applicable fee. We may waive all or part of the Management Fee, Performance Fee or other fees for certain Unitholders or pay all or part of such fees or amounts out of our own resources to third parties (e.g. financial advisers, dealer groups) for services related to the placement of Units. It is not possible to estimate these amounts. If the law allows, we may charge fees on a different basis to our associates and Unitholders that are wholesale clients (as defined under the Corporations Act) and who make a substantial investment in the Fund or other of our investment products.

Management Fee Waiver – Scheme and Ellerston Unit Offer

The defined terms in this section have the same meaning as set out in the Explanatory Booklet dated on or about 11 June 2020, of which this PDS is Appendix 7.

In accordance with clause 25.4 of the Fund's constitution, in the context of the Scheme and the Ellerston Unit Offer, the following arrangements apply with respect to the Management Fee.

Holders of Units issued under the Scheme and the Ellerston Unit Offer will have the benefit of a waiver of any Management Fee for two years commencing from the Implementation Date of the Scheme (**Management Fee Waiver**). During the period of the Management

Fee Waiver, all Management Fees will be waived and not simply deferred.

The Management Fee Waiver has been provided in recognition that the Manager (in its capacity as the manager of Ellerston Global Investments Limited) will receive the Early Termination Fee under the EGI Management Agreement.

It is important to note that the Management Fee Waiver commences on the Implementation Date of the Scheme and ends two years after that date (expected to be on or about 18 August 2022). This two year period will not be extended for a particular Unitholder if there has been a delay in that Unitholder being issued Units as a result of the failure to provide the required Know Your Customer Information by the requisite deadline.

The Manager will not allow anyone other than former EGI shareholders to receive an issue of Units, so no other class of investor will have the benefit of the Management Fee Waiver.

(a) Unitholders who remain invested in the Fund for the full two years following the Implementation Date

For those Unitholders who maintain their investment in the Fund for the full two years following the Implementation Date of the Scheme, the Early Termination Fee and the Management Fee Waiver are expected to deliver for them a fee neutral outcome compared to if the Scheme does not proceed (and the status quo is thereby preserved).

The two year Management Fee Waiver also applies to additional Ellerston Fund Units acquired under the Ellerston Unit Offer. Therefore, to the extent Unitholders elect to participate in the Ellerston Unit Offer, the two year Management Fee Waiver is expected to deliver a fee benefit (saving), compared to the status quo. Specifically, if a Unitholder elects to participate in the Ellerston Unit Offer to their maximum entitlement, their management fee would be effectively halved for two years.

(b) Unitholders who wish to exit the Fund within two years of the Implementation Date

For Unitholders who wish to exit their investment in Fund within the first two years of the Implementation Date of the Scheme, they will not be charged any management fees or other exit fees on withdrawal (redemption of Units before the end of that two year period (expected to be 18 August 2022)). However, a portion of the withdrawal price may comprise an income component. **Any income included in the withdrawal price in respect of Units withdrawn within 47 days after the Implementation Date will likely not entitle the Unitholder to any franking credit tax offset in accordance with applicable taxation laws.** Further details of the Fund's Unit withdrawal mechanism and the tax treatment of Unit withdrawals are included in Sections 7.2 and Section 8 respectively of this PDS. Please also refer to Section 10 of the Explanatory Booklet.

Further, from the perspective of those Unitholders who wish to exit their investment in the Fund within the first two years of the Implementation Date of the Scheme, viewed in this isolated context of a pure fee comparison, the Early Termination Fee and the Management Fee Waiver is likely to deliver for them an inferior fee outcome compared to if the Scheme does not proceed (and the status quo is thereby preserved).

However, for those Unitholders wish to exit their investment in the Fund within the first two years of the Implementation Date of the Scheme, an investment in the Fund offers them both:

- the **opportunity** to do so; that is, daily liquidity, as opposed to the current significant illiquidity of EGI Shares; and
- a **mechanism** to achieve a Unit withdrawal price that is close to Net Asset Value of the Ellerston Fund per Unit (as opposed to the current significant discount of EGI Shares to their NTA).

Adviser Service Fee

You may agree to pay your adviser a fee for any financial advice that they provide to you. However, these are separate to any fees we charge in respect of your investment in the Fund, as set out in the table above.

Fee Maximums and Changes to Fees

The Constitution sets out the maximum fees that we can charge. The maximum Management Fee is 2.05% per year of the gross asset value of the Fund and the maximum Performance Fee is 20.5%. We will not charge these maximums and instead will charge the fees shown in **Section 6.1**. We may elect to change these fees (e.g. due to changes in economic conditions and size of the Fund) but if we do we will provide you with at least 30 Business Days written notice of any increase.

6.3. EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

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

EXAMPLE		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$50,000 DURING THE YEAR.
Contribution fees	Nil	For every additional \$50,000 you put in, you will be charged \$0.
PLUS Management costs	0.75% p.a. Management Fee ¹ 0.30% p.a. estimated Performance Fee 0.20% p.a. estimated Expenses 0.25% p.a. estimated Indirect Costs	For every \$50,000, you have in the Fund you will be charged \$750 (comprising \$375 Management Fee, \$150 estimated Performance Fee ² , \$100 estimated Expenses and \$125 estimated Indirect Costs) each year. As noted in section 6.2 above for the initial 2 year period, the \$375 Management Fee will be waived as described in that Section.
EQUALS Cost of fund	1.5% ²	If you had an investment of \$50,000 in the Fund and you put in an additional \$50,000 at the beginning of the year, you would be charged fees of: \$750 ² or \$375 during the 2 year waiver period. What it costs you will depend on the fees you negotiate.

¹ All fees are inclusive of the net effect of GST and additional fees may apply. See **Sections 6.1** and **6.2** for more detail as to how management costs are calculated.

² Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread. Please refer to "Buy/Sell Spread" in **Section 6.2**. This example assumes that management costs were calculated on a balance of \$50,000. It does not take account of management costs that would be charged on the additional \$50,000 contributed during the year."

7. How the Fund Works

7.1. HOW TO APPLY

Units in the Fund are available for issue under the PDS. To invest in the Fund you must complete the Application Form accompanying the PDS.

If the Registry receives a completed Application Form, including all related documents and application monies, by 12:00pm (Sydney time) on a Business Day (or such other time as we may determine), we will process the application using that Business Day's Application Price. We may in our absolute discretion waive this notice requirement.

Application Forms received after the relevant cut-off time will generally be processed for the following Business Day. Incomplete applications will be processed once we have received correct documentation and application monies. We may from time to time allow additional dates for accepting applications.

Minimum Investments

The minimum initial investment amount is \$25,000 and the minimum additional investment amount is \$10,000. The Manager may in its absolute discretion waive or vary these minimum requirements.

Application Price

The Application Price will be the Net Asset Value per Unit as at the relevant Business Day, plus the Buy/Sell Spread.

Application Acceptance and Interest

To ensure the Fund remains efficient and competitive, the Manager may in its absolute discretion reject or decline to accept applications (in part or in full) and may close the Fund to further investment at any time.

Any interest payable on application amounts will accrue to the benefit of the Fund. Application amounts paid in respect of rejected or any scaled back portion of applications will be returned to applicants without interest.

Issue of Units

The number of Units issued to an applicant will be equal to the application amount divided by the Application Price.

7.2. HOW TO REDEEM

You can redeem some or all of your investment by giving the Registry written notice prior by 12:00pm (Sydney time) on a Business Day (or such other time as we may determine).

Redemptions of Units will be processed using the Redemption Price at that Business Day provided the request is received before the relevant redemption cut-off time for that Business Day.

Redemption requests received after the relevant cut-off time will generally be processed for the following Business Day.

Incomplete redemption requests will be processed once we have received correct documentation. We may from time to time allow additional dates for accepting redemptions.

Redemption request forms are available from the Registry (see Corporate Directory for contact details).

Minimum Redemption Amount

The minimum redemption amount is \$5,000 unless otherwise approved by the Manager. Redemption requests may be restricted or a Unitholder's Units may be redeemed in its entirety if the processing of a redemption request would result in the Unitholder holding less than \$5,000 of Units.

Redemption Price

The Redemption Price for a Unit will be its Net Asset Value per Unit as at the relevant Business Day, less the Buy/Sell Spread.

The Manager expects that redemptions will be processed and typically paid within five Business Days however the Fund's Constitution provides that it may take up to 21 days from the relevant transaction day until you receive your redemption proceeds. This is because the ability to fund a redemption is generally dependent on the ability of the Fund to realise its investments. In some circumstances, redemptions may also be suspended as set out below.

Restrictions on Redemptions

If the Fund is "liquid" (as defined in the Corporations Act), no redemptions, or payment of redemption proceeds are permitted where the calculation of the Net Asset Value or redemptions are suspended. Suspensions may occur for up to 120 days including where:

- It is impracticable or impossible for the Manager to calculate the Net Asset Value of the Fund, for example because of financial market disruptions or closures;
- The Manager reasonably considers that if the redemption requests were met immediately, Unit holders who continue to hold Units may bear or suffer a material disadvantage including, but not limited to, bearing a disproportionate burden of tax or other expenses or bearing a material diminution in the value of the Fund;
- The Manager is unable to realise Fund property to satisfy redemption requests;
- The Manager reasonably considers it to be in the interests of Unit holders; or
- It is otherwise legally permitted.

Unitholders will be notified in writing of any material changes to their redemption rights.

Where the Fund is Not Liquid

The redemption process, including the calculation of the Redemption Price, described above applies only when the Fund is "liquid" (as defined in the Corporations Act). If the Fund is no longer liquid, Units may only be redeemed under a redemption offer made to all Unitholders in the Fund, in accordance with the Constitution and the Corporations Act. Unitholders will be notified in writing of any material changes to their redemption rights.

7.3. TRANSFERS

You may not sell or transfer (or agree to do so) any Units to another person without our prior written consent. We may impose certain terms and conditions or delay or withhold our consent.

To apply, complete and send to the Registry the transfer document. This is available from the Registry. If you do not obtain our consent, we may compulsorily redeem the relevant Units.

The sale or transfer of Units will have tax consequences. Stamp duty may also be payable unless an exemption applies. You should obtain tax and stamp duty advice before requesting a transfer.

7.4. DISTRIBUTIONS

The distribution policy of the Fund is to distribute (when available) as soon as practicable after each 30 June and 31 December (or otherwise as determined by the Manager) the net income of the Fund. Distributions from the Fund may comprise income and/or capital as determined by the Manager under the Fund's Constitution. We may also distribute additional amounts at other times. There is no guarantee that any income will be generated.

Distributions are calculated based on the number of Units held as at the end of the distribution date (e.g. 30 June). Your distribution entitlement is not pro-rated for the duration of your investment during the year.

Distributions will be automatically reinvested in Units unless the investor notifies the Manager otherwise. Reinvestments will be at the Net Asset Value per Unit (with no Buy/Sell Spread).

7.5. NET ASSET VALUE OF UNITS

The Net Asset Value for a Unit is the total value of trust property less the trust liabilities (calculated in accordance with the Constitution), divided by the number of Units on issue. The key aspects of the valuation policy applied in valuing the Fund's assets are set out below. We may rely upon the valuations or prices supplied by third parties and/or industry standard pricing models for which we will not or are not able to verify the accuracy. The Manager has appointed the Administrator to calculate the net asset valuations of the Fund.

The Manager may establish separate class accounts for each class of Units in the Fund. Amounts which are referable to a class (as determined by the Manager in accordance with the Constitution) will be allocated to the relevant class. The Net Asset Value will be calculated on the basis of each class. Each class of Units will be invested in the same portfolio of assets.

Units will typically be priced each Business Day except where the calculation of the Net Asset Value of the Fund is suspended (refer **Section 7.2** for further details).

Unit prices will be displayed at www.ellerstoncapital.com or can be obtained by telephoning (02) 9021 7701.

The Manager has documented how it intends to exercise unit pricing discretions in a policy document. If a discretion is exercised in a way that departs from the documented policy, a record of this will be kept in an exceptions register. The policy document and any exceptions register will be available to Unit holders free of charge by contacting the Manager.

Valuation

The key aspects of the Fund's valuation policy are:

EXCHANGE TRADED ASSETS	Exchange traded securities that are regularly traded are valued at their last traded price. Other investments traded through a clearing firm or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution.
NON-EXCHANGE TRADED ASSETS	Non-exchange traded securities are typically valued at their cost price or the price of the most recent transaction. Other investments that are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty.
CURRENCIES	Any non-Australian Dollar value will be converted into Australian Dollars at the rate reasonably determined by the Manager.

The Manager may utilise an alternative valuation methodology or principle to those described above if it considers that such valuation would better reflect the fair value of the asset.

7.6. COOLING OFF RIGHTS

Unit holders may have their Units cancelled and monies returned to them where the Manager receives from them a written redemption request within 14 days of the earlier of confirmation by the Manager of that Unitholder's initial investment in Units or the fifth business day after that Unit holder's Units are issued under this PDS. The monies returned will be equal to the price at which Units could be applied for on the day the Manager receives the redemption request (adjusted for market movements, reasonable transaction and administration costs and any applicable fees and taxes). This cooling off right does not apply for investments under the Fund's distribution reinvestment plan or for wholesale clients (as defined in section 761G of the Corporations Act). Indirect Investors should consult their Investor Directed Portfolio Service (IDPS) operator as to which (if any) cooling off rights may apply.

7.7. INDIRECT INVESTORS

You may invest indirectly in the Fund through certain investor directed portfolio services, master funds or other portfolio administration services (IDPS). The PDS may be used as disclosure to clients and prospective clients of the IDPS.

An Indirect Investor does not become a Unit holder in the Fund. Accordingly, an Indirect Investor does not acquire the rights of a Unit holder or acquire any direct interest in the Fund. The operator or manager of the IDPS acquires these rights (including the right to vote at meetings) and can exercise them, or decline to exercise them, on behalf of the person according to the arrangements governing the IDPS.

A person who invests in the Fund through an IDPS should ignore information in this PDS that is relevant only for direct investors. This includes to the following:

Applications Form

A person investing in the Fund through an IDPS should not complete the Application Form attached to, or accompanied by, this PDS. An Indirect Investor should complete the application form supplied by the operator of the IDPS. Refer to your IDPS operator for the minimum investment amount that may apply to an investment in the Fund through an IDPS.

Information

An Indirect Investor will not receive statements, tax information or other information directly from the Manager. An Indirect Investor should receive equivalent information from the operator of the IDPS.

Redemptions

Provisions which relate to redemptions from the Fund will apply to the operator of the IDPS and not the Indirect Investor.

Fees and Expenses

Fees and expenses applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and expenses stated in this PDS.

Tax

Taxation consequences of investing in the Fund outlined in **Section 8** do not consider the treatment of Indirect Investors. You should consult your tax adviser in relation to investing through an IDPS.

Cooling Off

Indirect Investors should consult their IDPS operator about what cooling off rights (if any) may apply.

Complaints Handling

As an Indirect Investor, you will have the same access to the Manager's complaints resolution policy to the same extent as if you were a direct investor. See **Section 10.5** for further detail.

8. Tax Considerations

8.1. GENERAL OVERVIEW

The taxation environment applying to the investments is currently undergoing substantial reform and may change. Any gains from the Fund's investments and from your investment in the Fund may be treated on revenue or capital account depending on the particular circumstances of the Fund and each investor. This may impact the Fund's and an investor's ability to obtain a discount on the capital gains tax applied on any gains. Under Australian tax law, a holding of Units may give rise to taxable distributions even though investors may not receive distributions in cash to fund the tax liability. The transfer or redemption of Units involves a disposal, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies. You are not required by law to quote your Tax File Number (TFN). However, without your TFN or appropriate exemption information, we are required to withhold tax at the highest marginal tax rate (plus Medicare Levy) from income distributions and interest payments made to you.

Investors should obtain independent professional advice in relation to their particular circumstances regarding the taxation consequences of an investment in the Fund before investing.

8.2. SUMMARY OF TAX IMPLICATIONS

A summary of the general Australian taxation implications for the Fund and Investors in the Fund is set out below. The summary has been prepared on the basis that Investors:

- are tax resident in Australia;
- are subject to Australian tax (that is, are not exempt from Australian tax); and
- hold their investments on capital account.

The summary does not consider the tax implications for other taxpayers who hold their investments on revenue account (e.g. banks, life insurance companies, equity traders, etc.).

These comments are of a general nature only and do not constitute tax advice and should not be relied upon as such. Investors should seek their own independent taxation advice about their specific facts and circumstances.

It is intended that the Fund will qualify as a managed investment trust (MIT) for Australian tax purposes. Where possible, the responsible entity of the Fund will elect for the Fund to be an Attribution Managed Investment Trust (AMIT). If such election is made, the election will apply for all income years while the Fund continues to meet certain criteria.

Taxation of the Fund

The responsible entity of the Fund should not generally be subject to tax in respect of the income and gains derived by the Fund in each financial year, provided investors are presently entitled to the income of the trust or, where the Fund is an AMIT, the responsible entity attributes all of the taxable income of the Fund to Investors in accordance with the AMIT rules and the Constitution each income year. It is noted that, under the AMIT Rules, the cash paid to Investors does not need to be equal to amounts attributed to those Investors.

Where the Fund qualifies as a MIT, the responsible entity intends to elect for deemed capital gains tax (CGT) treatment to apply to the Fund. The election applies to investments in shares, units in a unit trust, land and rights or options to acquire shares, units or land. The election does not apply to other assets or derivatives.

Where the Fund incurs a revenue loss (which may arise where the Fund makes a loss on investments to which the deemed capital account treatment described above does not apply) in a financial year, the Fund may carry this tax loss forward to offset against future taxable income of the Fund, subject to the satisfaction of the trust loss carry forward rules. Any capital losses made by the Fund can be offset against capital gains in the same financial year or carried forward to offset future capital gains. Capital losses are not subject to the tax loss recoupment rules however they cannot offset revenue gains.

Taxation of distributions from the Fund

Resident taxpaying Investors will include in their assessable income, their share of the "taxable income" of the Fund or the amount attributed to them by the responsible entity and this will be advised to Investors via the annual distribution statement. Where the Fund is an AMIT during an income year, the amount attributed to Investors will represent a fair and reasonable attribution of the Fund's taxable income determined by the responsible entity in accordance with the Constitution. The fair and reasonable attribution may take

into account the Investor's share of their interests in the Fund and any gains realised by the Fund in order to fund an Investor's redemption request.

The responsible entity may be required to withhold tax from distributions in a range of circumstances including for certain payments to non-resident investors.

Cost base adjustments

The cost base of the Investor's units in the Fund will generally be the amount the Investor paid for the units (including incidental costs of acquisitions and disposals). However, changes to the cost base will be required to be calculated by each of the Investors of the Fund on an annual basis. Where the Fund qualifies as an AMIT, broadly, the cost base will increase where the Fund attributes an amount of assessable income (including grossed up capital gains) or non-assessable non-exempt income and the cost base will decrease for amounts of cash distribution to which an Investor becomes entitled to or tax offsets attributed to the Investor by the responsible entity.

A reasonable estimate of the AMIT cost base net amount will be provided to members as part of the Attribution MIT Member Annual (AMMA) statement.

Similarly, where the Fund does not qualify as an AMIT, investors' cost bases should also be required to be reduced where an investor's cash distribution entitlement exceeds their share of taxable income of the Fund.

Where an Investor's cost base is reduced to nil, further reductions in the cost base will be taken to be a capital gain for the Investors.

Disposal or redemption of units

Resident Investors will make a capital gain where the capital proceeds from the disposal or redemption of their units exceeds the cost base of the relevant units. Conversely, a capital loss will arise if the capital proceeds are less than the reduced cost base of the relevant units.

Under current law, where the Investor is an individual, an entity acting in the capacity of trustee (conditions apply) or is a complying superannuation fund and the units have been held for more than 12 months, any capital gain arising from disposal or redemption of the units may be reduced by the relevant CGT discount (if applicable).

Annual tax statement

Investors should expect to receive an annual tax statement or, where the Fund qualifies as an AMIT for an income year, an AMMA tax statement for the Fund within 3 months after the end of each financial year. The statement will show the cash distributed and the taxable and non-taxable components and, where the Fund qualifies as an AMIT, a reasonable estimate of any adjustments to the Investor's cost base of their units.

Tax File Number (TFN) and Australian Business Number (ABN)

The responsible entity is authorised under Australian tax laws to collect TFNs and ABNs in connection with investments in the Fund.

It is not compulsory for an Investor to provide their TFN, but without a TFN (or ABN in some circumstances) or the appropriate exemption information, the responsible entity must withhold tax from distributions (and undistributed amounts to which they are presently entitled) at the 'top rate', being the highest marginal tax rate (plus Medicare levy) until the TFN or exemption is provided.

Investors may prefer to provide an ABN as an alternative to their TFN if their investment is made as part of an enterprise.

Investors who have not quoted their TFN or ABN (or a relevant exemption) will need to claim a credit in their income tax return for the tax withheld (or, if this is not appropriate, they can apply to the Australian Taxation Office (ATO) for a refund).

Indirect Investment in the Fund

A Unitholder may invest indirectly in the Fund through an IDPS. In this case, it is the IDPS and not the investor that will be the Unitholder in the Fund.

The nature of the relationship between investors and an IDPS and of the indirect interest held by investors may differ between IDPS depending on the arrangements and terms governing the IDPS.

Investors should seek their own independent advice regarding the effect that holding their investment in the Fund via a particular IDPS has on the applicable income tax (including capital gains tax) treatment.

Reporting

For investors that are considered to be residents of certain countries for tax purposes, we may also be required to obtain additional information and report to the Australian Tax Office (ATO) or overseas tax authority each year relevant details relating to their investment, including balance and income received, under rules designed to combat tax evasion in their country of residence for tax purposes.

Foreign Account Tax Compliance Act (FATCA)

The Fund is required to comply with FATCA. FATCA enables the U.S Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in non-US entities. To comply with these requirements, we will collect and disclose information about certain investors such as your US Taxpayer Identification Number to the ATO or IRS. If you do not provide this information, we may be required to withhold tax on any payments made to you.

If the Fund suffers any amount of FATCA tax, neither the Manager nor the Fund will be required to compensate you for any such tax, and the effects of these amounts will be reflected in the returns of the Fund. A credit for such foreign taxes may be available in your jurisdiction of residence. You should seek your own advice in this regard.

9. Material Documents

9.1. CONSTITUTION

The Fund is registered as a managed investment scheme under the Corporations Act. The operation of the Fund is governed under the law and its Constitution which addresses matters such as Unit pricing and redemptions and applications; the issue and transfer of Units; Unitholder meetings; Unitholders' rights to income of the Fund; the Manager's powers, fee entitlement and right to be indemnified from the Fund's assets; and how the responsible entity of the Fund may be changed. The life of the Fund is 80 years less one day, unless the Manager exercises its right to terminate the Fund earlier. The following are some key terms of the Fund's Constitution not explained elsewhere in this PDS.

Compulsory Redemption

The Manager may in its absolute discretion, upon a minimum of three days' notice to a Unitholder, redeem all or a portion of Units held by such Unitholder in its absolute discretion if the Manager believes:

- The Units are held in breach of prohibitions contained in the Constitution;
- The Units are held in circumstances which might result in a violation (including by the Manager) of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect;
- A Unitholder made a misrepresentation in acquiring its Units;
- The Fund is uneconomical to operate;
- A Unitholder is a registered holder of less than \$5,000 of Units; or
- The Manager determines that the continued participation of a Unitholder might cause the Manager or any Unitholder to violate any law or if any litigation is commenced or threatened against the Manager or any Unitholder arising out of the participation by the Unitholder in the Fund.

The Manager's Indemnity and Liability

The Manager is indemnified under the Constitution for all amounts incurred by it in the proper performance of its duties. The Manager's liability to Unitholders is limited to the Manager's ability to be indemnified from the Fund subject to the law and the Manager acting without breach of trust, fraud or gross negligence involving a failure to show the degree of care and diligence required of it.

Unit Holder Liability

The liability of a Unitholder to the Fund is generally limited to the amount subscribed, or agreed to be subscribed, for Units and any tax payable in respect of their Unit holding. The effectiveness of these provisions has not yet been determined by an Australian court.

Amending the Constitution

The Constitution may be changed by the Manager where it reasonably considers that the change will not adversely affect Unitholders' rights or if the change is approved by Unitholders.

9.2. SERVICE PROVIDERS

The Fund may from time to time change or appoint additional Service Providers and enter into agreements with those providers where the Fund indemnifies the Service Provider and limits their liability to the Fund similar to that described above in respect of the Manager's indemnity and liability.

10. Additional Information

10.1. COMMUNICATION AND REPORTING

Unitholders will be provided with the communications set out in the table below and in the disclosure benchmarks set out in **Section 3**. Unitholders will also receive confirmations of their Unit applications, redemptions and distributions. Unitholders may ask the Manager for additional information as reasonably required, although the Manager may not always be able to satisfy such requests.

STATEMENT	TIMING
Redemption Price	Daily
Fund newsletter	Monthly and annually
Periodic statements	Annually
Income distribution statement (including details of income entitlements)	Half yearly (if distributions are made)
Tax statement	Annually
Annual report (including the Fund's audited accounts)	Annually

We will not mail a hard copy of the annual report to you unless you elect to receive it in hard copy by completing the relevant part of the Application Form. You can elect to receive the annual report by email. The annual report will be available at www.ellerstoncapital.com. Other information relating to the Units you hold will be provided in hard copy unless you elect to receive it by email by completing the relevant part of the Application Form. If you hold other Classes of Units in the Fund, any election you make with respect to Units will apply to all classes of Units you hold.

Fund related information will be provided through our website at www.ellerstoncapital.com.

10.2. FURTHER INFORMATION

A non-exhaustive summary of some of the key terms of the Offer and Constitution of the Fund has been set out in this PDS. For further information about the Fund contact your financial adviser. The Constitution may be viewed between 9:00 am and 5:00 pm, Sydney time, on weekdays by contacting the Manager on info@ellerstoncapital.com or (02) 9021 7701.

10.3. OFFER CHANGES

The Manager reserves the right to cancel the Offer, reject an application (in full or in part) and return application monies for whatever reason.

10.4. DISCLOSING ENTITY

At the date of this PDS, the Fund is not currently a disclosing entity under the Corporations Act. If this changes, the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, any ASIC office.

If and when the Fund becomes a disclosing entity, you may obtain a copy of:

- The Fund's annual financial report most recently lodged with ASIC;
- Any half-year financial reports lodged with ASIC by the Fund after lodgement of that annual report and before the date of this PDS; and
- Any continuous disclosure notices given by the Fund after that date of lodgement of that annual report and before the date of this PDS;

on request from us free of charge.

10.5. COMPLAINTS RESOLUTION

The Manager has a formal policy in place for dealing with complaints. In the first instance, complaints should be in writing to Ellerston Capital Limited, Level 11, 179 Elizabeth Street, Sydney NSW 2000. The Manager will acknowledge Unit holder complaints immediately, and will investigate complaints and provide a final response to the complaint within 45 days of receipt of the complaint.

<p>If you are ultimately dissatisfied with the outcome of your complaint you may refer the matter, free of charge, to the Australian Financial Complaints Authority which is an external dispute resolution scheme:</p>	<p>Phone: 1800 931 678 Fax: (03) 9613 6399 Email: mailto:info@afca.org.au</p>	<p>Website: www.afca.org.au. Mail: Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001</p>
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10.6. ANTI-MONEY LAUNDERING

The Manager is required to comply with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth) (AML/CTF Law). The Manager may require you to provide personal information and documentation in relation to your identity when you purchase Units in the Fund. The Manager may need to obtain additional information and documentation from you when undertaking transactions in relation to your investment. The Manager may need to identify:

- A Unitholder (including all investor types noted on the Application Form) prior to purchasing Units in the Fund. The Manager will not issue Units until all relevant information has been received and your identity has been satisfactorily verified;
- Your estate – if you die while you are the owner of Units in the Fund, the Manager may need to identify your legal personal representative prior to redeeming Units or transferring ownership; and
- Anyone acting on your behalf, including your power of attorney.

In some circumstances, the Manager may need to re-verify this information.

By applying to invest in the Fund, you also acknowledge that the Manager may decide to delay or refuse any request or transaction, including by suspending the issue or redemption of Units in the Fund, if it is concerned that the request or transaction may breach any obligation of, or cause us to commit or participate in an offence under, any AML/CTF Law, and the Manager will incur no liability to you if it does so.

10.7. PRIVACY

The Application Form accompanying this PDS requires you to provide personal information. The Manager and each Service Provider to the Manager or Fund may collect, hold and use your personal information in order to assess your application, service your needs as a client or Unit holder, provide facilities and services to you, the Manager or the Fund and for other purposes permitted under the Privacy Act 1998 (Cth). Tax and company law also require some of the information to be collected in connection with your application. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all. Your information may also be disclosed to members of the Manager's Group, the Registry, and the Administrator and to their affiliates, delegates, agents and Service Providers on the basis that they deal with such information in accordance with any agreement entered into with the Manager or the Manager's privacy policy. The Manager may need to disclose information about you to government entities and regulators as required by law.

Your information may also be used to inform you about investment opportunities or other matters that the Manager's Group thinks may be of interest to you. Contact the Manager using its contact details in the corporate directory if you do not want your personal information to be used for this purpose or to request a copy of your personal information held by the Manager (or the Registry). See the Registry's privacy policy at www.linkmarketservices.com.au for information regarding how the Registry protects the confidentiality of Unit holder's personal information.

The Managers or the Registry's privacy policy (where applicable) includes further details surrounding:

- How you may complain about a breach of the Australian Privacy Principles and how we will deal with your complaint; and
- The circumstances in which personal information to overseas recipients and which countries such recipients are located if it is practicable to specify those countries.

10.8. KEY CORPORATE GOVERNANCE POLICIES

Related Party Transactions

Ellerston Capital has a related party transactions policy which sets out the requirement that related party dealings be on not less than “arm’s length terms” or that an exemption applies to the transaction or that the dealings be approved by the members of the entity giving the benefit to the related party or otherwise comply with Corporations Act requirements.

Conflicts of Interest

Ellerston Capital has established internal policies and procedures to ensure that any conflicts of interest arising in relation to the Fund are adequately identified and appropriately managed.

Where we consider that a particular conflict of interest is likely to have a materially adverse effect on Unitholders we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Unitholders. In certain cases, we may disclose the conflict of interest to Unitholders and obtain their consent for us (and other persons if relevant) to proceed in the context of that conflict of interest.

Group Activities

Subject to the Corporations Act and the Manager’s compliance policies, each of the Manager and other members of the Manager’s Group and their associates may from time to time:

- Invest in the Fund, any such investment will be on the same terms as other Unitholders. The Manager’s Group reserves the right to add to or withdraw its investment without further notice;
- Act in various capacities (such as manager and responsible entity) in relation to, or be otherwise involved in (such as by way of investment), other business activities that may be in competition with the interests of Unitholders;
- Deal with each other in relation to the Fund (such as the Fund acquiring investments from the Manager’s Group) in which case the dealing will generally be on arm’s length terms or approved by Unitholders;
- Invest in and deal in any capacity, with the same investments as that of the Fund, on similar or different terms; and/or
- Recommend that investments be purchased or sold, on behalf of the Fund, regardless of whether at the same time it may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other clients.

Commission Sharing

The Manager may execute transactions or arrange for the execution of transactions through brokers and other counterparties to the Fund with whom they have “commission sharing” arrangements. The benefits provided under such arrangements will generally assist the Manager in the provision of investment services to the Fund. Specifically, the Manager may receive a benefit based on certain metrics such as the number of trades executed or Leverage obtained through the respective broker or counterparty. Benefits received by the Manager may take the form of, among other things, research services, quotation services, news wire services, portfolio and trade analysis software systems, special execution and clearance capabilities, which are used by the Manager in connection with the Fund and its other activities and clients.

10.9. SERVICE PROVIDER APPOINTMENTS

The Manager has appointed:

- Link Market Services Limited to provide registry services for the Fund;
- State Street Australia Limited to provide accounting services for the Fund and custody;
- Ernst & Young as auditors of the Fund.

The Manager may, subject to the law, change these or engage replacement or additional service providers at any time.

10.10. CONSENTS

Each of the key Service Providers:

- Has not authorised or caused the issue of this PDS; and
- Does not make or purport to make any statement in this PDS.

11. Glossary

A\$ OR AUD	Australian dollars.	LEVERAGE	Borrowing money or securities to invest or investing through Derivatives in order to increase the monies available for investment.
ADMINISTRATOR AND CUSTODIAN	State Street Australia Limited as a provider of accounting services to the Fund.	LONG	The exposure obtained by acquiring an investment.
AFSL	Australian Financial Services Licence.	MANAGEMENT COSTS	Has the meaning provided in Section 6.2 .
ALPHA	The excess return of the Fund relative to the return of the Benchmark.	MANAGEMENT FEE	Has the meaning provided in Section 6.2 .
APPLICATION FORM	The application form accompanying this PDS.	MANAGER	Ellerston Capital as responsible entity and investment manager of the Fund.
ASIC	Australian Securities and Investments Commission.	MANAGER'S GROUP	The Manager and each of its related bodies corporate, and each of their associates.
BENCHMARK	MSCI World Mid Cap Index net return (NR)(AUD	NET ASSETVALUE	The net asset value of the relevant class or the Fund, as appropriate, as determined under the Constitution. Refer also Section 7.5 .
BUSINESS DAY	Any day that is not a Saturday, Sunday or public holiday in New South Wales, Australia.	OFFER	The invitation to subscribe for Units set out in this PDS.
BUY/SELL SPREAD	Has the meaning provided in Section 6.2 .	OPTION	An agreement under which the holder has the right but not the obligation to purchase or sell an asset (e.g. a share) at a particular price at or by a particular time.
CALCULATION PERIOD	Has the meaning provided in Section 6.2 .	OTC DERIVATIVE	A Derivative that is not an Exchange Traded Derivative.
CASH AND CASH-LIKE INVESTMENTS	Investments in deposits, cash management trusts, fixed interest, debentures or similar investments as determined by the Manager.	PDS	This product disclosure statement.
CLASS	Each Class of units in the Fund.	PERFORMANCE FEE	Has the meaning provided in Section 6.2 .
CONSTITUTION	The Constitution of the Fund as amended from time to time.	REDEPTION PRICE	Has the meaning in Section 7.2
DELTA EXPOSURE	Means the exposure obtained to underlying designated assets by means of a Derivative using current market values.	REGISTRY OR REGISTRAR	Link Market Services Limited as a provider of registry services to the Fund.
DERIVATIVE	A financial instrument where the value depends on, or is derived from, the value of an underlying designated asset or market index (e.g. an individual share or a broad share market index).	SECURITIES	Any type of shares or other equity interests in a company, exchange traded fund (listed or targeting a listing on an exchange within 6 months), or managed investment scheme.
ELLERSTON CAPITAL	Ellerston Capital Limited ACN 110 397 674.	SERVICE PROVIDERS	The entities named in Section 4.7 as such and any additional or replacement service providers to the Fund from time to time.
EXPENSES	Has the meaning provided in Section 6.2 .	SHORT SELLING	Selling an investment (which has been borrowed from another party) with the intention of buying it back at a later date.
FUND	Ellerston Global Mid Small Cap Fund ARSN 609 725 868 an Australian domiciled unit trust, constituted by and under its Constitution and registered as a managed investment scheme.	SWAP	A Derivative contract through which two parties exchange financial instruments.
FUNDAMENTAL	Analysing investment factors that can affect the security's value, including macroeconomic factors (for example, the overall economy and industry conditions) and company-specific factors (for example, business model, management and valuation).	UNITS	Units representing a beneficial interest in the Fund issued pursuant to this PDS.
FUTURES	An agreement under which the holder of the futures contract is under an obligation to deliver or take delivery of a particular asset (e.g. gold and currency) for a particular price and at a particular time.	UNIT HOLDER	A person entered on the register of the Fund as a holder of Units pursuant to this PDS.
IDPS	Has the meaning provided in Section 7.7 .	US PERSONS	Has the meaning given to the term in Regulation S of the U.S. Securities Act 1933 (as amended).
INDIRECT INVESTOR	Has the meaning provided in Section 6.2 .		

12. Corporate Directory

MANAGER	REGISTRY
<p>Ellerston Capital Limited Level 11, 179 Elizabeth Street Sydney NSW 2000</p>	<p>Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Telephone (Toll Free within Australia): +61 1800 992 149 Email: Ellerston@linkmarketservices.com.au</p>
AUDITORS	ADMINISTRATOR AND CUSTODIAN
<p>Ernst & Young 200 George Street Sydney NSW 2000</p>	<p>State Street Australia Limited 420 George Street Sydney NSW 2000</p>



ELLERSTON CAPITAL

SYDNEY OFFICE

Level 11, 179 Elizabeth Street,
Sydney NSW 2000
Ph: 02 9021 7701

E: info@ellerstoncapital.com

Appendix 8 – Ellerston Fund Constitution

Constitution

Ellerston Wholesale Global Investments
Fund

Ellerston Capital Limited (Responsible Entity)

MinterEllison

L A W Y E R S

Constitution

Ellerston Wholesale Global Investments Fund

Details	4
Terms	5
1. Defined terms & interpretation	5
2. The Trust	10
3. Units	11
4. Amounts referable to classes and series of Units	13
5. Timing	14
6. Applications	14
7. Valuation	15
8. Issue	18
9. Partly paid Units	18
10. Redemption of Units	21
11. Suspension of redemption	24
12. Buy Back of Units	26
13. Responsible Entity's Powers	26
14. Management of the Trust	26
15. Indemnity of Responsible Entity	27
16. Investment policy	27
17. Register	27
18. Certificates for Units	28
19. Transfers of Units	28
20. Mortgage	28
21. Death and insolvency	29
22. Termination	29
23. Independent rights	30
24. Responsible Entity's liability	31
25. Responsible Entity's fees	32
26. GST	34
27. Outgoings	35

28.	Recoveries	37
29.	Distributions	37
30.	Closely held trusts	39
31.	Payments	40
32.	Auditor	40
33.	Reporting	41
34.	Meetings	41
35.	Conduct of Meetings	41
36.	Responsible Entity's retirement	42
37.	Liability of Holders	43
38.	Amendments to deed	43
39.	Calculations	43
40.	Notices and cheques	44
41.	Application of Accounting Principles and Standards	44
42.	Dispute resolution	44
43.	Change of name	45
44.	Governing law	45
	Signing page	46

Details

Date *25 November 2015*

NEW SOUTH WALES DUTY
13-01-2016 0008436325-001
SECTION 58(1)
DUTY \$ *****500.00

Party

Name	Ellerston Capital Limited
ACN	110 397 674
Short form name	Responsible Entity
Notice details	Level 11, 179 Elizabeth Street, Sydney NSW 2000 Attention: The Directors

Terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed:

Accounting Income means for an Accounting Period, the net profit (after extraordinary items) of the Trust for that Accounting Period, determined in accordance with Australian generally accepted accounting principles.

Accounting Period means the twelve month period commencing on 1 July and ending on the following 30 June, except that the:

- (a) first Accounting Period commences on the date of execution of this deed and ends on the following 30 June;
- (b) final Accounting Period ends on the date on which the assets of the Trust are fully distributed to Holders on or after the Termination Date and commences on the immediately preceding 1 July; and
- (c) Responsible Entity has the absolute discretion to determine that any other period is the Accounting Period.

Accounting Standards means the accounting standards (as defined in section 9 of the Corporations Act) as they apply for a reporting entity and any other generally accepted accounting principles and practices in Australia (to the extent they are not inconsistent with the accounting standards), unless otherwise determined by the Responsible Entity.

Accrual Time means the time determined by the Responsible Entity as to which the number of Units in issue is calculated for the purpose of making a distribution under **clause 29.2**.

Application means an application for Units made by a person in a form and manner acceptable to the Responsible Entity.

Application Transaction Costs has the meaning provided in **clause 8.4**.

ASIC means the Australian and Securities Investments Commission.

Benchmark has the meaning given to it in **clause 25.3(e)**.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.

calendar year quarter means each three month period ending on 31 March, 30 June, 30 September and 31 December, or such lesser periods as determined under this deed.

Cash Amount means cash, cash equivalents and amounts attributable to assets that can be readily converted to cash by the Responsible Entity. For the avoidance of doubt, amounts attributable to an unrealised revaluation of Trust Property are not Cash Amounts.

Corporations Act means the *Corporation Act 2001* (Cth).

Costs includes costs, charges, fees, expenses, commissions, liabilities, losses, damages and Taxes and all amounts payable in respect of any of them or like payments.

Default Notice has the meaning provided in **clause 9.8**.

Default Rate means 1% plus the average mid rate for bills of exchange having a tenor of 3 months displayed on the 'BBSW' page of the Reuters Monitor System on the first day of the period for which the rate is to be determined, or if there is a manifest error in the calculation of that average rate or it is not displayed by 10.30am on that day then the rate specified in good faith by the Responsible Entity as the average rate for bills of that tenor bid and offered by at least four leading financial institutions in Sydney on that date (whether those bids and offers are displayed on the 'BBSW' page or otherwise evidenced).

Disclosure Document means a term sheet, product disclosure statement, prospectus, information memorandum or similar document under which Units are offered, as issued by the Responsible Entity from time to time.

Distributable Income has the meaning given by **clause 29.1**.

Distribution Reinvestment means the reinvestment in the Trust of distributions in accordance with **clause 29.4**.

Entry Fee means the fee payable to the Responsible Entity on an application for Units as it determines may apply in its sole discretion.

Exit Fee means the fee payable to the Responsible Entity on redemption of Units as it determines may apply in its sole discretion.

Final Call Date means the date specified in the Disclosure Document for the relevant partly paid Units of the Trust as being the last date by which the Responsible Entity may make calls on Holders.

GST has the meaning given to it in the GST Act.

GST Act means *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Holder means a person indicated in the Register as a holder of a Unit and where required by the Corporations Acts, a person determined under the Corporations Act for the time being as a member of the Trust.

Initial Minimum Investment means the amount determined by the Responsible Entity from time to time as the minimum number of Units or value of Units for which application may be made by a new Holder.

Initial Units means the first 10 Units issued and the first tranche of Units issued pursuant to the first Disclosure Document.

Issue Price means the price at which a Unit is created and issued.

Management Fee has the meaning provided in **clause 25.2**.

Master Series has the meaning provided in **clause 3.7(a)** and includes all Units subsequently determined by the Responsible Entity to be in the Master Series in accordance with this deed.

Master Series Price has the meaning provided in **clause 8.3**.

Meeting means a meeting of Holders or a class or series of Holders.

Minimum Balance means the amount determined by the Responsible Entity from time to time as the minimum number of Units or value of Units to be held by a Holder.

Minimum Redemption Amount means an amount determined by the Responsible Entity from time to time as the minimum number of Units or value of Units for which a Redemption Request may be made by a Holder.

Net Income means, for an Accounting Period, the net income for the Trust for the purpose of section 95 of the *Income Tax Assessment Act 1936* (Cth) reduced by any amounts included in the net income for the Trust that are not represented by Cash Amounts (for example, foreign tax credits).

Net Trust Value means the total value of the Trust Property less the Trust Liabilities.

Net Unit Value means in respect of a Unit in a series, the total value of the Trust Property less the Trust Liabilities, each referable to the series of that Unit, divided by the number of Units in issue in that series.

Option means an option to subscribe for a Unit.

Option Holder means the holder of an Option.

Ordinary Resolution means a resolution passed by a simple majority of votes cast by Holders entitled to vote on the resolution.

Organisational Costs are all Costs, expenses and commissions incurred (or to be incurred) by the Responsible Entity in connection with the establishment of the Trust and the offering of Units under the first Disclosure Document (whether incurred before or after the establishment of the Trust), including government registration charges; legal fees and other expenses in relation to the preparation of the Organisational Documents; accounting, audit and taxation adviser fees; commissions and fees payable to and expenses of persons who promote or distribute the first offering of Units; the first Disclosure Document printing costs; and administrator and custodian setup fees.

Organisational Documents includes this deed, the first Disclosure Document, any documentation relating to an investment of the Trust or an administrator, custodian or investment adviser to the Trust.

Outperformance has the meaning given to it in clause 25.3(e).

Paid Up Proportion means the proportion which the total of all amounts paid up on a partly paid Unit represent of the aggregate of the amounts which have been paid and which remain to be paid for that partly paid Unit to become a fully paid Unit.

Performance Fee has the meaning given to it in clause 25.3.

Prior Underperformance has the meaning given to it in clause 25.3(e).

Redemption Date means the date on which a redemption of Units occurs pursuant to clause 10.

Redemption Liabilities means the liabilities representing the Redemption Price for each Unit.

Redemption Price means the price payable on the redemption of a Unit calculated under clause 10.5.

Redemption Request means a request by a Holder to the Responsible Entity to redeem Units.

Redemption Transaction Costs has the meaning given to it in clause 10.6.

Redemption Valuation Date has the meaning given to it in clause 10.1.

Register means the register of Holders referred to in clause 17.

Registered means where the Trust is registered with ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

Relief means any declaration or modification made or exemption granted by ASIC that is applicable to the Trust, and that is in force and includes, without limitation, instruments of class order relief.

Reporting Net Trust Value means the total value of Trust Property less all Trust Liabilities in accordance with the requirements under the Corporations Act from time to time in relation to the preparation of accounts and financial reporting.

Responsible Entity means Ellerston Capital Limited while it remains the responsible entity of the Trust, and also means any subsequent responsible entity of the Trust from time to time.

series means the Units of the same class designated by the Responsible Entity as comprising a 'series' pursuant to clause 3.7.

Series Rationalisation has the meaning provided in clause 3.8.

Special Resolution means a resolution passed by at least 75% of the votes cast by Holders entitled to vote on the resolution.

Specified Time means a time specified by the Responsible Entity from time to time under clause 5.1 for the purpose of accepting applications for, issuing or redeeming Units.

Subsequent Minimum Investment means the amount determined by the Responsible Entity from time to time as the minimum number of Units or value of Units for which application may be made by an existing Holder.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).

Taxes means all taxes, including without limitation income, capital gains, recoupment, debits, land, sales, payroll, fringe benefits, group, profit, interest, property, undistributed profits, withholding, GST and wealth taxes, stamp, documentary, financial institutions, registration and other duties, municipal rates, and all other imposts, deductions and charges, related interest, penalties, charges, fees or other amounts assessed, charged, assessable or chargeable by or payable to any national, state or municipal taxation authority.

Termination Date means the date specified by the Responsible Entity in the notice terminating the Trust under clause 22.1, or the effective date of termination of the Trust under clause 22.2, as appropriate.

Trust means the trust constituted by and under this deed.

Trust Income in respect of an Accounting Period will be equal to the greater of Net Income and an amount (if any) based on a formula to be determined by the Responsible Entity in its discretion before the end of the Accounting Period to be the Trust Income, and without limiting the above the amount based on the formula may be any of the following:

- (a) the Accounting Income of the Trust in respect of that Accounting Period reduced by amounts included in determining Accounting Income that are not Cash Amounts; or

- (b) all income gains, receipts and profits and all capital gains, receipts and profits derived during that Accounting Period less all expenses of the Accounting Period referable thereto.

Trust Liabilities include borrowings, accrued Costs, charges, expenses and outgoings, contingent liabilities, provisions the Responsible Entity decides to make (including a provision for accrued or unaccrued Management Fees and Performance Fees), unpaid distributions due to Holders and other unpaid remuneration (if any) due to the Responsible Entity but **excluding** any amount on account of Holder equity, application monies or any other amount representing the value of rights attaching to Units whether or not redeemable. For avoidance of doubt the definition of 'Trust Liabilities' is not intended to affect any other meaning of 'liabilities' of the Trust which the Responsible Entity may be required to adopt for financial reporting purposes.

Trust Property means all property, rights and income of the Trust.

Unit means a beneficial interest in the Trust.

Valuation Time means a time the Responsible Entity calculates the Net Trust Value or Reporting Net Trust Value, as the case may be, under **clause 7.4**.

1.2 Interpretation

In this deed, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this deed, and a reference to this deed includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **AS, SA, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Sydney, Australia time;
- (g) a reference to a month, quarter, half-year or year is a reference to the respective calendar periods unless otherwise stated;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) unless the contrary intention appears in this deed, an expression in a clause of this deed has the same meaning as in the Corporations Act. Where the expression has more than one meaning in the Corporations Act and a provision of the Corporations Act deals with the same matter as a clause of this deed, that expression has the same meaning as in that provision;
- (k) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;

- (l) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this deed or any part of it; and
- (m) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

1.4 Registration

- (a) While the Trust is not Registered, any reference in this deed to a matter or thing being subject to the Corporations Act will be disregarded.
- (b) For so long as the Trust is Registered:
 - (i) any covenants required to be contained in this deed as a condition of, any Relief, class order or other instrument, are taken to be contained in this deed; and
 - (ii) all provisions required from time to time to be contained in this deed by the Corporations Act or as a condition of any Relief, class order or other instrument are taken to be contained in and incorporated into this deed to the extent that they are not specifically set out in this deed,for so long as the Corporations Act, Relief, class order or other instrument (as applicable) applies.

1.5 Compliance with Relief and things required to be in deed

The Responsible Entity and each Holder must, subject to the Corporations Act and to any Relief applicable to the Trust, comply with:

- (a) the Corporations Acts for so long as the Trust is Registered and for so long as the relevant provision of the Corporations Act applies;
- (b) any conditions of, and any covenants required to be contained in this deed as a condition of, the Relief, class order or other instrument, for so long as it applies; and
- (c) all provisions required from time to time to be contained in this deed as a condition of any class order applicable to the Trust, for so long as it applies.

1.6 Conflicts

For the purposes of this constitution, if the provisions of the Corporations Act and this constitution conflict on the same matter, the Corporations Act prevails to the extent of the inconsistency with this deed and the relevant inconsistent provisions of this deed will be of no effect.

2. The Trust

2.1 Unit trust

By this deed the Responsible Entity constitutes a unit trust called the Ellerston Wholesale Global Investments Fund or such other name as determined by the Responsible Entity from time to time.

2.2 Benefit of the trust

The Trust is constituted for the benefit of Holders.

2.3 Responsible Entity

The Responsible Entity is the trustee and, while the Trust is Registered, the responsible entity of the Trust.

2.4 Constitution binding

This constitution binds the Holders (including former and future Holders) and the Responsible Entity as if each were a party to this constitution.

2.5 Commencement

The Trust commences when the first Unit is issued to a person who pays an amount to the Responsible Entity to subscribe for Units.

2.6 Duration

The Trust ends 80 years (less one day) after the date of this deed or at an earlier time provided by this deed or by law.

2.7 On trust

The Responsible Entity must hold the Trust Property on trust for the Holders.

2.8 Separate fund

The Responsible Entity must hold the Trust Property as a separate fund which is not available to meet liabilities of any other trust. The Responsible Entity may mingle Trust Property with other property to the extent legally permitted.

2.9 Trust Liabilities

Subject to **clause 1.1**, Trust Liabilities are determined in accordance with generally accepted accounting principles.

3. Units

3.1 Beneficial interest

The beneficial interest in the Trust is divided into Units.

3.2 Rights of Holders

A Unit confers on its Holder an undivided beneficial interest in the Trust Property as a whole, subject to Trust Liabilities, not in parts or single assets. All Units confer identical interests and rights except as otherwise provided in this deed or by their respective terms of issue.).

3.3 Consolidation, division and issue of Units

- (a) The Responsible Entity may at any time consolidate, divide, create and issue Units, or grant options to subscribe for Units provided that any consolidation or division must be undertaken for all Units in a class of Units. Consolidating or dividing Units must not alter the:
 - (i) aggregate beneficial interest held by a Holder prior to the consolidation or division; or
 - (ii) change the value of the relevant Holder's aggregate holding of Units.
- (b) The Responsible Entity may at any time create and issue one or more different classes of Units with interests and rights differing from each other class of Units. Each class may comprise any number of series of Units. To the extent that the creation or issue affects the

fixed and indefeasible interest that a Holder has in the Trust, all affected Holders must also consent.

3.4 Parts of Units

A part of a Unit may be created and issued and dealt with in the proportion that the part bears to a whole Unit.

3.5 Holders not to interfere

A Holder may not interfere with, or exercise powers of, the Responsible Entity in respect of any Trust Property, Trust Liability or obligation and has no right to lodge a caveat affecting any Trust Property.

3.6 Restriction on issue and redemption of Units

No Units may be issued or redeemed after the 80th anniversary of the day the Trust commenced if to do so would cause a contravention of the rule against perpetuities or any other rule of law or equity.

3.7 Units to be in series

- (a) The Initial Units in a class will comprise the **Master Series** for that class. A reference in this deed to a Master Series is to the Master Series of the respective class. The Responsible Entity may issue further Units in the Master Series or may issue Units in a new series or a new class of Units.
- (b) Each series of Units in a class issued after the issue of the Master Series of that class will comprise a series separate from the Master Series unless otherwise determined by the Responsible Entity in accordance with this deed. The Responsible Entity may designate before a Unit is issued that the Unit will comprise part of an existing series.
- (c) Unless otherwise specified in this deed, all Units in a class, regardless of whether they are in different series, will have identical interests and rights to each other Unit in that class except that the Units of each series will incur Performance Fees and expenses (that the Responsible Entity determines to be referable to that series) separate from each other series of Units.
- (d) Each Unit in a series has equal interests and rights to all other Units in the series.

3.8 Series and Class Rationalisation

- (a) The Responsible Entity may at any time designate one or more series in a class be combined into one single series in that class (**Series Rationalisation**). Once the series are combined they will be treated as one series for the purposes of this deed.
- (b) The Responsible Entity may at any time designate one class of Units as comprising another class of Units (whether existing or new) (**Class Rationalisation**).
- (c) A Series Rationalisation or Class Rationalisation must not:
 - (i) alter the aggregate beneficial interest held by a Holder prior to the Series Rationalisation or Class Rationalisation (as the case may be);
 - (ii) alter the rights or interests held by each Holder, whose Units are the subject of the Series Rationalisation or Class Rationalisation (as the case may be), relative to each other Holder; or
 - (iii) change the value of the relevant Holder's aggregate holding of Units,

except as otherwise expressly provided under this deed.

3.9 Dealing with Units

A Holder must not dispose of or otherwise deal with its Units other than in accordance with this deed. Any disposal or other dealing in a Holder's Units other than in accordance with this deed has no effect unless the Responsible Entity determines otherwise.

4. Amounts referable to classes and series of Units

4.1 Fees, expenses or tax referable to a class or series

Unless otherwise specified in this deed, where an amount must be determined under this deed as being referable to a class or series, the Responsible Entity must:

- (a) calculate each Holder's share of Trust Income, Distributable Income and any other distribution to be paid pursuant to this deed by first calculating for each class or series (as applicable) of Unit held by the Holder that proportion of the relevant variables in **clause 29** that the Responsible Entity determines is properly referable to the class or series (as applicable) and the Units held by the Holder and then aggregating those amounts;
- (b) determine the proportion of net proceeds of realisation under **clause 22.4** that is properly referable to each class or series (as applicable) and each proportion referable to each class or series (as applicable) must be distributed pro rata to Holders according to the number of Units in that class or series (as applicable) they hold; and
- (c) in the case of a series, calculate that amount on the basis of:
 - (i) the aggregate value of all Units in that series as a proportion of the value of all Units (in issue or of that class of Units, as appropriate); or
 - (ii) if the Responsible Entity considers that applying the method in **paragraph 4.1(c)(i)** does not produce a fair result for Holders in one or more series, what the Responsible Entity determines to be a fair allocation.

4.2 No limitation of class rights or obligations

Clause 4.1 does not limit the extent to which a class may have:

- (a) rights, obligations or restrictions other than or in addition to those specified in **clause 4.1** different from any other class; or
- (b) different rights, obligations or restrictions because of a determination by the Responsible Entity under this deed, including in relation to issue and redemption prices applicable to different classes of Units.

4.3 Determination of variables in relation to a class or series

The Responsible Entity in making any determination of variables properly referable to a class or series under this deed must ensure that any variable which relates:

- (a) only to a particular class or series (as applicable) is solely referable to that class or series (as applicable); and
- (b) to more than one class or series (as applicable), is apportioned between those classes or series (as applicable) in the same proportions as the aggregate value of Units on issue in each class or series (as applicable) as at the most recent Valuation Time bears to the

aggregate value of Units in all classes or series (as applicable) on issue at that Valuation Time, to which the variable relates.

4.4 Value of classes or series Units

In clause 4.3, the value of a Unit in a class or series is the mid-point between the applicable Issue Price and Redemption Price for Units in that class or series (as applicable) at the most recent Valuation Time.

5. Timing

5.1 Specified Time

The Responsible Entity may determine (and whenever it elects, vary) the times at which the following occur:

- (a) Applications;
- (b) the issue of Units; and
- (c) Redemption Requests,

different times being applicable to different locations or methods of communication or payment. The times relevant to applications of Units, issues of Units and to Redemption Requests may differ.

5.2 Record date

Unless this deed otherwise provides and subject to the Corporations Act, the Responsible Entity will determine the record or similar date for determining Holders' entitlements including their entitlements to participate in new issues and distributions of income and capital.

6. Applications

6.1 Application for Units

Except as otherwise provided in this deed, a person intending to subscribe for a Unit must give:

- (a) (other than on Distribution Reinvestment) the Responsible Entity an Application; and
- (b) consideration to the Responsible Entity or custodian (where there is one) in relation to any Entry Fee and by way of subscription for Units, including by payment of application money or transfer of other property.

6.2 Payment in kind

A person intending to subscribe for Units may only transfer property (other than money) to pay for those Units, if:

- (a) the Responsible Entity permits;
- (b) the property is in a form permitted by the Responsible Entity; and
- (c) the property is accompanied by a valuation that is acceptable to the Responsible Entity, unless otherwise advised by the Responsible Entity.

6.3 Responsible Entity may deduct

The Responsible Entity or custodian may deduct Taxes and Costs, incurred in receiving, and in calculating the value of, consideration for Units.

6.4 Separate bank account

The Responsible Entity or custodian may hold application money for Units in a single account containing application money for one or more trusts.

6.5 Responsible Entity may set investment minimums

The Responsible Entity from time to time may determine and may vary the current Initial Minimum Investment, Subsequent Minimum Investment and Minimum Balance.

6.6 Amount or value of consideration for Units

The amount or value of the consideration for Units on application must equal or exceed the Initial Minimum Investment (or in the case of a subsequent investment, Subsequent Minimum Investment) except if:

- (a) the consideration is received under a savings plan or Distribution Reinvestment or paid by the Responsible Entity on behalf of a Holder; or
- (b) the Responsible Entity elects to accept lower consideration.

6.7 Responsible Entity may reject Applications

The Responsible Entity may reject an Application without giving a reason.

6.8 Timing

Consideration for Units may be provided at or within such time before or after the Responsible Entity is given the Application as the Responsible Entity may determine or accept from time to time.

6.9 Issue of Units

Units are created and issued on the date specified by the Responsible Entity following its receipt of either the consideration or a commitment in a form acceptable to the Responsible Entity to provide the consideration and its acceptance of the Application (if relevant). Units issued against consideration paid other than in cleared funds are void if the funds are not subsequently cleared or the consideration is not provided or transferred at or within the time specified by the Responsible Entity.

7. Valuation

7.1 Responsible Entity's expertise

The Responsible Entity does not have any special expertise in valuing property.

7.2 Use of Reporting Net Trust Value and Net Trust Value

The Responsible Entity must use the Reporting Net Trust Value if a calculation on that basis is required by the Corporations Act and must use the Net Trust Value for all other purposes including, determining the Net Trust Value, Issue Prices, Redemption Prices, Distributable Income and fees.

7.3 Calculation of Net Trust Value and Reporting Net Trust Value

The Responsible Entity must calculate:

- (a) the Net Trust Value by deducting the value of the Trust Liabilities (other than liabilities representing rights attaching to Units) from the value of the Trust Property (determined on the basis of the most recent valuation of each item), each as at the Valuation Time; and

- (b) the Reporting Net Trust Value in accordance with the requirements under the Corporations Act from time to time in relation to the preparation of accounts and financial reporting.

7.4 Time of calculation

The Responsible Entity may calculate the Net Trust Value and Net Unit Value or Reporting Net Trust Value as at any time determined by the Responsible Entity (**Valuation Time**), but must do so at least once each calendar year (other than when redemptions or other transactions are suspended) on the basis of the most recent valuation of each item of Trust Property and determination of Trust Liabilities. The Responsible Entity may calculate Net Trust Value and Net Unit Value more than once a day. The Responsible Entity may apply different Valuation Times for the redemption and issue of Units.

7.5 Series or class valuation

For the purposes of calculating the Issue Price or Redemption Price for a Unit, the Responsible Entity must include in the Trust Liabilities any Management Fees and Performance Fees (whether accrued or not) referable to the:

- (a) Master Series or class (as applicable) in calculating the Issue Price; or
- (b) series or class (as applicable) of that Unit in calculating the Redemption Price.

7.6 Suspension of the Determination of Net Trust Value

The Responsible Entity may at any time and from time to time suspend the determination of the Net Trust Value or Net Unit Value and/or extend the period for the payment of redemption proceeds to persons who have redeemed Units for the whole or any part of a period:

- (a) when circumstances exist as a result of which in the opinion of the Responsible Entity it is not reasonably practicable for investments that comprise part of the Trust Property to be disposed of or as a result of which any such disposal would be prejudicial to Holders;
- (b) when a breakdown occurs in any of the means normally employed in ascertaining the value of investments that comprise part of the Trust Property or when for any other reason the value of any such investments or other assets of the Trust cannot in the opinion of the Responsible Entity reasonably or fairly be ascertained (including, for example, during any period where any exchange or market is closed or on which trading is suspended or restricted);
- (c) when the Responsible Entity is relying on third parties for valuations of assets or liabilities of the Trust, and for whatever reason such third parties fail to provide valuations or pricing data within the time required by the Responsible Entity in order to calculate the Net Unit Value or Net Trust Value;
- (d) during which the withdrawal or realisation of the Trust's investments or the transfer of funds involved in such withdrawal or realisation cannot in the opinion of the Responsible Entity be effected at normal prices or normal rates of exchange;
- (e) if the Responsible Entity during a calendar year quarter receives Redemption Requests which in aggregate total more than a percentage set out in a Disclosure Document or if no such disclosure is made, more than 25% of Net Trust Value; or
- (f) where the Responsible Entity otherwise believes it is in the interests of Holders to instigate such a suspension.

The Responsible Entity must notify all Holders of any such suspension as soon as practicable of any such suspension and will be promptly notified upon termination of such suspension.

7.7 Value

- (a) Subject to **clause 7.3**, the value of any Trust Property:
 - (i) is the market value, the net fair value, or other value appropriate to the nature of the property and the nature of the Trust from time to time; and
 - (ii) must be determined by the Responsible Entity using an appropriate method the Responsible Entity decides to adopt which is consistent with the range of ordinary commercial practice for valuing that type of Trust Property.
- (b) The Trust Property acquired must be valued at cost as determined by the Responsible Entity until revalued.

7.8 Determining value

Subject to **clauses 7.2 and 7.7**, the value of any Trust Property must be determined by:

- (a) a valuer who is independent of the Responsible Entity; or
- (b) a person using a method determined by a person who is independent of the Responsible Entity; or
- (c) the Responsible Entity using any other appropriate method the Responsible Entity decides to adopt (including estimates of value based on objective criteria where actual figures are not available) which is capable of being verified independently by a valuer independent of the Responsible Entity.

7.9 Revaluation

The Responsible Entity may cause some or all Trust Property to be revalued whenever it sees fit and shall do so from time to time having regard to the nature of the property, however the Responsible Entity must do so when required by the Corporations Act and must do so in order to ensure that the Issue Price of Units and the Redemption Price of Units (as applicable) are reasonably current as at the time of calculation.

7.10 Estimates

- (a) Subject to **clause 7.6**, the Responsible Entity may utilise estimates for the purposes of calculating the Net Trust Value or Net Unit Value.
- (b) Where an estimate is utilised in calculating an Issue Price or Redemption Price and the actual amount later becomes known, the Responsible Entity is not obliged to, but may, retrospectively adjust the Issue Price or Redemption Price (as the case may be) to reflect the actual amount.

7.11 Late information

A reference in **clauses 8.2 or 10.5** to variables applicable as at the issue or redemption date for a Unit, includes a reference to those variables being calculated after the relevant date on the basis of the value of those variables (as at the relevant date) based on information that becomes available after that date.

8. Issue

8.1 Initial Units

The Issue Price of Initial Units is \$1.00.

8.2 Units other than Initial Units

- (a) Except as provided in **clause 8.1**, the Issue Price at which Units in a class, other than Initial Units, may be issued at a particular time is equal to the Master Series Price for the relevant class at that time
 - (i) in the case of an Application for Units, the Master Series Price as at the first Valuation Time following receipt by the Responsible Entity of an application that complies with **clause 6**, plus the Application Transaction Costs; or
 - (ii) in the case of a Distribution Reinvestment under **clause 29.4**, the Master Series Price as at the Accrual Time at which the entitlement arises plus any Application Transaction Costs.
- (b) For the purposes of **clauses 8.2 and 8.4**, "Master Series Price", "Net Unit Value", "Application Transaction Costs" and "number of Units in issue" are each that proportion of those variables that the Responsible Entity determines is properly referable to the class and series to which the Unit for which the Issue Price is being calculated belongs.

8.3 Master Series Price

- (a) The Master Series Price at a time is equal to the aggregate of the Net Unit Value for a Unit in the Master Series of the relevant class plus the Application Transaction Costs.
- (b) Each of these variables are those applicable as at the issue date for the relevant Units.

8.4 Application Transaction Costs

The Application Transaction Costs are:

- (a) an estimate by the Responsible Entity of the total transaction costs the Trust would incur to acquire afresh the Trust Property;
- (b) if appropriate having regard to the actual cost which would be incurred because of the issue or sale of the Units (including in relation to Units issued by way of Distribution Reinvestment), the Responsible Entity's estimate of the total transaction costs or a portion of the total transaction costs, which may be zero; or
- (c) if the Responsible Entity makes no estimate under either **clause (a)** or **clause (b)**, zero, divided by the number of Units in issue (except in the case of **clause (c)**) at the relevant Valuation Time.

9. Partly paid Units

9.1 Issue of partly paid Units

The Responsible Entity may offer and issue Units on terms that the Issue Price is payable by one or more instalments at such times as the Responsible Entity determines.

9.2 Calls

The Responsible Entity may from time to time in accordance with this **clause 9** make calls on Holders of partly paid Units for any or all money unpaid on the Holder's Units. Any call must be pro rata as between all Holders of the partly paid Units and the Responsible Entity may at any time by notice in writing to Holders revoke or postpone a call.

9.3 No calls after the Final Call Date

From the Final Call Date:

- (a) the Responsible Entity must not make any further calls; and
- (b) the liability of a Holder in relation to the Holder's Units will be deemed to be equal to the aggregate amount called in respect of the Holder's Units before the Final Call Date that has not been paid by the Holder.

9.4 Notice of calls

Holders on whom a call is made must be given at least 21 days' notice in writing specifying:

- (a) the amount of the call; and
- (b) the due date for payment.

9.5 Liability to pay calls

Holders on whom a call is made in accordance with **clause 9** must pay to the Responsible Entity the amount called at the time or times and place specified and if and while an amount called remains unpaid, all voting rights and entitlements to the distribution of income and capital are suspended until reinstated by the Responsible Entity.

9.6 Paid calls

Where a Holder has paid the amount of a call, the Unit will be deemed to have been paid up to the amount called on the due date for the payment of the call.

9.7 Interest on unpaid calls

Without limiting the other provisions of this deed concerning default, if a sum called in respect of a Unit is not paid before or on the day appointed for payment, the Holder must pay interest on the sum from the day appointed for payment of the sum called to the time of actual payment at a rate equal to the Default Rate or such other rate not exceeding 20% per annum determined by the Responsible Entity in its absolute discretion.

9.8 Default

The Responsible Entity may give notice requiring the Holder to pay any unpaid call together with any interest which may have accrued (**Default Notice**) if a Holder fails to pay a call in respect of its Units on the day when it is due for payment.

9.9 Default Notice

The Default Notice must:

- (a) specify another date (not earlier than seven days after the date of the notice) on or before which the payment required by the Default Notice is to be made; and
- (b) state that if payment is not made on or before the date appointed, the Units in respect of which the call was made are liable to be forfeited and redeemed or sold in accordance with this deed.

9.10 Failure to comply with Default Notice

If a Default Notice is issued and the requirements of a Default Notice are:

- (a) not complied with in the time specified in the Default Notice; or
- (b) complied with, but are complied with after the time specified in the Default Notice,

then the Holder is deemed to have agreed to, and the Responsible Entity may, forfeit the Units the subject of the Default Notice.

9.11 Dealing of forfeited Units

- (a) On forfeiture, Units become the Trust Property and forfeited Units must be sold, disposed of, or redeemed on terms determined by the Responsible Entity.
- (b) The Responsible Entity may, at any time before a forfeited Unit is sold, disposed of or redeemed, annul the forfeiture of the Unit on conditions determined by it.
- (c) Promptly after a Unit has been forfeited:
 - (i) notice of the forfeiture must be given to the Holder in whose name the Unit was registered immediately before its forfeiture; and
 - (ii) the forfeiture and its date must be noted in the Register,however omission or neglect to give this notice of or to note, the forfeiture will not invalidate a forfeiture.

9.12 Disposal of Units

- (a) The Responsible Entity may:
 - (i) receive the consideration (if any) given for a forfeited Unit on any sale or disposition of the Unit under this clause 9; and
 - (ii) effect a transfer of the Units in favour of a person to whom they are sold or disposed of.
- (b) The purchaser of the forfeited Units:
 - (i) is not bound to check the regularity of the sale or the application of the purchase price;
 - (ii) obtains title to the Unit despite any irregularity in the sale; and
 - (iii) will not be subject to complaint or remedy by the former holder of the Unit in respect of the purchase.
- (c) Subject to the terms on which a Unit is in issue, the net proceeds of any sale of a forfeited Unit must be applied in the following order:
 - (i) in payment of the Costs of the sale;
 - (ii) in payment of all calls or other amounts that were payable in respect of the forfeited Unit; and
 - (iii) in payment of any surplus to the former Holder of the Unit.

9.13 Liability of former Holder

- (a) A person whose Units have been forfeited, sold, redeemed or otherwise disposed of, ceases to be a Holder in respect of the forfeited Units but remains liable to pay to the Responsible Entity:
 - (i) all money (including interest and expenses) that, at the date of forfeiture, was payable by it to the Responsible Entity in respect of the Units;
 - (ii) all money that would have become payable by it to the Responsible Entity in respect of the forfeited Units; and
 - (iii) interest due from the date of forfeiture until payment of the money referred to in **clause 9.13(a)(i)** at a rate determined by the Responsible Entity (not exceeding 20% per annum).
- (b) A former Holder's liability to the Trust and Responsible Entity ceases if and when the Responsible Entity receives payment in full of all money (including interest and expenses) payable by the former Holder in respect of the Units.

9.14 Other terms

The Responsible Entity may issue partly paid Units on such other terms and conditions as it decides.

10. Redemption of Units

10.1 Redemption Request

- (a) A Holder may, subject to **clause 10.2** and **clause 11**, request the Responsible Entity to redeem the Holder's Units by giving at least 30 days notice (or such lesser period as the Responsible Entity accepts) before the relevant Redemption Valuation Date.
- (b) Each Redemption Request must:
 - (i) be sent to the Responsible Entity or its representative;
 - (ii) in the paper or electronic form prescribed by the Responsible Entity and notified to Holders from time to time; and
 - (iii) contain complete, accurate and up-to-date information to enable the Responsible Entity to properly process the request.
- (c) Subject to this **clause 10** and **clause 11**, where the Responsible Entity accepts a Redemption Request, the redemption is to occur on the last Business Day of each calendar month (**Redemption Valuation Date**) at the applicable Redemption Price and redemption proceeds (calculated by the Redemption Price multiplied by the number of Units in the Redemption Request) must be paid to the relevant Holder within 21 days after the Redemption Valuation Date. The Responsible Entity may specify additional Redemption Dates.

10.2 Situation where Trust is not liquid

- (a) If the Trust is Registered and not liquid:
 - (i) a Holder may request the Responsible Entity to redeem the Holder's Units only in accordance with the terms of any current withdrawal offer made by the

Responsible Entity in compliance with the provisions of the Corporations Act regulating offers of that kind; and

- (ii) if there is no withdrawal offer currently open for acceptance by Holders, a Holder has no right to make a Redemption Request.
- (b) Despite **paragraph 10.2(a)** above, the Responsible Entity does not have to make a withdrawal offer.

10.3 No obligation to pay from Responsible Entity funds

In no circumstances is the Responsible Entity obliged to pay any part of the Redemption Price out of its own funds.

10.4 Compulsory redemption

The Responsible Entity may in its absolute discretion at its election, upon a minimum of three days notice to a Holder, declare a Redemption Valuation Date on a day other than the last Business Day of each calendar month and redeem all or a portion of Units held by such Holder in its absolute discretion including in situations where:

- (a) the Responsible Entity believes that the Units are held in breach of prohibitions contained in this deed;
- (b) the Responsible Entity believes Units are held in circumstances which might result in a violation of an applicable law or regulation, or subject the Trust to taxation or otherwise adversely affect the Trust in any material respect;
- (c) the Responsible Entity determines that the Trust is uneconomical to operate;
- (d) a Holder made a misrepresentation in acquiring its Units;
- (e) a Holder is a registered holder of Units having an aggregate Net Unit Value of less than the Minimum Balance; or

the Responsible Entity determines that the continued participation of a Holder might cause the Responsible Entity or any Holder to violate any law or if any litigation is commenced or threatened against the Responsible Entity or any Holder arising out of the participation of the Holder in the Trust.

10.5 Redemption Price

Subject to **clauses 10.14 and 10.15**, the price at which Units in a particular series or class as applicable) may be redeemed (**Redemption Price**) is equal to the Net Unit Value of Units in that series or class less Redemption Transaction Costs. Subject to **clause 10.15**, each of these variables are those applicable as at the Redemption Date for the Units being redeemed.

10.6 Redemption Transaction Costs

The **Redemption Transaction Costs** are:

- (a) an estimate by the Responsible Entity of the total transaction costs the Trust would incur to sell the Trust Property;
- (b) if appropriate, having regard to the actual cost which would be incurred because of the redemption, the Responsible Entity's estimate of the total transaction costs, which may be zero; or

- (c) if the Responsible Entity makes no estimate under either **clause 10.6(a)** or **clause 10.6(b)**, zero,

divided by the number of Units in issue (except in the case of **clause (c)**) at the relevant Valuation Time.

10.7 Deductions

The Responsible Entity may deduct from the Redemption Price any applicable Exit Fee or any amount for which it may be reimbursed under this deed.

10.8 Determination of Minimum Redemption Amount

The Responsible Entity may from time to time determine or vary the Minimum Redemption Amount.

10.9 Redemption Requests for less than the Minimum Redemption Amount

The Responsible Entity may reject a Redemption Request if the amount payable to the Holder is less than the Minimum Redemption Amount for the Trust (unless the Redemption Request is for all Units held by the Holder).

10.10 Deemed Redemption Request for all Units

If a Redemption Request would leave a holding worth, at the Redemption Price, less than the current Minimum Balance, the Responsible Entity may treat the Redemption Request as applicable to all Units held by that Holder.

10.11 Transfer of assets on redemption

The Responsible Entity may satisfy the amount payable on a redemption of Units (partly or fully) by transferring those assets in specie as the Responsible Entity in its discretion may select, to be credited at asset values determined in a manner consistent with **clause 7.7** as at the same time the Redemption Price is determined, without deduction for any Costs or Taxes payable by the Holder in respect of the transfer unless the Responsible Entity determines otherwise.

10.12 Application of proceeds to units in another trust

Where this facility is offered by the Responsible Entity, a Holder may request the Responsible Entity, in a manner acceptable to the Responsible Entity, to apply proceeds from a Redemption Request to subscribe for units in another trust, in which case any application money for the units in the other trust is taken to be paid to the Responsible Entity of the other trust when the relevant Units in this Trust are redeemed in accordance with this deed.

10.13 Character of Redemption Price and Notification to Holder

- (a) Subject to **clause 10.13(b)**, the Responsible Entity must determine the portion of the Redemption Price for a Unit which represents Distributable Income to which the Holder was presently entitled in accordance with **clause 29.2(b)**, for the Accounting Period in which the Unit was redeemed. Any remaining amount of the Redemption Price will represent a return of Trust capital attributable to that Unit.
- (b) If an amount is to be included in determining the Net Income of the Trust as a result of realising Trust Property to satisfy a particular Redemption Request, the Responsible Entity must allocate such amount to the redeeming Holder (and not to any other Holder) to the extent that the realisation funds the redemption by including this amount in the calculation of the Distributable Income for the redeeming Holder under **clause 10.13(a)**.

- (c) The Responsible Entity must advise the Holder in respect of any Unit redeemed pursuant to this **clause 10** of the extent to which the Redemption Price represents a return of Trust capital attributable to that Unit and a distribution of Distributable Income.

10.14 Redemption Price on other than Redemption Valuation Date

- (a) This **clause 10.14** applies in the circumstances where a Holder lodges a Redemption Request and requests that the Trust Property be realised at a time other than a Redemption Valuation Date. .
- (b) A Holder may lodge a Redemption Request and request that the Trust Property be realised at a time other than a Redemption Valuation Date. The Responsible Entity is not obliged to and may in its absolute discretion decline to fulfil such a Redemption Request.
- (c) A redemption in accordance with this **clause 10.14** must not change any Holder's (other than the Holder who has made the Redemption Request) entitlement to the capital or income of the Trust that the Holder held by prior to the redemption.
- (d) For the avoidance of doubt, a redemption or disposal of Trust Property in accordance with this **clause 10** does not constitute a breach of the terms of the Trust.

10.15 Valuations of redemption assets

Where the Responsible Entity determines that Trust Property must be realised to satisfy a Redemption Request (**Sale Assets**), the Responsible Entity is not obliged to, but may:

- (a) delay the calculation of the Redemption Price applying to that Redemption Request until such time as the realisation value of the last of the **Sale Assets** has become known to the Responsible Entity; and
- (b) calculate the Redemption Price by adjusting each of the variables in **clause 10.5** to the extent required so that the Redemption Price reflects the realisation values of the **Sale Assets**.

10.16 Rights of Holder

The Units the subject of the Redemption Request are deemed to be redeemed at the time at which both the applicable Redemption Price is calculated and the Redemption Request is accepted by the Responsible Entity, and from that time until payment, the former Holder of the redeemed Units ceases to be a Holder in respect of those Units and is a creditor of the Trust in respect of the redemption proceeds.

11. Suspension of redemption

11.1 Responsible Entity may suspend redemption

The Responsible Entity may at any time suspend the redemption or issue of Units or the payment of redemption proceeds, in the Trust for up to 120 days or such other period as the Responsible Entity considers reasonable, if:

- (a) it is impracticable for the Responsible Entity, or it is unable, to calculate the Net Trust Value, for example because of closure of, or trading restrictions on, stock or securities exchanges, an emergency or other state of affairs, or on declaration of a moratorium in a country where the Trust invests (or the Trust has exposure to through any derivative in which the Trust invests) or where the calculation of the Net Trust Value or Net Unit Value is suspended pursuant to **clause 7.6**;

- (b) there have been, or the Responsible Entity anticipates that there will be, Redemption Requests that involve realising a significant amount of the Trust Property and the Responsible Entity considers that if those Redemption Requests are all met immediately, Holders who continue to hold Units may bear a disproportionate burden of capital gains tax or other expenses, or the meeting of those Redemption Requests would otherwise be to the existing Holders' disadvantage including a material diminution in the value of the Trust Property;
- (c) the Responsible Entity is unable to realise Trust Property to satisfy Redemption Requests;
- (d) the Responsible Entity reasonably considers that it is in the interests of the Holders; or
- (e) it is otherwise legally permitted.

Such suspension may be in respect of all or some, series or Units held by a Holder.

11.2 Lock up

The Responsible Entity may determine prior to the issue of a Unit that a Holder may not redeem the Unit or have a Redemption Request in respect of the Unit satisfied, for a period following the issue of the Unit provided such period is disclosed in the Disclosure Document governing the issue of such Unit. Holders may not redeem without the consent of the Responsible Entity (which consent may be withheld at the Responsible Entity's absolute discretion).

11.3 Redemption Requests during suspension

A Holder's Redemption Request lodged during any period of suspension is taken to be lodged immediately after the end of the period.

11.4 Unsatisfied Redemption Requests

- (a) At any time (including where redemptions have been suspended under **clause 11.1**), the Responsible Entity may make a pro rata offer (including as a standing or one time offer) to all Holders to allow the redemption of some or all of their Units.
- (b) If:
 - (i) a Redemption Request at the time of a suspension under **clause 11.1** has been accepted by the Responsible Entity but is not fully satisfied; or
 - (ii) acceptances to an offer made under **clause 11.4(a)** exceed the offer, the Responsible Entity may scale back acceptances pro rata among accepting Holders and,

the Responsible Entity may (but is not obliged to) carry over all or some unsatisfied or scaled back portions (as applicable) to the next time redemptions are permitted by the Responsible Entity.
- (c) Where Redemption Requests are carried over to a future time they will, subject to law, be satisfied in priority to Redemption Requests which are accepted by the Responsible Entity after those first Redemption Requests were accepted (unless otherwise determined by the Responsible Entity).
- (d) To the extent that carried forward Redemption Requests are unsatisfied after the procedure in **paragraph 11.4(c)**, the Responsible Entity may carry forward the unsatisfied requests to the next time redemptions are permitted by the Responsible Entity and so on.

12. Buy Back of Units

The Responsible Entity may, but is under no obligation to, offer to acquire Units as Trust Property. The Responsible Entity may elect that Units so acquired may be retained as Trust Property, sold or redeemed.

13. Responsible Entity's Powers

13.1 General powers

Subject to this deed and the Corporations Act, the Responsible Entity has within and outside Australia all the powers in relation to the Trust, its Trust Property and Trust Liabilities, that it is legally possible for a natural person, corporation or responsible entity to have, including to invest in real or personal property of any nature (including deposits, derivatives and foreign exchange contracts), to borrow or raise money and to secure by mortgage or otherwise (in whatever proportion to Trust Property), give guarantees and incur liabilities and obligations of any kind, and to fetter its own discretion, as if it were the absolute and beneficial owner of all Trust Property. Without limiting this clause 13.1 and subject to the Corporations Act, the Responsible Entity has power to mix and mingle Trust Property with the property of other co-investors (in which case it must keep appropriate records of the Trust's interests in the co-investments).

13.2 Discretion

The Responsible Entity may determine whether to exercise, and the manner, mode and time of exercise of its powers, in its absolute discretion provided that the exercise of such discretion or power does not adversely affect the fixed and indefeasible interest that a Holder has in the Trust.

13.3 Responsible Entity may delegate powers

The Responsible Entity, by power of attorney, agency, contract or otherwise, may authorise one or more persons whether or not related to or associated with it, to do anything that it may lawfully delegate, including holding any Trust Property and executing documents on its behalf.

13.4 Reliance by Responsible Entity

The Responsible Entity may, in relation to the Trust, rely and act on any:

- (a) advice, opinion or other information provided to the Responsible Entity by:
 - (i) a person of a category listed in clauses 13.3 or 14.2; or
 - (ii) any investment manager, trustee, custodian, calculation agent, administrator, or similar, in respect of any investment of the Trust; and

- (b) document which it is reasonable for the Responsible Entity to rely upon,

if the Responsible Entity has no reason to believe the relevant material not to be authentic, the instructions not to be authorised, or the expert not to have the relevant expertise (as the case may be).

14. Management of the Trust

14.1 Responsible Entity to manage Trust

The Responsible Entity must manage the Trust and its Trust Property and Trust Liabilities while any remain.

14.2 Responsible Entity may engage advisers

The Responsible Entity may, as it sees fit, in connection with performance of its duties under this deed, engage (whether or not related to or associated with the Responsible Entity) investment managers, property managers, calculation agent, administrators, custodians and any advisers, agents, brokers, contractors, underwriters or other persons.

14.3 Equality of treatment

The Responsible Entity, to the extent permitted by any Relief or the Corporations Act, does not have to treat all Holders equally, including by:

- (a) not making pro rata offers to certain Holders; or
- (b) treating wholesale clients differently from other persons.

15. Indemnity of Responsible Entity

- (a) The Responsible Entity is indemnified out of the Trust Property for any liability incurred by it in performing properly any of its duties or exercising any of its powers in relation to the Trust or attempting to do so.
- (b) The Responsible Entity is not required to do anything for which it does not have a full right of indemnity out of Trust Property available for that purpose.
- (c) Any indemnity to which the Responsible Entity is entitled under this deed is in addition to any indemnity legally permitted.
- (d) When calculating the amount of any liability incurred or to be incurred by the Responsible Entity for which it is entitled to be reimbursed or indemnified under this deed, the Responsible Entity must deduct an amount equal to any input tax credit (as defined in the GST Act) to which the Responsible Entity is entitled in connection with the liability.
- (e) This clause is to be read subject to the Corporations Act. Without limitation, the right of the Responsible Entity to be indemnified out of Trust Property pursuant to this clause 15 is only available in relation to the proper performance by the Responsible Entity of its duties in relation to the Trust.

16. Investment policy

The Responsible Entity will determine, and from time to time may vary, its investment policy for the Trust.

17. Register

17.1 Unit register

The Responsible Entity must establish the Register. The Responsible Entity may establish branch unit registers anywhere in Australia.

17.2 Notice of trust

The Responsible Entity need not enter notice of any trust on the Register.

17.3 Registered Holder is owner

The Responsible Entity may treat a registered Holder as the holder and absolute owner of Units registered in the Holder's name on the Register and is not bound to take notice of any trust or equity affecting a Unit. Entry on the Register is conclusive evidence of a Holder's title to Units.

17.4 Classes

The Responsible Entity must maintain (in accordance with the Corporations Act) a Register recording details of any class of Units.

18. Certificates for Units

Subject to the Corporations Act, the Responsible Entity may, but is under no obligation to, issue certificates for Units. The Responsible Entity at any time may send a Holder details of Units held by, Unit transactions of, or distributions to, the Holder.

19. Transfers of Units

19.1 General

- (a) A Holder may transfer Units in the manner as the Responsible Entity from time to time prescribes but must not do so without the express written consent of the Responsible Entity (which may be withheld in its absolute discretion).
- (b) A transfer of Units takes effect only when recorded in the Register unless otherwise determined by the Responsible Entity.
- (c) The Responsible Entity is not obliged to register a transfer where the transferee does not meet the Responsible Entity's criteria for a Holder, the transfer is not duly stamped (where required), or any amount payable by the transferee to the Responsible Entity in respect any of the transferor's Units remains unpaid.

19.2 Unapproved transfers

Any transfer of Units that has been made without the express written approval of the Responsible Entity shall be void and such Units will be immediately forfeited and dealt with in accordance with clause 9.11, the proceeds of which will be paid into Trust Property. Each Holder irrevocably appoints the Responsible Entity as its agent and attorney to effect such forfeiture and any such transfer, disposal or redemption of the forfeited Units.

20. Mortgage

20.1 Recording of mortgagee

On the Holder's written request, the Responsible Entity may, but is not obliged to, record a mortgagee (sole or joint) of Units in the Register and on the mortgagee's written request may delete that record.

20.2 Payments to mortgagees

Redemption proceeds of Units, capital distributions (not representing part of Distributable Income) and distributions after termination of the Trust must be paid to the recorded mortgagee of the Units in the Register (or unless it directs otherwise in writing).

20.3 Transfer of mortgaged Units

- (a) A transfer of Units is subject to any existing mortgagee record so that Units in respect of which a mortgagee is recorded on the Register cannot be transferred without the written consent of the mortgagee.
- (b) For the avoidance of doubt, a transfer of mortgaged Units to the mortgagee remains subject to the terms of transfer (such as the requirement for the Responsible Entity to approve the transfer) ordinarily applying under this deed.

20.4 Responsible Entity not have notice of mortgage or charge

Notwithstanding any other provision of this deed, the Responsible Entity and its agents are not taken to have notice of the terms of any mortgage or charge and have no liability to a mortgagee of Units.

21. Death and insolvency

The Responsible Entity only recognises the following persons as having an interest in a Holder's Units in the following circumstances:

- (a) if a Holder dies, or becomes subject to a legal disability, the Holder's legal personal representative or a person properly appointed under an enduring power of attorney or otherwise legally authorised to deal with the Holder's Units;
- (b) if a joint Holder dies, the surviving joint Holder or Holders; and
- (c) if a Holder becomes bankrupt or enters into liquidation, the person legally entitled to the Holder's Units consequent on bankruptcy or liquidation.

22. Termination

22.1 Responsible Entity may terminate

Subject to the Corporations Act (where the Trust is Registered), the Responsible Entity at any time may terminate the Trust by written notice to the Holders with effect from the Termination Date specified in the notice.

22.2 Holders may terminate

The Holders may at any time terminate the Trust by Special Resolution provided that Holders holding in aggregate at least 75% of all Units in issue participate (in person or by proxy) in the resolution. Where the Trust is Registered, the Holders may at any time terminate the Trust in accordance with the Corporations Act.

22.3 Issue and redemption stops

From the date on which a notice is given under **clause 22.1** or the effective date of the resolution under **clause 22.2** (as appropriate), the issue and redemption of Units ceases, the Responsible Entity's ability to make calls on Holders of partly paid Units ceases and any right that a Holder may have to have a Redemption Request processed is extinguished.

22.4 Action on termination

- (a) From the Termination Date, the Responsible Entity must:
 - (i) realise all Trust Property;

- (ii) pay, discharge or provide for all Trust Liabilities (except Redemption Liabilities) and expenses of termination and winding up pursuant to this **clause 22** from the Trust Property; and
 - (iii) subject to **clause 29.5**, distribute the net proceeds among Holders pro rata to the number of Units held on the Termination Date. Where there are both fully paid and partly paid Units in issue, the entitlement in respect of a partly paid Unit will be proportionate to the Paid Up Proportion applicable to the partly paid Unit.
- (b) Payments pursuant to **clause 22.4(a)(ii)** shall be made in priority to any distribution to be made pursuant to **clause 22.4(a)(iii)**.
- (c) The net proceeds referable to a series:
- (i) will be those proceeds that the Responsible Entity determines to be properly referable to that series having regard to the terms of issue of the Units of that series and this deed; and
 - (ii) must be distributed by the Responsible Entity to Holders of Units (held on the Termination Date) in that series pro rata to the number of Units the Holder holds in that series on the Termination Date.

22.5 Realisation of Trust Property

Subject to the Corporations Act, the Responsible Entity may postpone realising Trust Property and is not responsible for any resulting loss unless caused by its negligence or breach of trust.

22.6 Distributable Income

Each Holder registered on the Termination Date continues to be entitled to their proportionate share of Distributable Income during the winding up period. The Responsible Entity may make partial distributions of Trust proceeds during the winding up period.

22.7 Auditing of winding-up accounts

The Responsible Entity must cause the final accounts of the winding-up to be independently checked and audited by a registered company auditor or firm of chartered accountants of which at least one partner is a registered company auditor, and in either case independent of the previous auditor of the Trust.

23. Independent rights

23.1 Permitted activities

The Responsible Entity and any associate of the Responsible Entity, may, subject to this deed and, where Registered the Corporations Act), acting in good faith to Holders:

- (a) hold Units;
- (b) represent or act for, or contract with, individual Holders;
- (c) deal in any capacity with the Responsible Entity (in whatever capacity) or with any of its associates or with any trust;
- (d) invest in and deal in any capacity, with the same investments as that of the Trust, on similar or different terms;

- (e) recommend that investments be purchased or sold, on behalf of the Trust, regardless of whether at the same time it may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other clients;
- (f) deal in any investment regardless of whether that dealing is inconsistent with the dealing of the Trust;
- (g) act in any capacity in relation to any other trusts, including subscribing for units in other trusts on behalf of Holders or the Trust;
- (h) acquire or dispose of Trust Property to associates of the Responsible Entity at the price in the manner contemplated by a Disclosure Document or in this deed; or
- (i) receive and retain profits or benefits of any nature, in connection with the Trust or otherwise, including buying or selling Trust Property from or to itself in another capacity, without being liable to account to the Trust, to the Responsible Entity, or to a Holder.

23.2 Other services

The Responsible Entity may provide responsible entity, investment advisory and management and any other services to other persons (which may include associates of the Responsible Entity or persons in which the Responsible Entity or its associates have invested) (**Other Clients**) without:

- (a) being liable to account to the Trust, to the Responsible Entity, or to a Holder; and
- (b) giving the Trust or Holders equal or more favourable treatment than it provides to the Other Clients.

24. Responsible Entity's liability

To the extent legally permitted (and in no way limiting or purporting to exclude, or reduce liability under, the Corporations Act in particular), where the Responsible Entity acts without fraud, negligence or a breach of trust involving a failure to show the degree of care and diligence required of it having regard to the powers, authorities or discretions conferred on it by this deed, the Responsible Entity is not liable to any future responsible entity, any Holder or any other person:

- (a) for loss caused by:
 - (i) the Responsible Entity's acts or omissions in reliance on:
 - (A) the Register;
 - (B) the authenticity of any document;
 - (C) the opinion, advice or information of any barrister, lawyer, accountant, valuer or other expert instructed by the Responsible Entity or other person referred to in **clause 13.4**; or
 - (D) information from any banker or the auditor of the Trust,
 if the Responsible Entity has no reason to believe the relevant material not to be authentic, the instructions not to be authorised, or the expert not to have the relevant expertise;
 - (ii) any act, omission, neglect or default of another person;

- (iii) any act or omission required by law or by a court of competent jurisdiction;
 - (iv) any particular price or reserve not having been realised;
 - (v) the financial performance or financial returns of an investment of the Trust;
 - (vi) any unnecessary payment having been made to a fiscal authority;
 - (vii) any act or omission of an operator of a securities title, transfer or holding system;
 - (viii) any breakdown, failure or damage of or to any computer (including hardware and software), communications, service or system;
 - (ix) any cancelled or delayed trades whether on exchange, auto-traded or otherwise;
 - (x) another reason; or
- (b) in any event, to a greater extent than the investments, cash and other property to which the Responsible Entity is entitled and does recover through its right of indemnity from Trust Property actually vested in the Responsible Entity in accordance with this deed.

25. Responsible Entity's fees

25.1 Fees

- (a) Before and after termination of the Trust, the Responsible Entity or its nominee is entitled to (but for any fee it may elect to receive less than) each of the Management Fee, the Performance Fee and such other fees as provided for under this **clause 25.1** and this deed (the fees). Fees, including the Benchmark, are to be pro rated for partial periods.
- (b) The Management Fee is consideration for providing Responsible Entity services to the Trust.
- (c) The Performance Fee is consideration for the investment management of Trust Property (including the selection and retention of Trust property), as set out in **clause 25.3** below.
- (d) All fees as stated are exclusive of GST.
- (e) This **clause 25** is to be read subject to the Corporations Act. Without limitation, the right of the Responsible Entity to fees out of Trust Property pursuant to this **clause 25** is only available in relation to the proper performance by the Responsible Entity of its duties in relation to the Trust.
- (f) If at a calculation time for a fee a Series Rationalisation will also occur, fees must be calculated and included in calculating the Net Unit Value for the Units the subject of the Series Rationalisation, prior to the Series Rationalisation occurring.

25.2 Management Fee

A **Management Fee** of 2% per annum of the gross value of Trust Property calculated and payable in arrears on the last Business Day of each calendar month in arrears. For the purposes of this **clause 25.2**, 'Trust Property' includes the value of gross assets specified in any derivative or similar financial product that the Trust is exposed to through its investment in that derivative or financial product (as the case may be).

25.3 Performance Fee

(a) A **Performance Fee**, in respect of each Unit (in issue at the beginning of the relevant calculation period or at the time the Performance Fee is calculated) in a series, equals to 20% of the amount equal to:

- (i) Outperformance; **minus**
- (ii) Prior Underperformance,

calculated as at the end of the last Business Day of each calendar quarter and payable on the last Business Day of each calendar quarter (each such period being a '**calculation period**') and accrued daily during the relevant calculation period. The Performance Fee is also calculated and payable in respect of a Unit when its is redeemed.

(b) For the avoidance of doubt, the Performance Fee will be payable where the change in Net Unit Value for a calculation period is negative but is less negative than the change in the Benchmark for that same period.

(c) For the avoidance of doubt, no amount is payable by the Responsible Entity to the Trust because of the Outperformance being negative.

(d) The Responsible Entity may determine that the Performance Fee is calculated and payable at times other than that set out in clause 25.3(a) above provided that such a determination is made before the relevant calculation period commences and the Responsible Entity advises Holders in writing of the calculation period (which it may do so in a Disclosure Document).

(e) In this clause 25.3:

Benchmark means MSCI World Accumulation Index (AUD) or if such index ceases to exist, the closest equivalent index chosen in good faith by the Responsible Entity and notified to Holders.

Outperformance in respect of a calculation period and a Unit, is an amount equal to the:

- (i) change in the Net Unit Value of the Unit plus any distributions paid or payable to the Holder of that Unit during the calculation period; minus
- (ii) percentage change in the Benchmark during the calculation period multiplied by the Net Unit Value at the beginning of the calculation period.

Prior Underperformance in respect of a calculation period and a Unit, is an amount equal to:

- (i) the sum (expressed as a positive number) of any negative Outperformance amount in any calculation period (excluding the current) since the last time a Performance Fee was paid or payable; or
- (ii) if there has been a Prior Underperformance amount of greater than zero under paragraph (i) of this definition for 8 consecutive calculation periods (the **negative period**), the negative Outperformance in the negative period will be disregarded when calculating Prior Underperformance in any calculation periods after the negative period.

- (f) Where Units are reorganised pursuant to this deed (such as by way of a Series Rationalisation or a division or consolidation of Units) the variables in this **clause 25.3**, in respect of those Units, are adjusted proportionate to the reorganisation.
- (g) For Units issued at different times which comprise the same series, the definitions of 'Prior Underperformance' and 'Benchmark' in this **clause 25.3** must be determined on the basis of the Outperformance of the first Units in that series (regardless of the Outperformance of additional Units issued in that series) including such that a reference in those definitions to 'Issue Price of the Unit', 'the issue of that Unit', 'the issue of the Unit' and 'the issue of the relevant Unit' will each be read as being references to 'the issue of the first Unit in the series of that Unit'.

25.4 Responsible Entity may receive less fees

The Responsible Entity in its discretion may from time to time elect to receive less than the fees referred to in this **clause 25** in respect of all or any Units (whether determined by reference to a minimum balance, a class or series, the inclusion of an Outperformance or Benchmark criteria, or on another basis and whether for the life of a particular Disclosure Document or otherwise) and may pay a Holder, from its own resources, any amount which it in its discretion so determines by way of offset or rebate of fees or for any other reason (including because that Holder makes a pre-commitment to subscribe for Units).

25.5 Commissions

Without limiting **clause 25.4**, the Responsible Entity may, as set out in the relevant Disclosure Document:

- (a) Subject to the Corporations Act or any relevant law, pay amounts (in whatever form) to persons (which may include itself and its associates) as payment for promoting the Trust which results, directly or indirectly, in persons acquiring Units or becoming Holders; and
- (b) pay such amounts from its own funds, application monies or Trust Property.

26. GST

26.1 Interpretation

In **clause 26** a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the same meaning given to it in that Act.

26.2 GST gross up

If the Responsible Entity is liable for GST on any supply made under or in connection with this deed (including the supply of any goods, services, rights, benefits or things), the Responsible Entity is entitled to receive, unless the consideration for the supply is specifically described in this deed as being inclusive of GST, in addition to any consideration for that supply, or any other fee, amount or consideration, an additional amount on account of GST, equal to the GST payable by the Responsible Entity, and the Responsible Entity is entitled to be reimbursed or indemnified for the amount out of the Trust Property. The Responsible Entity must issue a tax invoice in respect of the supply before it is entitled to be reimbursed or indemnified.

26.3 GST inclusive supply

Where the consideration for a supply made under or in connection with this deed is specifically described as being inclusive of GST and:

- (a) the Supply is not subject to GST, and the GST rate is the same as at the date of this deed, the consideration to be provided for that Supply is reduced by one-eleventh; or
- (b) there is a change to the prevailing rate of GST, the consideration is increased or decreased in proportion to the change in the rate of GST.

26.4 Input tax credits

When calculating the amount of any Costs, charges, expenses or outgoings incurred by the Responsible Entity for which it is entitled to be reimbursed out of the Trust Property, the Responsible Entity must deduct an amount equal to any input tax credit to which the Responsible Entity is entitled in connection with the Costs, charges, expenses or outgoings sought to be reimbursed.

27. Outgoings

27.1 General

Subject to the Corporations Act, all Costs, charges, expenses and outgoings reasonably and properly incurred by the Responsible Entity in the proper performance of its duties, including in connection with the following matters or of the following nature in relation to the Trust, are payable or reimbursable out of Trust Property (and if referable to more than one trust, apportioned in a manner determined by the Responsible Entity):

- (a) preparation, approval, stamping, execution and printing of this deed and any deed amending this deed;
- (b) retirement and appointment of the Responsible Entity and any custodian;
- (c) institution, prosecution, defence and compromise of any court proceedings, arbitration or dispute resolution proceedings in relation to this deed or the Trust (but the Responsible Entity must repay to the Trust any amount it has been advanced in respect of outgoings in connection with proceedings in which it is found by a court to be liable for its own negligence, fraud, breach of trust or breach of duty);
- (d) convening and holding a Meeting and implementing a resolution of the meeting;
- (e) bank fees, interest, discount and acceptance fees for bill facilities and like amounts;
- (f) all Taxes;
- (g) any actual or proposed investment, acquisition, realisation, disposal, valuation, maintenance, alteration, improvement, enhancement, receipt, collection or distribution of any Trust Property;
- (h) foreign exchange transactions and foreign exchange hedging transactions;
- (i) fees payable to a person authorised by the Responsible Entity to hold Trust Property;
- (j) fees payable to any regulatory authority including in respect of the registration of the Trust as a managed investment scheme;
- (k) all expenses in connection with ongoing compliance costs in respect of the Trust including, where established, the costs and expenses associated with the establishment and conduct of any compliance committee including:
 - (i) remuneration of committee members;

- (ii) the expenses of independent legal, accounting or other professional advice or assistance properly commissioned by the compliance committee;
 - (iii) audit of the compliance plan; and
 - (iv) to the extent permitted by the Corporations Act, directly or indirectly, indemnifying or insuring a person who has been a compliance committee member for or against any liability, including costs, expenses and liabilities incurred by the person in defending civil or criminal proceedings;
- (l) establishing and maintaining the Register, the Trust accounting system and records and the investment register (including operation and development of computer facilities, both software and hardware, salaries and on-costs);
 - (m) preparing and printing accounts, cheques and documents, posting them to Holders, or paying Holders;
 - (n) any offer or invitation in respect of Units, including preparation, lodgement, registration, distribution and promotion of Trust prospectuses, information memoranda or product disclosure statements;
 - (o) amounts payable to administrators, advisers, agents, brokers, contractors, custodians, investment managers, calculation agents, underwriters, counterparties to any derivatives transactions or contracts entered into by the Responsible Entity or its agents or other persons engaged by the Responsible Entity under the deed (including legal costs on a full indemnity basis);
 - (p) handling fees and commissions who arrange for persons to become Holders of Units;
 - (q) fees incurred by an auditor of the Trust;
 - (r) preparation and lodgement of taxation and other returns for the Trust;
 - (s) terminating and winding up of the Trust;
 - (t) entering the Trust in a survey;
 - (u) fees payable to a ratings organisation;
 - (v) fees payable to a securities system authorised by the Responsible Entity to hold Trust Property;
 - (w) proper performance of the Responsible Entity's duties, exercise of the Responsible Entity's rights or powers, compliance with the law or administration of the Trust;
 - (x) establishment, development, maintenance and operation of computer facilities, both software and hardware for the administration of the Trust; and
 - (y) dealing with applications for and redemption of Units, and determining the Issue Price and Redemption Price.

27.2 Class or series expenses

Subject to the terms of issue of Units and this deed, the Responsible Entity may determine that an expense (whether paid or payable) of the Trust is referable, in whole or part, to a particular series or class of Units.

27.3 Organisational Costs

- (a) Without limiting clause 27.1 the Responsible Entity may pay from or seek reimbursement out of Trust Property for Organisational Costs or enter into arrangements so that the Trust bears Organisational Costs.
- (b) The Organisational Costs may be amortised, by a method, in the amounts and at a time or times, determined by the Responsible Entity.

28. Recoveries

28.1 Holders' liabilities

Each Holder is liable for:

- (a) all fees, Taxes and Costs in relation to the Holder's entitlement to, or payment of, income or capital to the Holder;
- (b) any act requested by the Holder;
- (c) for unpaid amounts owing by the Holder to the Responsible Entity in relation to the Trust; and
- (d) fees determined and chargeable by the Responsible Entity from time to time for any act or work carried out at the Holder's request which goes beyond the Responsible Entity's duties under the deed, charged at market rates for the services provided.

28.2 Responsible Entity may withhold or recover

The Responsible Entity may:

- (a) withhold payment of any money payable to a Holder until the liability is discharged; or
- (b) meet the liability and recover the amount:
 - (i) from any money or property held for the Holder;
 - (ii) from any distribution or other payment payable to the Holder; or
 - (iii) by compulsorily redeeming any or all of the Holder's Units in accordance with this deed.

29. Distributions

29.1 Distributable Income

The Distributable Income of the Trust for an Accounting Period is equal to Trust Income or such lesser amount as the Responsible Entity determines in its discretion is the Distributable Income of the Trust, provided that:

- (i) any such determination must be made by the Responsible Entity on or before the last day of the relevant Accounting Period;
- (ii) the amount determined by the Responsible Entity must be equal to or greater than the Net Income of the Trust for the relevant Accounting Period; and
- (iii) if the amount determined by the Responsible Entity is less than the Net Income of the Trust, the Responsible Entity is taken to have determined that Distributable Income is equal to the Net Income of the Trust for the relevant Accounting Period.

- (b) For the purposes of calculating the Distributable Income for an Accounting Period referable to a series, all income and expenses included in that Distributable Income of the Trust will apply equally to all Units (of the Trust) except that Units in a series will bear only the Performance Fees paid or payable (if any) in respect of that series and the expenses otherwise referable, pursuant to this deed, only to that series.

29.2 Distributions

- (a) Before and after termination of the Trust, the Responsible Entity at any time may elect that an amount (capital or income) be distributed from the Trust to Holders. A distribution made by the Responsible Entity to a Holder will be taken to be a distribution of Trust Income of an Accounting Period to the extent the Responsible Entity determines the distribution constitutes a distribution of Trust Income for that Accounting Period.
- (b) Except as otherwise provided by this deed, the Distributable Income referable to a series for each Accounting Period must be distributed to Holders of Units in that class or series pro rata to the number of Units they hold in that class or series (as the case may be). Holders of Units will only be presently entitled to their pro rata share of Distributable Income that was referable to the time that they held the Units during the Accounting Period. This present entitlement will arise at the time of the Responsible Entity's determination of Distributable Income under this deed, and no later than by the end of the Accounting Period to which the Distributable Income relates. Except as otherwise provided by this deed, a distribution of capital referable to a class for each Accounting Period must be distributed to Holders of Units in that class pro rata to the number of Units they hold in that class.
- (c) Subject to **clause 29.2(d)**, each Holder registered at midnight on the last day of each Accounting Period has a vested and indefeasible interest in a share of the Trust Income for that Accounting Period not previously distributed for each Unit held by that Holder in the proportion set out in **clause 29.2(b)** above.
- (d) In calculating the 'number of Units held' by a Holder and the number of Units 'in issue', each partly paid Unit is to be counted as a Unit multiplied by the Paid Up Proportion applicable to the partly paid Unit.
- (e) To the extent that an amount of Trust Income for an Accounting Period is at least equal to Distributable Income for that Accounting Period and it has not been distributed on or before the end of the Accounting Period, an amount equal to the shortfall must be distributed by the Responsible Entity to each entitled Holder as soon as reasonably practicable after the end of the Accounting Period.
- (f) The Responsible Entity may retain from the amounts to be distributed to a Holder any amount of Taxes required to be deducted by law or any amount of tax payable by the Responsible Entity or the Holder in respect of the Distribution.

29.3 Change in the law

If the law changes in respect of Taxes so that the Trust or the Responsible Entity becomes subject to Taxes on income and gains derived by the Trust even where all available income is distributed to Holders, or regardless of the present entitlement of the Holders, then the Responsible Entity does not have to make distributions in accordance with **clauses 29.1 and 29.2** and instead the Responsible Entity, at its discretion, may choose when to make distributions of profits, income, capital or any taxation or franking credits that have become available in relation to the Trust.

29.4 Distribution Reinvestment

Where the Responsible Entity offers Distribution Reinvestment, a Holder may request the Responsible Entity to invest future income distributions wholly (or with the Responsible Entity's approval, partly) in subscriptions for additional Units in the Trust at the Issue Price next determined in accordance with **clause 8.2(a)(ii)** after the Accrual Time at which the entitlement arises (**Distribution Reinvestment**). A request or cancellation is effective, in respect of the Distribution entitlement arising at that and subsequent Accrual Times, if received in a mode and by a time determined by the Responsible Entity.

29.5 Retention

The Responsible Entity may withhold from any distribution, including on termination of the Trust, any amounts that it reasonably believes are or may become payable by the Trust (including in respect of any actual, anticipated or contingent outgoings, deficits, amounts payable to the Responsible Entity (including fees) or obligations to a third party to which the Trust or the Responsible Entity is bound) or otherwise as the Responsible Entity may think necessary, desirable or conducive to the interests of the Trust or Holders. Such withheld amounts will remain Trust Property until distributed or paid from the Trust.

29.6 Public Trading Trust

If and so long as the Trust is, for any reason (including that it is a public trading trust for the purposes of Division 6C of Part III of the *Income Tax Assessment Act 1936* (Cth)) to be taxed in a similar manner to a company, the Responsible Entity may take any steps it reasonably considers necessary to comply with the law and the following applies (replacing **clauses 29.1** and **29.2**):

- (a) the Holders do not have a vested and indefeasible interest in a share of the Trust Income properly referable to the particular class of Units held by the Holder at the end of an Accounting Period;
- (b) a distribution from the Responsible Entity to a Holder will be paid from the after tax income of the Trust;
- (c) distributions paid under **clause 29.6(b)** will be distributed to Holders pro rata to their capital contributions as at the record date for the distribution; and

the Responsible Entity may choose when to make distributions of profits, income, capital or any taxation or franking credits that have become available in relation to the Trust.

30. Closely held trusts

30.1 Holder must give notice if trustee

If a Holder holds Units in their capacity as trustee of a trust estate, the Holder must:

- (a) immediately give the Responsible Entity notice accordingly; and
- (b) as and when required by the Responsible Entity, provide all information as may be required for the Responsible Entity to make a 'correct UB statement' under section 102UG of the Tax Act.

30.2 Holder not trustee if no notice

Each Holder warrants to the Responsible Entity that a Unit is not held by the Holder in their capacity as trustee of a trust estate unless the Holder gives notice under **clause 30.1**.

30.3 Deduction from distributions

Each Holder irrevocably directs the Responsible Entity to deduct from any distribution (and apply towards any tax that might be payable by the Responsible Entity under Division 6D of Part III of the Tax Act) an amount equivalent to the top marginal tax rate plus Medicare levy multiplied by that Holder's share of the Net Income, if:

- (a) the Holder has given notice under **clause 30.1**, but the Responsible Entity considers (in its absolute discretion) that the Holder may not be able to comply with **clause 30.1**; or
- (b) the Holder has not given notice under **clause 30.1**, but the Responsible Entity (in its absolute discretion) believes that notice should have been given by the Holder.

30.4 Application of clause

Clause 29.5 does not apply to a Holder if the Responsible Entity considers that it will not be subject to the requirements of Division 6D of Part III of the Tax Act in respect of the Holder.

31. Payments

31.1 Means of payment

Any money payable by the Responsible Entity to a Holder may, at the discretion of the Responsible Entity:

- (a) be deposited into an account with a bank or other financial institution approved by the Responsible Entity and nominated by the Holder;
- (b) applied in another manner as the Responsible Entity is directed in writing by the Holder (if the Responsible Entity agrees); or
- (c) paid by cheque posted to the Holder.

The obligations of the Responsible Entity are fully discharged in respect of any money so paid.

31.2 If payment not effective

If a distribution cheque or a cheque issued in payment of a Redemption Request is returned unclaimed, or is not presented for payment within a reasonable period (which the Responsible Entity may determine from time to time), or an attempted deposit is rejected, the Responsible Entity may in its absolute discretion reinvest the relevant amount for the Holder in the Trust as from the date the Responsible Entity selects as appropriate or deposit the money into an unclaimed moneys account.

32. Auditor

The Responsible Entity must appoint and may at any time replace as auditor of the Trust either a registered company auditor, a firm of chartered accountants of which at least one partner is a registered company auditor, or the Auditor-General of New South Wales.

33. Reporting

The Responsible Entity must give Holders the financial reports specified in any applicable Disclosure Document from time to time of the Trust at the times indicated in the Disclosure Document.

34. Meetings

34.1 Convening Meetings

A Meeting may be convened and conducted in accordance with this deed and the relevant provisions of the Corporations Act, reading those provisions as if the Trust is Registered.

34.2 Failure to give notice

Accidental omission to give notice to, or non-receipt of notice by, a Holder, does not invalidate a Meeting nor a resolution passed at a Meeting.

34.3 Proxy rights

A proxy may attend, speak and vote for a Holder even if the Holder is present at the Meeting.

34.4 Proxy appointments

An appointment of a proxy is valid even if it does not include the Holder's address or the Trust's name. An appointment of a proxy for a Meeting is effective if received by the Responsible Entity by a time before the time the Meeting (or any adjournment of the Meeting) is due to start that the Responsible Entity considers appropriate.

34.5 Other types of Units

Clause 34 applies also, to the extent appropriate, to Meetings of Holders of any type or class of Unit.

35. Conduct of Meetings

35.1 Adjourning Meetings

- (a) The chairperson may adjourn a Meeting to a time and place as the chairperson sees fit.
- (b) The Responsible Entity may at any time postpone or cancel a Meeting or withdraw any resolution proposed to be put to a Meeting.

35.2 Closing of Register

When a Meeting is to be held the Responsible Entity must close the Register at an appropriate date and time to determine those Holders entitled to vote at the Meeting, and entitled to notification of the meeting.

35.3 Joint Holders

The first named of joint Holders shown in the Register (or if that person does not vote, the next named joint Holder, or if that person does not vote, the next named, and so forth) may exercise the voting rights of jointly-held Units.

35.4 Ordinary resolution

An ordinary resolution is passed if a simple majority of votes cast are in favour.

35.5 Validity of vote

The chairperson's declaration of the validity of any vote and the result of voting is conclusive.

35.6 Resolution binds all Holders

A resolution duly passed binds all Holders, whether or not present at the Meeting.

35.7 Written resolutions

To the extent permitted under the Corporations Act or Relief, a resolution in writing signed by all Holders, whether in counterpart or otherwise, will be deemed to have been duly passed at a meeting and at the time the requisite voting threshold is first satisfied by Holders signing the resolution. Written resolutions cannot be used in respect of the removal of the Responsible Entity. Notice of meeting will be deemed to have been made at such time the Holder is taken to receive the written resolution.

35.8 Minutes

Minutes of a Meeting signed by the chairperson constitute conclusive evidence of the proceedings of the Meeting.

35.9 Postal ballot

A Meeting may be conducted by postal ballot in accordance with arrangements the Responsible Entity may determine reflecting, as closely as may be practicable, the provisions of this deed.

35.10 Other types of Units

Clause 35 applies also, to the extent appropriate, to meetings of Holders of any type or class of Unit.

36. Responsible Entity's retirement

36.1 Retirement

The Responsible Entity:

- (a) may retire as responsible entity of the Trust, effective on the appointment of a replacement responsible entity, by giving notice to the Holders.
- (b) must retire as responsible entity of the Trust when directed to retire by a Special Resolution, provided that the Responsible Entity must not retire until a new responsible entity is appointed.
- (c) must retire as responsible entity of the Trust when required by the Corporations Act or law.

36.2 Responsible Entity's indemnity

On the Responsible Entity retiring or being removed from the Trust or otherwise ceasing to be the Responsible Entity, to the extent legally permitted (and in no way limiting or purporting to exclude, or reduce liability under any laws, including the Corporations Act) the retiring Responsible Entity is completely released from this deed as it affects the Trust and is indemnified out of Trust Property against any claims arising out of its conduct as Responsible Entity of the Trust except claims in respect of gross neglect or default by the retiring Responsible Entity and without limiting liability of the retiring Responsible Entity to the Holders.

36.3 Replacement responsible entity to execute deed

The replacement responsible entity and retiring Responsible Entity must execute a deed of retirement and appointment in the form required by the retiring Responsible Entity in which the replacement responsible entity undertakes to be bound from the effective date of the deed of retirement and appointment by the provisions of this deed. From the effective date of the deed of retirement and appointment the replacement responsible entity will have the same powers, rights

and obligations under this deed as if the replacement responsible entity were originally a party to this deed except to the extent of any accrued rights or liabilities of the retiring Responsible Entity.

36.4 If replacement responsible entity not appointed

If the office of Responsible Entity becomes vacant and a replacement responsible entity is not appointed within six months of the vacancy, the Holders may resolve by Special Resolution, effective immediately, to terminate the Trust. If the Holders do not resolve to terminate the Trust, a temporary Responsible Entity must be appointed by the Holders from among themselves, unless otherwise agreed by all Holders. The temporary Responsible Entity in this case shall be the Holder with the largest Unit holding, or as otherwise agreed by the Holders.

37. Liability of Holders

Subject to this deed, the liability of each Holder is limited to the amount subscribed, or agreed to be subscribed by the Holder, for Units. Recourse of the Responsible Entity and Trust creditors is limited to Trust Property. Any relationship of partnership or agency between the Responsible Entity and a Holder in relation to the Trust, this deed or anything done under this deed, is expressly excluded.

38. Amendments to deed

The Responsible Entity may by supplemental deed, make any modification, addition or deletion to this deed provided that if the modification, addition or deletion:

- (a) changes a Holder's entitlement to income or capital, all affected Holders must also consent;
- (b) affects the fixed and indefeasible interest that a Holder has in the Trust, all affected Holders must also consent; or
- (c) relates to the Responsible Entity's entitlement to fees or other amounts under this deed, the Responsible Entity also consents.

Without limiting the above, the Responsible Entity may without consent make any modification, addition or deletion to this deed as it considers necessary in order to comply with any applicable provisions of the Corporations Act.

39. Calculations

Any calculation for the purposes of this deed must be to the fourth decimal place or, in any case, as otherwise determined by the Responsible Entity from time to time.

40. Notices and cheques

40.1 Notices

Any consent, notice, report or statement required to be in writing may be sent to a Holder or joint Holders:

- (a) by prepaid post to the address of the Holder or first named joint Holder shown in the Register, and is taken to be received on the next Business Day after posting; or

- (b) electronically or by facsimile to any electronic address or facsimile number given by the Holder or the first name joint Holder shown on the Register, from time to time, and is taken to be received:
 - (i) when it is sent; or
 - (ii) if it is sent not on a Business Day or after 5.00pm on a Business Day, at 9.00am on the next Business Day.

40.2 Cheques

Any cheque required to be sent to a Holder or joint Holders may be sent by prepaid post to the address of the Holder or first named joint Holder shown in the Register, and is taken to be received on the next Business Day after posting.

41. Application of Accounting Principles and Standards

Unless required by law, the Responsible Entity need only apply generally accepted Australian accounting standards or Accounting Standards as generally accepted or in force immediately before 1 January 2005 in carrying out any calculation or making any determination in respect of the Trust.

42. Dispute resolution

42.1 Dispute resolution

The Responsible Entity, as the holder of an Australian financial services licence, must comply with the dispute resolution requirements in section 912A(2) of the Corporations Act in dealing with complaints received from Holders who are retail clients (as defined in the Corporations Act) in relation to the Trust.

42.2 Complaint handling

The Responsible Entity must in respect of a complaint received from a Holder in relation to the Trust:

- (a) as soon as possible and in any event within 5 days acknowledge any complaint received from a Holder;
- (b) the requirement to provide a final response to the complainant or disputant does not apply when the complaint or dispute (except for a complaint or dispute relating to hardship, a declined insurance claim, or the value of an insurance claim) is resolved to the complainant's or disputant's complete satisfaction by the end of the fifth business day after the complaint or dispute was received and the complainant or disputant has not requested a response in writing;
- (c) within 45 days from receipt of the complaint (or in accordance with ASIC policy and best practice, such longer period as may reasonably be required having regard to the nature of the complaint, the information given by the complainant and the nature and extent of the investigation and other activities necessary to deal fully with the complaint):
 - (i) investigate, properly consider and decide what action (if any) to take or offer regarding the complaint; and
 - (ii) communicate its decision to the Holder, at the same time informing the Holder of remedies available to the Holder of which the Responsible Entity is aware and any

available avenue of appeal against the decision to an external industry complaints tribunal or other body;

- (d) include in any Disclosure Document an explanation of its procedures for handling complaints; and

may, in its discretion, give any of the following remedies to the complainant:

- (e) information and explanation regarding the circumstances giving rise to the complaint;
- (f) an apology;
- (g) compensation for loss incurred by the Holder as a direct result of the breach (if any); or
- (h) such other remedies as the Responsible Entity considers appropriate.

43. Change of name

If 'Ellerston Capital Limited' is no longer the Responsible Entity then from that time the name of the Trust, relevant references in this deed and applicable Disclosure Documents are taken to be and must be amended by the incoming responsible entity, to omit the words 'Ellerston Capital Limited', except if Ellerston Capital Limited agrees otherwise.

44. Governing law

This deed is governed by the law of New South Wales.

Signing page

EXECUTED as a deed.


Executed by **Ellerston Capital Limited** in accordance with Section 127 of the *Corporations Act 2001* in the presence of



Signature of director

CHRIS KAURTIS

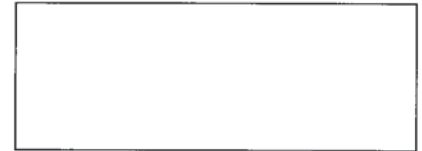
Name of director (print)

←  ←

Signature of director/company secretary
(Please delete as applicable)

IAN KELLY

Name of director/company secretary (print)



Notification of change to managed investment scheme's constitution

If there is insufficient space in any section of the form, print additional copies of the relevant page(s) and submit as part of this lodgement

Scheme details

Managed investment scheme name

ELLERSTON WHOLESALE GLOBAL INVESTMENTS FUND

ARSN

609 725 808

Responsible entity name

ELLERSTON CAPITAL LIMITED

ACN

110 347 674

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation

Contact name/position description

JAN KELLY, COMPANY SECRETARY

ASIC registered agent number (if applicable)

Telephone number

02 9021 7731

Postal address or DX address

LEVEL 11, 177 ELIZABETH STREET

SYDNEY NSW 2000

1 Details of change

		ASIC form code
<input type="checkbox"/>	Modification of constitution authorised by special resolution of members	B
<input type="checkbox"/>	Relacement of constitution authorised by special resolution of members	C
<input checked="" type="checkbox"/>	Modification of constitution authorised by responsible entity	B
<input type="checkbox"/>	Replacement of constitution authorised by responsible entity	C
<input type="checkbox"/>	Consolidated constitution	D

Date of resolution	<input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/>
	[D D] [M M] [Y Y]
Date of resolution	<input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/>
	[D D] [M M] [Y Y]
Date authorised	<input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/>
	[D D] [M M] [Y Y]
Date of replacement	<input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/>
	[D D] [M M] [Y Y]
Date of consolidation	<input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/> / <input type="checkbox"/> <input type="checkbox"/>
	[D D] [M M] [Y Y]

2 Documents to be attached

- A copy of the modification or the new constitution.
The modification, or repeal and replacement, cannot take effect until the copy has been lodged.
- OR
- A consolidated copy of the scheme's constitution if directed to do so by ASIC.
-

Signature

This form must be signed by a director or secretary of the responsible entity.

I certify that the information in this form is true and complete.

Name

JAN KELLY

Capacity

Director of responsible entity

Secretary of responsible entity

Signature

J Kelly

Date signed

[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
GPO Box 9827 in your capital city.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

First supplemental deed poll

Dated

Ellerston Capital Limited ("ABN 34 110 397 674") ("Responsible Entity")

I Certify this document of *6* pages to be
true copy of the original sighted by me.

Ian Kelly

Ian Kelly
Solicitor - Supreme Court of NSW
Level 11, 179 Elizabeth Street
Sydney NSW 2000

First supplemental deed poll

Contents

Details	2
General terms	3
1 Interpretation	3
1.1 Definitions	3
1.2 Deed supplemental to Constitution	3
1.3 Headings	3
2 Modifications to the Constitution	3
3 No redeclaration etc	3
4 Governing law	4
Signing page	5

First supplemental deed poll

Details

Responsible Entity	Name	Ellerston Capital Limited
	ABN	34 110 397 674
	Capacity	Responsible Entity of the Fund
	Address	Level 11, 179 Elizabeth St Sydney NSW 2000

Recitals	A	The Ellerston Wholesale Global Investments Fund (“ Fund ”) is governed by the constitution of the Fund dated 25 November 2015, as amended from time to time (“ Constitution ”).
	B	Under clause 38 of the Constitution, the Responsible Entity may by supplemental deed modify, add to or delete from, the Constitution.
	C	The Responsible Entity wishes to modify the Constitution as set out in this supplemental deed. Amongst other things, the Responsible Entity wishes to change the name of the Fund to “Ellerston Global Mid Small Cap Fund”.

Governing law	New South Wales
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Date of deed	See Signing page
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First supplemental deed poll

General terms

1 Interpretation

1.1 Definitions

In this deed, these words and phrases have the following meanings and any other words and phrases have the meaning given to them in the Constitution, unless the contrary intention appears:

Constitution means the deed dated 25 November 2015 under which the Fund is governed, as amended from time to time.

Effective Date means the date of this deed.

Fund means the Ellerston Wholesale Global Investments Fund.

Trust has the meaning given to that term in the Constitution.

1.2 Deed supplemental to Constitution

This deed is supplemental to the Constitution.

1.3 Headings

Headings are inserted for convenience only and do not affect the interpretation of this deed.

2 Modifications to the Constitution

The Constitution is modified from the Effective Date by:

- (a) The name of the Trust is changed to “Ellerston Global Mid Small Cap Fund” and all references to “Ellerston Wholesale Global Investments Fund” are replaced with “Ellerston Global Mid Small Cap Fund”;
- (b) Replacing clause 25.3(e) with the following:
“**Benchmark** is the MSCI World Mid NR (AUD).”

3 No redeclaration etc

The Responsible Entity declares that it is not, by this deed:

- (a) redeclaring the Trust; or
- (b) causing the transfer, vesting or accruing of property in any person.

4 Governing law

This deed is governed by the laws in force in the place specified in the Details. Each person affected by it must submit to the non-exclusive jurisdiction of the courts of that place and the courts of appeal from them.

EXECUTED as a deed

First supplemental deed poll


Signing page

DATED: 17/2/17.

EXECUTED by ELLERSTON)
CAPITAL LIMITED in accordance)
with section 127(1) of the)
Corporations Act 2001 (Cwlth) by)
authority of its directors:)


.....)
Signature of director)

BRIAN O'SULLIVAN
.....)
Name of director (block letters)


.....)
Signature of ~~director~~/company)
secretary*)
*delete whichever is not applicable)

IAN KELLY
.....)
Name of ~~director~~/company secretary*)
(block letters))
*delete whichever is not applicable)

Corporate Directory

Ellerston Global Investments Limited

ACN 169 464 706

Level 11, 179 Elizabeth Street

Sydney, NSW 2000

Telephone: +61 2 9021 7701

Website: www.ellerstoncapital.com

Directors

Mr Ashok Jacob (Chairman)

Mr Sam Brougham (Independent Non-Executive Director)

Mr Paul Dortkamp (Independent Non-Executive Director)

Mr Bill Best (Independent Non-Executive Director)

Company Secretary

Mr Ian Kelly

Appointed Auditor

Ernst & Young

Legal adviser

MinterEllison

Rialto Towers, 525 Collins Street

Melbourne, VIC 3000

Telephone: +61 3 8608 2000

Facsimile: +61 3 8608 1000

Independent Expert

KPMG Corporate Finance

Level 38, Tower Three

International Towers Sydney

300 Barangaroo Avenue

Sydney, NSW, 2000

Share Registry

Link Market Services Limited

ABN 95 008 894 488

Level 12

680 George St

Sydney NSW 2000

Telephone: 1300 554 474 (within Australia)

or +61 2 8280 7100 (outside Australia)

Facsimile: +61 2 9287 0303

Independent Custodian

Mainstream Fund Services Pty Ltd

ACN 118 902 891

Level 1

51-57 Pitt Street,

Sydney NSW 2000

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Ellerston Global Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **ALL ENQUIRIES TO**
Telephone: +61 1300 551 627



X99999999999

PROXY FORM

I/We being a member(s) of Ellerston Global Investments Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting or any other director of EGI or the company secretary, as nominated by the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **11:00am (Sydney time) on Friday, 31 July 2020 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at <https://agmlive.link/EGI20> (refer to details in Section 4 of the Explanatory Booklet accompanying this Proxy Form).

The Chairman of the Meeting intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 11:00am (Sydney time) on Wednesday, 29 July 2020.

Please read the voting instructions overleaf before marking any boxes with an


Resolution

For Against Abstain*

1 To consider and, if thought fit, to pass the following resolution:

That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between EGI and the holders of its fully paid ordinary shares, designated the **Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and, subject to approval of the Scheme by the Court and the passing of the Early Termination Fee Resolution, the Board of Directors of EGI is authorised to implement the Scheme with any such alterations or conditions.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, each shareholder must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

EGI PRX2001N



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company. Please note that if you wish to revoke your proxy appointment, you will need to advise the Share Registry of this revocation prior to the commencement of the Meeting. You may do so by contacting the Share Registry at +61 1300 551 627 Monday to Friday between 9.00am and 5.00pm (Sydney time). Unless your proxy's appointment is revoked, you will not be allowed to vote at the Meeting. This means if you appoint a proxy prior to the Meeting but then decide to attend the Meeting yourself, your proxy retains the ability to vote, not you.

DEFAULT TO CHAIRMAN OF THE MEETING

Where someone other than the Chairman of the Meeting has been appointed as your proxy, any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted in favour of the resolution to approval the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage of votes or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage of votes or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, each shareholder must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Wednesday, 29 July 2020**. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Ellerston Global Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
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C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **ALL ENQUIRIES TO**
Telephone: +61 1300 551 627



X99999999999

PROXY FORM

I/We being a member(s) of Ellerston Global Investments Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting or any other director of EGI or the company secretary, as nominated by the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **12:00pm (Sydney time) on Friday, 31 July 2020 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at <https://agmlive.link/EGIGM20> (refer to details in Section 4 of the Explanatory Booklet accompanying this Proxy Form).

The Chairman of the Meeting intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution (in the absence of a Superior Proposal from another party prior to the date of the General Meeting).

VOTING DIRECTIONS


Proxies will only be valid and accepted by the Company if they are signed and received no later than 11:00am (Sydney time) on Wednesday, 29 July 2020.

Please read the voting instructions overleaf before marking any boxes with an

Resolution

For Against Abstain*

- 1 The meeting will be asked to consider and, if thought fit, pass the following resolution:
- Subject to, and interdependent with the approval of the Scheme by the Court under section 411(4)(b) of the Corporations Act and the Implementation Date occurring on or before the End Date, that for the purposes of section 208 of the Corporations Act, and for all other purposes, EGI Shareholders approve:
- (a) EGI's agreement to pay the Early Termination Fee to the Manager in recognition that the Responsible Entity will provide a 2 year waiver of management fees for the Ellerston Class B units on implementation of the Scheme; and
- (b) EGI entering into arrangements to give effect to, and to pay, the Early Termination Fee to the Manager.

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, each shareholder must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



STEP 1

STEP 2

STEP 3

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

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BY MAIL

Ellerston Global Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309