

August 21, 2020



Directors recommend unitholders oppose 360 Capital's proposal

The Directors of the Responsible Entity ("RE") in the Australia Enhanced Income Fund ("Fund") recommend that unitholders oppose 360 Capital FM Limited's ("360 Capital") proposal to change the RE at the meeting of 9 September 2020.

We detail the reasoning behind our recommendation:

- i) It is not entirely clear from the notice of meeting as to the details of the proposed change of strategy. Accompanying documents indicate a strategy to invest in corporate loans, but in the absence of a PDS, the Directors cannot properly evaluate the strategy.
- ii) Should the vote to change the RE be successful, unit holders will receive \$0.15 per unit. This approximates to 2.52% of the Fund's current net asset value ("NAV") of \$5.954. We are unsure whether this payment would be sufficient to compensate investors should the Fund trade at the discounts currently evident in the ASX Listed Loan and Bond Funds.

Should 360 Capital be unsuccessful in changing the RE, the RE will continue with the process of offering monthly redemptions and engaging in an orderly wind down of the Fund.

Directors of the RE have lodged their request to redeem forms.

As we indicated in our ASX release of 12 August 2020, the Directors of the RE advise that they lodged their request to redeem notices with Advanced Share Registry Limited ("Advanced") prior to 5.00pm on Friday 14 August 2020.

We remind unitholders that they still have the right to request redemptions at the NAV (less the sell spread of 0.2%). The next redemption point is 30 September 2020. Should 360 Capital be successful in changing the RE, 360 Capital will be responsible for allowing redemptions under the Fund's constitution.

We note that 360 Capital advise that unitholders registered on the record day (9 September 2020) will be entitled to apply to have their units redeemed in accordance with the Fund's constitution by lodging a withdrawal request by the withdrawal request end date being 5 business days after the meeting. 360 Capital advise that they will use reasonable endeavours to redeem those units subject to there being reasonable liquidity in the Fund.

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

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

Campbell Dawson (Chairman, Australian Enhanced Income Fund)