

ASX Release

AEG ANNOUNCES SIGNED HEADS OF AGREEMENT WITH INVESTMENT MANAGER

Wednesday, 4 November 2020

Absolute Equity Performance Fund Limited ACN 608 552 496 (ASX:**AEG**) (the **Company**) refers to the ASX announcement dated 13 July 2020 confirming that it had received a non-binding proposal from its Investment Manager, Bennelong Long Short Equity Management Pty Limited (**BLSEM**), for the amalgamation of AEG into an unlisted investment management scheme, Bennelong Market Neutral Fund (**BMNF**) (the **Proposed Transaction**).

The Company now advises that it has signed a non-binding heads of agreement (**HoA**) with BLSEM and BMNF in this regard. A copy of the HoA is attached to this announcement.

The Proposed Transaction is subject to shareholder approval and involves AEG disposing of its entire portfolio, returning proceeds to shareholders and terminating the Investment Management Agreement with BLSEM. Eligible AEG shareholders will be offered the opportunity to convert their investment into units in BMNF.

Further updates will be provided in due course.

This announcement has been authorised for release to ASX by a Committee of the Board of Directors of Absolute Equity Performance Fund Limited.

ENDS

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NON-BINDING HEADS OF AGREEMENT

Introduction

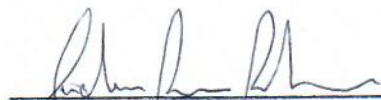
This heads of agreement (**HoA**) sets out the key understanding between the Absolute Equity Performance Fund Limited (**AEG**), Bennelong Funds Management Limited (**BFM**) as trustee of the Bennelong Market Neutral Fund (**BMNF**) and Bennelong Long Short Equity Management Pty Limited (**Manager**) with respect to the proposed restructure of shareholder investments in AEG (**Proposed Transaction**). The Proposed Transaction offers eligible AEG shareholders a chance to either: (a) convert their investment into units in BMNF (**Units**), a fund which has the same manager, same fees and same investment strategy as AEG; or (b) receive a distribution of cash.

Item	Comments
1. Proposed Transaction	<p>The transaction involves AEG disposing of all of its portfolio and returning proceeds to Shareholders on an equal basis (Distribution) and terminating the Investment Management Agreement with the Manager.</p> <p>Eligible AEG shareholders will be given the opportunity to direct AEG to use their pro rata share of the Distribution proceeds to subscribe for new units in the BMNF on their behalf. Alternatively, AEG shareholders will be able to elect to receive their share of the Distribution in cash. Ineligible AEG shareholders will receive cash. Following the Distribution, AEG's assets will consist of a de minimis amount of cash to cover ongoing expenses of either a winding up or a transaction contemplated in Item 11.</p> <p>AEG shareholders must pass certain resolutions at a general meeting to approve the Proposed Transaction. If the Proposed Transaction is approved by the required majority of AEG shareholders, AEG shareholders will then be given time to make an election and complete the required election forms and KYC (Know Your Client) forms. After this time has ended:</p> <ul style="list-style-type: none"> (a) AEG will sell long positions and close short positions within its portfolio to free up cash to fund the cash payments under the Distribution and other costs and liabilities (as agreed between the parties). (b) AEG will transfer the remaining (unliquidated) portion of the portfolio and cash collateral to the BMNF (at market value) in consideration for BFM issuing to AEG a promissory note in BMNF. (c) AEG will undertake the Distribution, which will be satisfied by AEG: <ul style="list-style-type: none"> (i) paying the Distribution in cash to AEG Shareholders that are not eligible, or do not provide a valid election, to invest in BMNF units; and (ii) endorsing the promissory note to BFM (in accordance with the directions from AEG shareholders contained in the election form), and BFM accepting that endorsement in satisfaction of the application monies for new Units to be issued to those AEG shareholders; and

Item	Comments
	(d) BFM issuing units to each directing AEG shareholder (with an aggregate issue price equal to that shareholder's share of the Distribution).
2. Parties to the Proposed Transaction	AEG, the Manager and BFM as responsible entity for BMNF
3. Distribution / franking credits	<p>The Distribution will be part equal capital reduction and part dividend.</p> <p>To the extent permitted by law, AEG intends to distribute available franking credits via the dividend component of the Distribution.</p>
4. HoA	<p>This HoA is made between AEG, BFM as responsible entity of BMNF and the Manager.</p> <p>It is not binding on the parties in any way and is not intended to give rise to legal rights and obligations, or constitute binding undertakings or representations concerning the Proposed Transaction.</p> <p>The parties recognise that implementation of the Proposed Transaction is conditional on satisfaction of the items set out in clause 9.</p>
5. Transaction Documents and implementation	<p>The parties will work together in good faith to:</p> <p>(a) negotiate, execute and finalise legally binding full form documentation and relevant shareholder disclosure documents (as applicable) to effect the Proposed Transaction (including an Implementation Deed, deed terminating the AEG investment management agreement, shareholder booklet and product disclosure statement); and</p> <p>(b) implement the Proposed Transaction in accordance with the agreed transaction documents as soon as reasonably practicable.</p>
6. BMNF Offer	<p>Eligible AEG Shareholders that wish to continue to be exposed to the Investment Strategy will have the option to subscribe for Units in the BMNF using the Distribution to which they are entitled.</p> <p>BMF will issue a product disclosure statement to eligible AEG Shareholders in respect of the offer of Units. The product disclosure statement will be distributed with AEG's booklet.</p> <p>The parties confirm that AEG shareholders must comply with appropriate Know Your Customer rules under the <i>Anti Money Laundering / Counter-terrorism Financing Act 2006 (Cth)</i> (KYC Requirements) in order to receive Units.</p> <p>AEG Shareholders that are not eligible to participate in the BMNF offer (because they are foreign ineligible shareholders) or who do not submit a valid election (with all required KYC forms) will receive the Distribution in cash.</p>

Item	Comments
7. Termination of investment management agreement	The parties agree that the investment management agreement between the Manager and the Company (IMA) will be terminated as a part of the Proposed Transaction.
8. Terms of New Units	The New Units will be issued on the same terms as current units on issue in BMNF except for differences in the calculation of performance fees in order to preserve the performance fee treatment applicable to existing Unit holders and AEG shareholders.
9. Conditions to the Proposed Transaction	<p>The implementation of the Proposed Transaction will be subject to conditions consistent with market practice for a transaction of this nature including but not limited to:</p> <ul style="list-style-type: none"> (a) negotiation, agreement and execution of a definitive implementation deed in a form acceptable to the Parties (Implementation Deed); (b) AEG shareholders passing all resolutions required to approve the Proposed Transaction (including the capital reduction component of the Distribution and sale of the portfolio to BFM); and (c) the independent expert concluding and issuing a report stating that the Proposed Transaction is fair and reasonable to AEG shareholders.
10. AEG shell	The AEG board will explore opportunities to realise value from AEG following implementation of the Proposed Transaction for the benefit of AEG shareholders.
11. BFM capacity	BFM enters into this Heads of Agreement and will be a party to the Proposed Transaction only in its capacity as the responsible entity of BMNF and in no other capacity.
12. Disclosure	The parties acknowledge that the terms of this HoA are material to AEG shareholders and consent to the release of this HoA to the market in satisfaction of AEG's obligations under ASX Listing Rule 3.1.

Executed by Absolute Equity Performance)
Fund Ltd:)
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Signature of director

ANDREW JAMES REEVE-PARKER

Full name of director

Executed by Bennelong Long Short Equity)
Management Pty Ltd:)
)




Signature of director

Sam Shepherd

Full name of director

Executed by Bennelong Funds)
Management Ltd in its capacity as)
responsible entity of Bennelong Market)
Neutral Fund:



Signature of director

LINCOLN McMAHON

Full name of director