

19 April 2023

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

**Ellerston Asian Investments Limited (ASX: EAI): Notice of General and Special Meetings.**

Please be advised that a General Meeting of Shareholders of Ellerston Asian Investments Limited ACN 606 683 729 will be held as a physical meeting on Thursday, 18 May 2023 at 10:00 am (Sydney time) at the Sheraton Grand Sydney Hyde Park (Phillip Room on Level 2, 161 Elizabeth St, Sydney NSW 2000) with a Special Meeting of Existing Shareholders to commence at the same venue as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever is earlier).

The Notice of Meeting include detailed information about how shareholders can participate in the General Meeting including how to register, view proceedings, vote and ask questions.

The Explanatory Memorandum booklet provides additional information on the matters to be considered at the General Meeting and the Special Meeting. The Explanatory Memorandum and the Proxy Form comprise part of the Notices.

The above documents follow this announcement and are available on the Ellerston Asian Investments website:

<https://eai.ellerstoncapital.com>

Alternatively, individual documents can be accessed using the following links:

1. Notice of Meeting: <https://eai.ellerstoncapital.com/notice-of-meeting>
2. Explanatory Memorandum Booklet: <https://eai.ellerstoncapital.com/shareholder-booklet>
3. Proxy Form: <https://eai.ellerstoncapital.com/proxy-voting-form>

For any further enquiries please contact the Ellerston Shareholder Information Line on 1300 150 530 (within Australia) or +61 2 9066 4054 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time) other than public holidays in Sydney, Australia.

Yours sincerely



**Ian Kelly**

Company Secretary

Level 11, 179 Elizabeth Street  
Sydney, NSW 2000  
+61 2 9021 7701  
**ellerstoncapital.com**

19 April 2023

Dear Shareholder

**General Meeting and Special Meeting**

You are invited to attend the following meetings of Shareholders of Ellerston Asian Investments Limited ACN 606 683 729 (the **Company**) which will be held as physical meetings:

1. A **General Meeting** of the Company's Shareholders on Thursday, 18 May 2023 at 10:00 am (Sydney time); and
2. A **Special Meeting** of the Company's Exiting Shareholders, to commence as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever is earlier),

(together, the **Meetings**), each at the Sheraton Grand Sydney Hyde Park (Phillip Room on Level 2, 161 Elizabeth St, Sydney NSW 2000).

The Meetings are being held for Shareholders of the Company to consider, and if thought fit approve, resolutions relating to the proposed restructure of the Company to merge with Ellerston Asia Growth Fund (ARSN 626 690 686) (to be renamed Ellerston Asia Growth Fund (Hedge Fund)), which will convert to a dual-structure exchange traded managed fund on the ASX AQUA market.

Details of the proposed restructure and resolutions are set out in the Shareholder Booklet, which contains a copy of the Notice of General Meeting, Notice of Special Meeting and the explanatory memorandum as well as the Independent Expert's Report. The Shareholder Booklet can be accessed at <https://eai.ellerstoncapital.com>.

You can also request a hard copy of the Shareholder Booklet by contacting the Ellerston Shareholder Information Line on 1300 150 530 (within Australia) or +61 2 9066 4054 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time) other than public holidays in Sydney, Australia.

Your personalised proxy form is enclosed with this letter, which you may use to lodge your vote.

You are encouraged to read the Shareholder Booklet, including the Notices of Meetings, explanatory memorandum and the Independent Expert's Report in full, before voting in relation to the resolutions.

Yours sincerely



**Ian Kelly**  
Company Secretary

**Ellerston Asian Investments Limited**  
**ACN 606 683 729**

**Shareholder Booklet**

(containing a Notice of General Meeting, a Notice of Special Meeting and Explanatory Memorandum)

A General Meeting of the Company will be held as a physical meeting on Thursday, 18 May 2023 at 10:00 am (Sydney time) at the Sheraton Grand Sydney Hyde Park (Phillip Room on Level 2, 161 Elizabeth St, Sydney NSW 2000). A Special Meeting of the Exiting Shareholders will be held at the same venue as soon as reasonably practicable after the General Meeting of all Shareholders has concluded or been adjourned (whichever time is earlier).

This Shareholder Booklet should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their financial advisor, accountant, solicitor or other professional advisor prior to voting.

**Shareholders who wish to discuss any matter may call the Ellerston Shareholder Information Line on 1300 150 530 (within Australia) or +61 2 9066 4054 (outside Australia), Monday to Friday between 9:00 am and 5:00 pm (Sydney time) other than public holidays in Sydney, Australia.**

**The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders and the Directors are of the view that the Transaction is in the best interests of Shareholders in the absence of a Superior Proposal.**

**The Directors recommend that Shareholders vote in favour of all Resolutions.**

## Important notices

This Shareholder Booklet has been prepared for the information of the Company's Shareholders in connection with a proposal relating to the restructure of the Company to merge with Ellerston Asia Growth Fund (to be renamed Ellerston Asia Growth Fund (Hedge Fund)) (**EAGF**) and conversion to a dual-structure exchange traded managed fund (**ETMF**) on the AQUA Market.

This Shareholder Booklet is dated 19 April 2023.

Some terms used in this Shareholder Booklet are defined in the Glossary in Section 12.

### Summary

The proposed new fund investment structure (an investment in units in EAGF) has a number of advantages over the current corporate investment structure (that is an investment in Shares in the Company) (see Section 2.2).

The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders.

The Directors believe that the Transaction, designed to achieve a merger with EAGF which will re-list as a dual-structure ETMF, is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

In summary, if the Transaction is approved:

- The Company will transfer to EAGF all of its assets that comprise assets permitted under ASX Operating Rule 10A.3.3 (**EAI Assets**). The Company will retain a Cash Reserve to meet, among other things, its estimated tax liabilities and Transaction costs.
- In consideration for the transfer of EAI Assets, EAGF will issue new fully paid ordinary units (**EAGF Units**) to the Company.
- The Company will:
  - determine to pay a dividend to all Shareholders (**Special Dividend**) (franked to the maximum extent possible); and
  - undertake a selective capital reduction to all Shareholders apart from the Ellerston Shareholder (**Exiting Shareholders**) (**Capital Reduction Distribution**).

- The Company will be removed from the Official List of ASX and convert to a proprietary limited company.

Payment of the Special Dividend and Capital Reduction Distribution will be satisfied by the distribution in-specie of EAGF Units (**In Specie Distribution**).

The total number of EAGF Units to be issued to the Company will be determined based on the value of the EAI Assets and the NAV per EAGF Unit, such values to be calculated as at the Implementation Date (see Section 2.1). The number of EAGF Units to be transferred to each Shareholder will be determined based on a formula that takes into account the number of Shares held on the Record Date (see Section 2.1). It is anticipated that Exiting Shareholders will have substantially the same percentage holding in EAGF as they used to have in the Company (adjusted for the EAGF Units which are currently on issue).

The Responsible Entity has applied for admission of the EAGF Units to AQUA Trading Status on the ASX as a dual-structure ETMF and it is proposed under the Transaction that EAGF Units transferred to the Shareholders will trade from on or about the Effective Date.

### ASIC and ASX

A final copy of this Shareholder Booklet has been lodged with ASIC and ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the contents of the Notices or the merits of the Transaction.

### Notice to US Shareholders

This Shareholder Booklet may not, without the prior consent of the Company, be distributed, forwarded to or transmitted in or into the United States or to any person who is, or is acting for the account or benefit of, a "US person" (as defined in Regulation S (**Regulation S**) under the US Securities Act of 1933, as amended (the **US Securities Act**), including by custodians, nominees and trustees acting for US investors. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the United States.

None of the information in this Shareholder Booklet constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The EAGF Units have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold to, directly or indirectly, any person, in the United States or persons who are, or are acting for the account or benefit of, US persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other

jurisdiction of the United States. EAGF has not registered and does not intend to register under the U.S. Investment Company Act of 1940, as amended (the **US Investment Company Act**) in reliance on Section 3(c)(7)<sup>1</sup> of the US Investment Company Act, and investors will not be entitled to the benefits of the US Investment Company Act. Accordingly, the EAGF Units will only be made available outside the United States to persons who are not, and are not acting for the account or benefit of, US persons in reliance on "safe harbour" provisions of Regulation S and within the United States to persons (a) who are either "accredited investors" (**AIs**) (as defined in Rule 501(a) of the US Securities Act) or "qualified institutional buyers" (**QIBs**) (as defined in Rule 144A under the US Securities Act) and who are also (b) "qualified purchasers" (**QPs**) within the meaning of section 2(a)(51) of the US Investment Company Act in reliance on Section 3(c)(7) of the US Investment Company Act.

Any AI or QIB who is also a QP in the United States or who is, or is acting for the account or benefit of a US Person that is, in the opinion of the Directors, permitted to take up EAGF Units will be permitted to take up EAGF Units only if it executes a US Representation Letter in the form provided by Company and delivers a signed copy of it to the Company and EAGF.

## Notice to Shareholders in the United Kingdom

Neither this Shareholder Booklet nor any other document relating to the Transaction has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares or EAGF Units.

This Shareholder Booklet is being distributed and communicated to persons in the United Kingdom only in circumstances in which section 21 of FSMA does not apply. In the United Kingdom, this Shareholder Booklet is being distributed only to and is directed at persons (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended (**FPO**), (b) who fall within the categories of persons referred to in Article 49(2)(a) to (d) of the FPO or (c) are persons to whom it may otherwise be lawfully communicated (together, **relevant persons**). Any investment or

investment activity to which this Shareholder Booklet relates is available only to, and will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document.

## Forward Looking Statements

This Shareholder Booklet includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

None of the Company, Ellerston Capital Limited ABN 34 110 397 674 in its capacity as responsible entity of EAGF (**Responsible Entity**) or any of their respective officers or any person named in this Shareholder Booklet or involved in the preparation of this Shareholder Booklet make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Shareholder Booklet reflect views held only as at the date of this Shareholder Booklet.

## No financial product advice

This Shareholder Booklet does not constitute financial product, taxation or investment advice. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances. Neither the Company nor EAGF is licensed to provide financial product advice.

No cooling-off regime applies in respect of the acquisition of EAGF Units under the In Specie Distribution.

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<sup>1</sup> Note: This exemption is only available to the extent any US person offered shares directly by the Company or its affiliates are QPs at all times. It does not apply to the activities of US persons trading in the secondary market, except to the extent they purchase shares given by the Company to US persons.

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## **CHAIRMAN'S LETTER**

Dear Shareholder,

On behalf of the directors of Ellerston Asian Investments Limited (**Company**), I am pleased to provide you with details of the proposed restructure of your investment as previously announced to the ASX (**Transaction**).

Approval for the Transaction is being sought at the meeting of the Company's Shareholders which is to be held on Thursday, 18 May 2023 at 10:00 am (Sydney time) at the Sheraton Grand Sydney Hyde Park (Phillip Room on Level 2, 161 Elizabeth St, Sydney NSW 2000) and at a meeting of the Exiting Shareholders at the same venue as soon as reasonably practicable after the meeting of the Company's Shareholders has concluded or adjourned (whichever time is earlier).

The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders.

The Directors believe that the Transaction is in the best interests of Shareholders and unanimously recommend that Shareholders approve the Transaction by voting in favour of all resolutions. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

### ***What is the Transaction?***

The Transaction is a proposed restructure of Shareholders' investments from Shares in the listed Company into units in a dual-structure exchange traded managed fund, Ellerston Asia Growth Fund (to be renamed Ellerston Asia Growth Fund (Hedge Fund)) (**EAGF**).

In summary, it is proposed under the Transaction that the Shares held by each Shareholder (other than the Ellerston Shareholder) (the **Exiting Shareholders**) will be exchanged for new units in EAGF, pro rata to each Exiting Shareholder's shareholding in the Company. EAGF will list on the AQUA Market as a dual-structure ETMF. Shareholders who receive EAGF Units will be able to trade EAGF Units on ASX on and from the Effective Date (alternatively, Shareholders may redeem their EAGF Units by application to the Responsible Entity) and the Company will be delisted from ASX.

Further details of the steps involved in the Transaction are set out in Sections 2.2 and 2.3 of this Shareholder Booklet.

### ***Why is the Board proposing the Transaction?***

Due to a lack of liquidity and other structural issues in the marketplace inherent to a listed investment company that create a dislocation between the portfolio return and shareholder returns, the Company's Shares have traded at a discount to the value of the Company's net tangible assets.

The Board's main objective is to reduce the discount to the value of the Company's net tangible assets. A key way to achieve this is by improving liquidity through a mechanism that can access the liquidity of the Manager's portfolio more directly. In the past, the Board has implemented strategies to inform market participants of the Company's net tangible assets value however the Company, like most other listed investment companies, continues to trade at an undesirable discount to net tangible assets.

The Board believes that the most effective strategy remaining is to move to a different and newer corporate structure which provides for the appointment of a market maker which facilitates the provision of liquidity at volumes and prices closer to the portfolio net tangible assets value.

### ***What are the advantages and disadvantages of the Transaction?***

The key advantage of the Transaction is that unitholders in EAGF, after converting from Shareholders in the Company, will be able to trade their EAGF Units at a price that is expected to be closer to the value of EAGF's underlying net asset value than has been achieved with the Company. This is because of the structural deficiency of a listed investment company structure.

This factor also presents a disadvantage of the Transaction in that providing an exit at close to the net tangible asset value may encourage some investors to redeem their investment in EAGF and if there are a large number of redemptions, EAGF may become sub-scale with its operating costs becoming a higher proportion of the overall income or value of EAGF.

A summary of the advantages and disadvantages of the Transaction is set out in Section 2.2.

### ***What do the Directors recommend?***

The Directors have considered the potential advantages and disadvantages of the Transaction as set out in Section 2.2 and believe that the Transaction, which provides Shareholders with the opportunity to trade their investment (as EAGF Units) at a price that is expected to be closer to the value of EAGF's underlying net asset value including by way of redemption, provides the best outcome for Shareholders in the absence of a Superior Proposal, notwithstanding the potential disadvantages that may be associated with departing from the listed investment company structure.

Accordingly, the Directors consider the Transaction is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

### ***What conclusion has the Independent Expert reached?***

The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders. The full Independent Expert Report is attached to this Shareholder Booklet at Annexure A. Shareholders are encouraged to read the Independent Expert Report in full.

If you have any questions about the Transaction, you may call the Ellerston Shareholder Information Line on 1300 150 530 (within Australia) or +61 2 9066 4054 (outside Australia), Monday to Friday between 9:00 am and 5:00 pm (Sydney time) other than public holidays in Sydney, Australia.

On behalf of the Directors of the Company, we invite you to carefully consider this opportunity and encourage you to vote on the Resolutions.

Yours faithfully,



Bill Best  
**Non-Executive Chairman**  
**Ellerston Asian Investments Limited**



## IMPORTANT DATES

Event	Date
EAGF applies for admission of EAGF Units to AQUA Trading Status	4 April 2023
EAGF lodges the EAGF PDS with ASIC	19 April 2023
General Meeting to approve the Resolutions	18 May 2023
Special Meeting to approve the Capital Reduction Distribution	18 May 2023
Announcement of the results of the General Meeting and Special Meeting	18 May 2023
Change of Company's share registry <sup>2</sup>	19 May 2023
In Specie Distribution is announced Last day for Share trading cum In Specie Distribution	23 May 2023
Suspension of Shares from trading on ASX	25 May 2023
Ex date for In Specie Distribution	26 May 2023
Record Date for In Specie Distribution	29 May 2023
<b>Implementation Date</b> - transfer of the EAI Assets to EAGF - valuation of EAI Assets, calculation of NAV per EAGF Unit, calculation of EAI's entitlement to EAGF Units and calculation of each Shareholder's entitlement to EAGF Units - EAGF Units are issued by the Responsible Entity to the Company	31 May 2023
<b>Effective Date</b> Admission of EAGF Units to AQUA Market In Specie Distribution - Special Dividend of EAGF Units to Shareholders - Capital Reduction Distribution of EAGF Units to Exiting Shareholders Company delisted from ASX	1 June 2023
Dispatch of holding statements for EAGF Units distributed under the In Specie Distribution	2 June 2023
Commencement of trading of EAGF Units	8 June 2023

**These dates are indicative only and the Directors reserve the right to change these dates without notice.**

<sup>2</sup> See Section 4.8 for further details.

## **Explanatory Memorandum**

### **1. Introduction**

#### **1.1 General**

This Explanatory Memorandum forms part of the Shareholder Booklet that has been prepared for the information of Shareholders in the Company in connection with the Shareholder meeting to be held on Thursday, 18 May 2023 at 10:00 am (Sydney time) (**Meeting**) and the meeting of the Exiting Shareholders (**Special Meeting**) to be held as soon as reasonably practicable after the Meeting has concluded or adjourned (whichever time is earlier).

The Shareholder Booklet should be read in its entirety.

#### **1.2 Purpose of the Shareholder Booklet**

The purpose of the Shareholder Booklet is to:

- (a) explain the terms of the Transaction and how it will be implemented (if approved); and
- (b) provide material information to Shareholders to assist them in considering whether or not to approve the Resolutions and the Transaction.

The Shareholder Booklet includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on Resolution 2 and the Special Meeting Resolution, as required by section 256C(4) of the Corporations Act.

#### **1.3 Background**

The Company was admitted to the official list of the ASX on 10 September 2015 as a listed investment company.

Since then, the Company's investment objective has been to establish and maintain a concentrated portfolio of Asian equity securities. To achieve this objective, the Company appointed the Manager to identify high growth companies in Asia with reasonable valuations, as well as cash, interest products, foreign currencies, derivatives and unlisted Asian equity securities. The Company does not engage in short selling.

Due to structural issues in the marketplace inherent to a listed investment company that create a dislocation between the portfolio return and shareholder returns, the Company's Shares have traded at a discount to the value of the Company's per Share net tangible assets. As at 31 December 2022, the reviewed pre-tax net tangible asset backing per Share was \$0.8635, compared to a trading price of \$0.795 per Share at close on 30 December 2022, being the last trading practicable trading day before 31 December 2022.<sup>3</sup>

The Company is seeking to maximise Shareholder value by undertaking the Transaction, further described below, so that Shareholders have the opportunity to realise their investment for a value much closer to the underlying net tangible asset value.

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<sup>3</sup> Note: 31 December 2022 was a Saturday and not a trading day.

## 1.4 Overview of Transaction

As announced to the ASX on 24 February 2023, the Company is proposing, subject to Shareholder approval, that:

- (a) the Company transfer the EAI Assets to EAGF, while retaining the Cash Reserve to satisfy expected Transaction costs and other anticipated liabilities of the Company;
- (b) in consideration for the transfer of the EAI Assets to EAGF, EAGF will issue EAGF Units to the Company;
- (c) the Company will:
  - (i) determine to pay the Special Dividend to all Shareholders, to be franked to the maximum extent possible; and
  - (ii) undertake the Capital Reduction Distribution to Exiting Shareholders; and
- (d) the Company be removed from the Official List of ASX and convert to a proprietary limited company.

Payment of the Special Dividend and Capital Reduction Distribution will be satisfied by the In Specie Distribution, being the distribution in-specie of EAGF Units. The Special Dividend is comprised of a non-cash component being the EAGF Units as well as any associated franking credits.

The total number of EAGF Units to be issued to the Company will be determined based on the value of the EAI Assets and the NAV per EAGF Unit, such values to be calculated as at the Implementation Date (see Section 2.1). The number of EAGF Units to be transferred to each Shareholder will be determined based on a formula that takes into account the number of Shares held by that Shareholder on the Record Date (see Section 2.1). It is anticipated that Exiting Shareholders will have the equivalent value holding in the new EAGF structure as they used to have in the Company (adjusted for the EAGF Units which are currently on issue).

The Responsible Entity has applied for admission of the EAGF Units to AQUA Trading Status on the ASX as a dual-structure ETMF and it is proposed under the Transaction that EAGF Units will trade from on or about the Effective Date.

If the Transaction successfully completes, the Manager intends to continue to manage EAGF's current assets and the EAI Assets acquired from the Company on behalf of EAGF as its responsible entity pursuant to the EAGF Constitution and following substantially the same investment strategy as the Company, adjusted as required so that EAGF will meet the requirements of the ASX Operating Rules. As the new structure effectively triggers a reset on performance, the performance fee will be lowered to 10% (instead of 15%) of the investment return over the Benchmark (MSCI Asia Ex Japan Index) and the management fee, which will also be lower at 0.75% per annum of the net asset value of EAGF (instead of 0.95% per annum of the asset value up to and including \$50 million, and 0.75% per annum of the asset value above \$50 million), will be waived for the first year following quotation of EAGF Units on the AQUA Market.

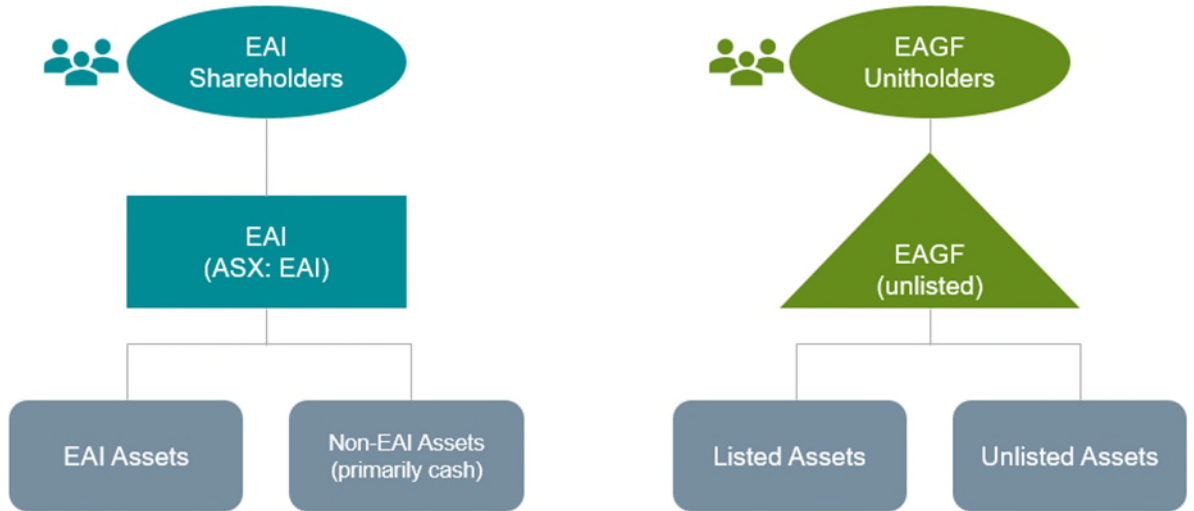
See Section 2 for more details of the Transaction.

The Company and the Responsible Entity have entered into an implementation deed which sets out the process by which the Transaction will be proposed and implemented and the terms and conditions that will govern the implementation of the Transaction by the parties, subject to the satisfaction or waiver of conditions precedent (**Implementation Deed**).

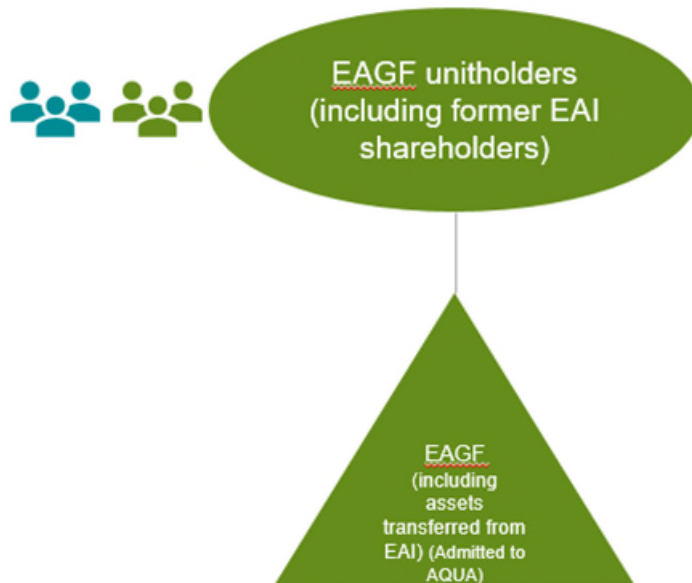
A summary of the Implementation Deed is set out in Section 2.8.

A diagram depicting the Transaction is provided below.

**1. Current Structure of the Company and EAGF**



**2. EAGF post-Transaction**



## 2. Transaction in detail

### 2.1 Key steps of the Transaction

The Transaction is proposed to be undertaken pursuant to the following steps:

#### (a) Application for admission to AQUA Trading Status

The Responsible Entity has submitted an application to ASX for admission of the EAGF Units to AQUA Trading Status (**Admission Application**). For this purpose, the Responsible Entity has prepared a product disclosure statement in accordance with section 1012B of the Corporations Act (**EAGF PDS**). A copy of the EAGF PDS is annexed to this Shareholder Booklet as Annexure B.

It is proposed under the Transaction that EAGF Units will trade on ASX from on or about the Effective Date, however Shareholders must note that the EAGF Units will not commence trading unless the ASX grants approval to be admitted to AQUA Trading Status. Shareholders should note that there is no guarantee that the Admission Application will be successful or that the EAGF Units will be quoted on the ASX under the AQUA Rules.

Resolution 4 seeks Shareholder approval for the EAGF Units to be admitted to AQUA Trading Status.

#### (b) Transfer of EAI Assets to EAGF

The Company intends to transfer the EAI Assets to EAGF. In doing so, the Company will take such steps as necessary to ensure the most appropriate manner of transfer of the EAI Assets.

In consideration for this transfer, the Responsible Entity will issue EAGF Units to the Company.

A cash amount will be retained by the Company and is comprised of estimates of the expected Transaction costs, tax liabilities and operating costs of the Company (for the 2022 and 2023 financial years) plus a contingency amount for unforeseen costs (**Cash Reserve**).

#### (c) In Specie Distribution

The Company will:

- (i) determine to pay a Special Dividend to all Shareholders, to be franked to the maximum extent possible; and
- (ii) undertake a Capital Reduction Distribution to Exiting Shareholders involving the cancellation of all Shares held by the Exiting Shareholders.

Payment of the Special Dividend and Capital Reduction Distribution will be satisfied by the **In Specie Distribution**, being an in-specie transfer of EAGF Units held by the Company to the relevant Shareholders (being all Shareholders in respect of the Special Dividend, and the Exiting Shareholders in respect of the Capital Reduction Distribution, noting that certain Overseas Shareholders will instead receive Cash Proceeds (see Section 2.3)) on a pro rata basis as further detailed below.

The Special Dividend will be debited solely to the Company's dividend profits reserve and the Capital Reduction Distribution will be debited solely to the Company's issued share capital account.

The total number of EAGF Units to be issued to the Company will be determined using the formula set out in the constitution for the Fund and will be based on the value of the EAI Assets and the NAV per EAGF Unit, such values to be calculated as at the Implementation Date.

The number of EAGF Units to be transferred to each Shareholder pursuant to each of the Special Dividend and Capital Reduction Distribution will be determined based on the following formula, with components of the formula to be calculated as at the Implementation Date (unless otherwise specified):

**X = (Y/Z)\* A** where:

**X** = number of EAGF Units to be transferred to a Shareholder or Exiting Shareholder (as applicable);

**Y** = total value of EAI Assets / total number of Shares held by Shareholders or Exiting Shareholders (as applicable);

**Z** = the net assets value per EAGF Unit; and

**A** = the number of Shares held by a Shareholder or Exiting Shareholder (as applicable) on the Record Date.

It is anticipated that Exiting Shareholders will have the equivalent value holding in the new EAGF structure as they used to have in the Company (adjusted for the EAGF Units which are currently on issue).

(d) **Conditions of the Transaction**

The Transaction will only proceed if the following outstanding conditions are satisfied or waived (together, the **Conditions**) by 8:00 am on the Effective Date or earlier:

- (i) all regulatory approvals or consents necessary to implement the Transaction (including conditional approval from ASX for EAGF Units to be admitted to AQUA Trading Status) being granted, given, made or obtained on an unconditional basis;
- (ii) each of the Resolutions being approved by the Shareholders;
- (iii) the Transaction being approved by EAGF unitholders, if required;
- (iv) the EAGF Units are approved for quotation on ASX AQUA either unconditionally or subject only to conditions customarily imposed by ASX;
- (v) each of the Warranties given or made by the Company under the Implementation Deed is true and correct as at the time it is given or made;
- (vi) the Independent Expert concludes that the Transaction is in the best interests of Exiting Shareholders in its report and does not change its conclusion or withdraw its report;
- (vii) each of the Warranties given or made by the Responsible Entity under the Implementation Deed is true and correct as at the time it is given or made;

- (viii) the Company being satisfied (acting reasonably) with the contents of the opinion provided by its tax adviser setting out the tax implications of the Transaction;
- (ix) no Competing Proposal (as defined in the Implementation Deed) is made or announced;
- (x) the Board resolves and maintains that the Transaction is in the best interests of Shareholders; and
- (xi) the board of the Responsible Entity resolves and maintains that the Transaction is in the best interests of EAGF unitholders.

The In Specie Distribution will be made to the Shareholders or the Exiting Shareholders (as the case may be, noting that certain Overseas Shareholders will instead receive Cash Proceeds (see Section 2.3)) that are:

- (i) registered as a Shareholder as at 5:00 pm (Sydney time) on **29 May 2023** (the **Record Date**); or
- (ii) entitled to be registered as a Shareholder by virtue of a transfer of Shares executed before 5:00 pm (Sydney time) on the Record Date and lodged with the Company at that time.

Following the In Specie Distribution, it is anticipated that Exiting Shareholders will hold substantially the same percentage of EAGF Units as they used to hold as Shares in the Company (adjusted for the EAGF Units which are currently on issue).<sup>4</sup> EAGF will hold the vast majority of assets that used to be held by the Company. As such, there will be no change to the overall investment held by the Shareholders as the underlying assets of EAGF mirror what used to be held by the Company.

See Section 2.9 for a general guide to the Australian income taxation consequences of the Transaction. The outline in Section 2.9 is expressed in general terms only, and Shareholders are advised to seek independent tax advice from a tax adviser about their particular circumstances.

Resolution 2 seeks Shareholder approval for the selective capital reduction and Capital Reduction Distribution.

(e) **Delisting of the Company from ASX**

On successful completion of the Transaction, the Company intends to delist from the ASX and convert to a proprietary limited company. It may at a point in the future apply for voluntary deregistration.

The delisting of the Company is expected to occur on or around 1 June 2023, as set out in the timetable in the Important Dates section of this Shareholder Booklet.

Resolution 3 seeks Shareholder approval for the Company to be delisted from the Official List of the ASX.

(f) **Additional items**

In addition to the items above, the Company is seeking approval to amend the Company Constitution to allow the Transaction to take place. Resolution 1 seeks Shareholder approval for this item. Please refer to Section 5 for further information.

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<sup>4</sup> Subject to rounding and de minimis adjustments.

The Company is also seeking Shareholder approval, for all purposes, to undertake the Transaction. This approval is an overall approval to implement the Transaction and Resolution 5 seeks Shareholder approval for this. Please refer to Section 9 for further information.

## 2.2 Advantages and disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of potential advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolutions. While there is no guarantee that all of the advantages will materialise (or the disadvantages or risks will arise), the Directors are of the view that, having regard to the potential advantages and disadvantages, the Transaction is in the best interests of Shareholders.

Advantages of the Transaction	Disadvantages of the Transaction
<p>The Transaction will "close the gap" between the value of the underlying investments and the market price of the listed securities.</p>	<p>There are risk factors associated with an investment in EAGF, including risks relating to trading in the EAGF Units on the AQUA Market and market making risk. The key risks are set out in section 8 of the EAGF PDS (although an investment in the Company is also subject to risks).</p>
<p>Investors who wish to realise their investment will have the opportunity of choosing to redeem their investment in EAGF by applying directly to the Responsible Entity or selling their EAGF Units on-market.</p>	<p>The tax consequences of the Transaction may not suit your financial position.</p> <p>Furthermore, some shareholders may consider departing from a listed investment company structure (which, for instance, has had an independent board provide governance oversight and may also benefit from the inherent characteristics of a corporate structure) does not suit their financial position or investment objectives.</p>
<p>The Responsible Entity estimates that the expenses to be incurred in running EAGF post-implementation of the Transaction will be 0.20% per annum of the net asset value of EAGF Units. By comparison, for the period 1 July 2022 to 28 February 2023, the total expenses (excluding management fees) incurred by the Company were \$632,140 and this represented approximately 1.16% of the Company's post-tax NTA on an annualised basis.</p>	
<p>The appointment of the Market Maker will provide greater liquidity for investors.</p>	<p>Providing an exit at close to the net tangible asset value may encourage some investors to redeem their investment in EAGF and if there are a large number of redemptions, EAGF may become sub-scale with its operating costs becoming a higher</p>



Advantages of the Transaction	Disadvantages of the Transaction
	proportion of the overall income or value of EAGF.
<p>The increase in size of EAGF's investment portfolio following implementation of the Transaction will provide Shareholders with scale benefits typically associated with size. In addition, as EAGF is an open-ended management fund (unlike the Company which is a closed investment structure), it is easier to further increase the size of the fund which will provide the potential for increased scale in the future.</p>	
<p>Post-implementation of the Transaction, EAGF will have a lower management fee and performance fee than the Company.</p> <p>The management fees of the Company are 0.95% per annum of the asset value up to and including \$50 million, and 0.75% per annum of the asset value above \$50 million. In contrast, EAGF's management fee will be 0.75% per annum of the net asset value. The Responsible Entity is waiving the management fee for the first year following quotation of EAGF Units on the AQUA Market.</p> <p>The performance fee for the Company is 15% of the investment return over the Benchmark (MSCI Asia Ex Japan Index) return, after recovering any underperformance in past periods. In contrast, EAGF's performance fee will be 10% calculated based on the same methodology.</p>	<p>Following delisting of the Company, the Manager intends to terminate the management agreement between the Company and the Manager, in which circumstance the Manager is entitled to a termination payment calculated to be \$1,221,399.09 assuming termination of the agreement on 31 May 2023 (as further described in section 4.7)</p> <p>Removal of an independent governance layer in that there will not be oversight by an independent board of directors. The Company has an independent Board; in contrast, EAGF will be managed by the Responsible Entity who is also the Manager. While EAGF is required to have a compliance committee comprising a majority of independent members with appropriate expertise, the compliance committee's main focus is to monitor the fund's adherence with its compliance plan.</p>

## 2.3 Summary of effect on Shareholders

### ***What will you receive?***

If the Transaction is implemented, it is expected that Shareholders will receive the following distributions:

- (a) for all Shareholders, the Special Dividend, to be franked to the maximum extent possible; and
- (b) for the Exiting Shareholders, the Capital Reduction Distribution (in consideration for which the Shares held by the Exiting Shareholders will be cancelled).

Payment of the Special Dividend and Capital Reduction Distribution will be satisfied by the In Specie Distribution, being the distribution in-specie of EAGF Units. Certain Overseas Shareholders will, instead of receiving EAGF Units, receive Cash Proceeds (see further details below).

To the extent that the Special Dividend has an unfranked component (which the Company considers is unlikely), the Company may have withholding obligations in relation to non-Australian resident Shareholders or Australian resident Shareholders who have not provided their tax file number. This would reduce the number of EAGF Units which such Shareholders would receive on implementation of the Transaction.

Shareholders are not required to contribute any payment for the EAGF Units for which they are entitled to receive under the In Specie Distribution. Shareholders will only receive whole EAGF Units and any fractional EAGF Units will be redeemed or disposed of by a nominee of the Company's choice as applicable.

***What about Overseas Shareholders or Shareholders who had an entitlement to fractional EAGF Units?***

The distribution of EAGF Units to Overseas Shareholders under the In Specie Distribution will be subject to the legal and regulatory requirements in the Overseas Shareholders' relevant jurisdictions. It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) in any such jurisdiction wishing to take up EAGF Units to satisfy themselves as to full observance of the laws of any relevant territory and the requirements set forth in this Shareholder Booklet in connection therewith.

If, in the opinion of the Directors, the requirements of any jurisdiction where a Shareholder is resident restricts or prohibits the distribution of EAGF Units or otherwise imposes on the Company an undue administrative cost and burden with respect to compliance with overseas legislation, the EAGF Units to which the Overseas Shareholder is entitled will be sold or otherwise disposed of (including, if appropriate, by redemption of the EAGF Units) by a nominee of the Company's choice on behalf of that Shareholder as soon as practicable after the Record Date.

Fractional EAGF Units which are otherwise distributable to Shareholders pursuant to the In Specie Distribution will also be dealt with in this manner.

The nominee will be directed to dispose of those EAGF Units and account to the Overseas Shareholder, or the relevant Shareholder who would otherwise have received fractional EAGF Units, for the proceeds of disposal less any costs or expenses in connection with the disposal (**Cash Proceeds**).

The Cash Proceeds to be distributed may be more or less than the notional dollar value of the In Specie Distribution as at the Effective Date.

None of the information in this Shareholder Booklet constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States, or in any jurisdiction in which such an offer would be illegal. The EAGF Units have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold to, directly or indirectly, any person, in the United States or persons who are, or are acting for the account or benefit of "US persons" (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction of the United States. EAGF has not registered and does not intend to register under the US Investment Company Act in reliance on Section 3(c)(7) of the US Investment Company Act, and investors will not be entitled to the benefits of the US Investment Company Act. Accordingly, the EAGF Units will only be made available outside the United States to persons who are not, and are not acting for the account or benefit of, US persons in reliance on "safe harbour" provisions of Regulation S and within the United States to persons (a) who are either AIs or QIBs and who are also (b) QPs in reliance on Section 3(c)(7) of the US Investment Company Act.

Any AI or QIB who is also a QP in the United States or who is, or is acting for the account of benefit of a US Person that is, in the opinion of the Directors, permitted to take up EAGF Units will be permitted to take up EAGF Units only if it executes a US Representation Letter in the form provided by the Company and delivers a signed copy of it to the Company and EAGF. Any such AI or QIB who is also a QP and who holds Shares through a custodian, nominee, trustee or other financial intermediary should procure that the relevant custodian, nominee, trustee or other financial intermediary submits an US Representation Letter on their behalf.

***Will the rights attaching to Shares be altered?***

The rights attaching to Shares will not alter. However, as noted below, the Shares held by the Exiting Shareholders will be cancelled upon implementation of the Transaction.

***What is the impact on your shareholding in the Company?***

If you are an Exiting Shareholder, your Shares will be cancelled if the Transaction is implemented. As a result, you will no longer hold any Shares in the Company.

If you are not an Exiting Shareholder (ie you are the Ellerston Shareholder), the number of Shares you hold will not change however the value of your Shares in the Company will be less than the value held prior to the Transaction being implemented due to the removal of the EAI Assets from the Company's asset portfolio. The size of any decrease will be dependent on the value ascribed to the EAI Assets.

In addition, if you are the Ellerston Shareholder, you will be the sole Shareholder if the Transaction is implemented.

***Do you have to do anything to receive your EAGF Units?***

You must hold Shares on the Record Date in order to receive the Special Dividend and you must be an Exiting Shareholder on the Record Date in order to receive the Capital Reduction Distribution.

If the Transaction proceeds, you will automatically receive the EAGF Units you are entitled to receive (unless you are an Overseas Shareholder or a Shareholder who would otherwise have received fractional EAGF Units, in which case you may receive some or all of your entitlement by way of the Cash Proceeds – see above for more information), even if you vote against the Transaction or do not vote at all. If the Transaction proceeds, and you do not wish to remain a holder of EAGF Units, you will be able to trade your EAGF Units, as set out below.

***Will I be able to trade my EAGF Units?***

If the Transaction is approved by Shareholders and is implemented, a holder of EAGF Units will be able to sell their EAGF Units on the ASX.

The EAGF PDS is set out in this Shareholder Booklet as Annexure B. The Responsible Entity has applied for admission of the EAGF Units to AQUA Trading Status of EAGF Units, conditional on the approval of all of the Resolutions contained in the Notices.

It is expected that the EAGF Units will be able to be traded on 23 May 2023, as set out in the timetable in the Important Dates section of this Shareholder Booklet.

In the event EAGF is successful in its Admission Application, there will be a liquid market for the EAGF Units. Investors in EAGF will be able to exit EAGF either by directly making a withdrawal request to the Responsible Entity for the redemption of their EAGF Units or by selling their EAGF Units on the ASX.

### ***What are the taxation implications of the Transaction?***

A general guide to the Australian income taxation implications of the Transaction is set out in Section 2.9 of this Explanatory Memorandum. The description is in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Shareholder. The taxation comments in Section 2.9 do not purport to be a complete analysis or to identify all potential tax consequences. The taxation implications of the Transaction will depend on the individual circumstances of each Shareholder. Shareholders should obtain professional advice as to the taxation implications of the Transaction in their specific circumstances.

### ***Is there any stamp duty payable?***

Shareholders will not bear any stamp duty on the transfer of EAGF Units to them pursuant to the In Specie Distribution.

### ***Conditionality***

The In Specie Distribution is conditional upon EAGF receiving conditional approval from ASX for admission to AQUA Trading Status of EAGF's Units. If each of the Resolutions (which are interdependent) are approved but EAGF does not receive conditional approval from ASX for any reason, the Transaction will not be completed, which means the Shareholders will not receive the In Specie Distribution.

#### **2.4 Intention of the Company if the Resolutions are not approved or the Transaction otherwise does not complete**

Each of the Resolutions are conditional and interdependent. If any of the Resolutions are not passed, the Company will retain its holding of the EAI Assets, the Transaction will not proceed, the Shareholders will not receive the In Specie Distribution and EAGF will not proceed with its application for EAGF Units to be admitted to AQUA Trading Status on the ASX.

In that event, the Company would seek to maximise Shareholder value and would:

- (a) continue the business of the Company as presently conducted; and
- (b) not make any major changes to the business of the Company.

#### **2.5 Intention of the Company if the Resolutions are approved and the Transaction completes**

##### **(a) In relation to the Company**

If the Transaction successfully completes, the Company will hold no material assets and become a wholly owned subsidiary of the Ellerston Shareholder and will not make any future investments.

Once its delisting has taken place, the Company intends to convert to a proprietary limited company and may in the future apply for voluntary deregistration.

##### **(b) In relation to EAGF**

If the Transaction successfully completes, the Manager intends to continue to manage EAGF's current assets and the EAI Assets acquired from the Company on behalf of EAGF pursuant to the EAGF Constitution and following substantially the same investment strategy as the Company, adjusted as required so that EAGF will meet the requirements of the ASX Operating Rules.

## 2.6 Differences between Shares and Units

A summary of the key differences between Shares and EAGF Units is set out below.

	<b>Shares in the Company</b>	<b>Units in EAGF</b>
<b>Security</b>	Fully paid ordinary shares	Fully paid ordinary units
<b>Issuer</b>	The issuer of the Shares is Ellerston Asian Investments Limited.	The issuer of the EAGF Units in Ellerston Asia Growth Fund is Ellerston Capital Limited, the responsible entity of Ellerston Asia Growth Fund.
<b>Listing and quotation</b>	The Company is admitted on the OfficialList of the ASX and its Shares are quoted on the ASX under the ticker code 'EAI'.	EAGF is applying for EAGF Units to be admitted to AQUA Trading Status.  If the EAGF Units are admitted, EAGF intends to use the ticker code "EAGF".
<b>How trading prices are calculated</b>	Trading of Shares takes place on ASX.  The price of Shares is determined by the aggregate supply and aggregate demand for the Shares on the exchange managed by ASX.	Trading of EAGF Units will take place on the AQUA Market if EAGF Units are admitted to AQUA Trading Status.  The price received for selling EAGF Units on the ASX will be the market trading price of EAGF Units.  Prospective investors and EAGF unitholders may apply for or withdraw some or all of their EAGF Units by applying to the Responsible Entity. The issue price and redemption price for a unitholder who applies directly to the Responsible Entity is set out below.  On the basis that EAGF has only one class of EAGF Units on issue, the price at which a Unit may be issued (issue price) or redeemed (redemption price) is equal to the NAV per EAGF Unit plus or minus (as the case requires) Transaction Costs. Each of these variables are those applicable as at the issue or redemption date for the EAGF Unit being issued or redeemed.  Refer to Section 3.2 in relation to the appointment of the Market Maker to provide a liquid market for EAGF Units.
<b>Terms of issue</b>	The rights and obligations attaching to Shares are set out in the Company Constitution. Additional rights and obligations are contained in the provisions of the Corporations Act.	The rights and obligations attaching to EAGF Units are set out in the EAGF Constitution. Additional rights and obligations are contained in the provisions of the Corporations Act.
<b>Voting rights</b>	Subject to any rights or	Voting is by a show of hands where

	<b>Shares in the Company</b>	<b>Units in EAGF</b>
	<p>restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares), at a general meeting of the Company:</p> <p>(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;</p> <p>(b) on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote (unless a Shareholder has appointed more than one proxy in which case neither proxy may vote); and</p> <p>(c) on a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each fully paid Share held (with adjusted voting rights for partly paid shares).</p> <p>If the votes are equal on a proposed resolution, the Chairman of the meeting has a second or casting vote on a show of hands or on a poll.</p>	<p>each unitholder in person or by proxy is entitled to one vote on a show of hands unless a poll is demanded.</p> <p>On a poll each unitholder attending in person or by proxy is entitled to 1 vote for each dollar of the value of EAGF Units held.</p> <p>The chairperson's declaration of the validity of any vote and the result of voting is conclusive.</p>
<b>Dividends or distributions</b>	<p>Subject to the Corporations Act, the Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.</p>	<p>As the Responsible Entity has made an election that EAGF will operate as an Attribution Managed Investment Trust, the Responsible Entity must attribute all of the Trust Components (as defined in section 276-260 of the Tax Act) and Determined Trust Components (as defined in section 276-255 of the Tax Act) of EAGF in respect of each financial year of EAGF, to the unitholders or the former unitholders.</p> <p>The Responsible Entity currently makes distributions (when available) as soon as practicable after each 30</p>

	<b>Shares in the Company</b>	<b>Units in EAGF</b>
		<p>June and 31 December, and those distributions are allocated to each unitholder based on the number of EAGF Units held as at the end of the relevant period.</p> <p>The Responsible Entity may also distribute capital of EAGF to unitholders, based on the number of EAGF Units that they hold.</p>
<b>Issue of further securities</b>	<p>Subject to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may issue or grant options for, or otherwise dispose of, Shares on the terms, with the rights, and at the times that the Board decides.</p>	<p>The Responsible Entity may issue classes of EAGF Units and, other than in respect of the matters required by section 601GA of the Corporations Act which are set out in the EAGF Constitution, determine the rights, liabilities, obligations and restrictions which attach to each class. A unitholder holds an EAGF Unit subject to the EAGF Constitution and the rights, liabilities, obligations and restrictions attaching to that EAGF Unit.</p>
<b>Variation of class rights</b>	<p>The procedure and requirements under the Corporations Act and ASX Listing Rules must be followed for any variation of rights attached to the Shares. The rights attached to a class of Shares may be varied or cancelled by:</p> <p>(a) the holders of at least 75% of the issued Shares in the class consenting in writing; or</p> <p>(b) a special resolution passed at a separate meeting of the holders of Shares in that class.</p>	<p>The rights attaching to EAGF Units may only be varied by amending the terms of the EAGF Constitution, as summarised below.</p>
<b>General meetings</b>	<p>Each Shareholder is entitled to receive notice of, attend and vote, at general meetings of the Company. The Company must give at least 28 days' written notice of a general meeting.</p> <p>The Board may postpone, cancel or change the place of a meeting of shareholders in accordance with the Company Constitution.</p> <p>The Company must hold an annual general meeting at least</p>	<p>Each unitholder is entitled to receive notice of, attend and vote, at general meetings of EAGF. The Responsible Entity must give at least 21 days' written notice of a general meeting.</p> <p>The Responsible Entity may convene a meeting of unitholders at any time in accordance with the Corporations Act.</p> <p>The chairperson of a meeting may adjourn a meeting to a time and place as the chairperson sees fit.</p>

	<b>Shares in the Company</b>	<b>Units in EAGF</b>
	once in each calendar year and within 5 months after the end of its financial year.	The Responsible Entity may at any time postpone or cancel a meeting or withdraw any resolution proposed to be put to a meeting (subject to the Corporations Act).
<b>Winding up/ termination</b>	<p>Subject to the Company Constitution, the Corporations Act and any preferential rights attaching to any class or classes of Shares, on the Company being wound up, Shareholders will be entitled to any surplus assets of the Company in proportion to the Shares held by them.</p> <p>If the Company is wound up, the liquidator may, with the sanction of a special resolution:</p> <p>(a) divide the whole or part of the Company's property among Shareholders;</p> <p>(b) decide how the division is to be carried out as between Shareholders or different classes of Shareholders; and</p> <p>(c) vest all or any of the assets of the Company in trustees on any trust for the benefit of the shareholders as the liquidator thinks fit.</p>	<p>EAGF ends 80 years (less one day) after the date of the EAGF Constitution or at an earlier time provided by the constitution or by law.</p> <p>Subject to the Corporations Act, the Responsible Entity at any time may terminate EAGF by written notice to the unitholders with effect from the termination date specified in the notice.</p> <p>EAGF must be terminated in accordance with the Corporations Act and, while EAGF is quoted, the AQUA Rules.</p> <p>On termination, the Responsible Entity will realise EAGF's assets, pay the EAGF Liabilities and pay to unitholders their portion of the net proceeds of realisation based on the number of EAGF Units held at the termination date. Subject to the Corporations Act, the Responsible Entity may postpone realising Trust Property.</p>
<b>Appointment and removal of directors</b>	<p>Under the Company Constitution, the Board is comprised of a minimum of three Directors. Directors can be elected or re-elected at general meetings of the Company. The Company may from time to time by resolution remove any Director from office or appoint additional Directors.</p> <p>No Director (excluding any managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected or three years, whichever is longer. The Board may also appoint a Director in addition to</p>	<p>EAGF's trustee is the Responsible Entity, which holds an Australian financial services licence authorising it to operate registered schemes. The Responsible Entity must comply with financial services laws, including those which govern the operation of EAGF. The Responsible Entity's board is not comprised of a majority of external directors. Instead, EAGF has a Compliance Committee comprising a majority of external members (broadly, people who have not been involved in business dealings with the Responsible Entity within the last two years) with appropriate expertise. The Compliance Committee monitors the Responsible Entity's adherence with the Compliance Plan. They are required to report to ASIC if they are of the view that the</p>



	<b>Shares in the Company</b>	<b>Units in EAGF</b>
	the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing director) must not hold office past the next annual general meeting of the Company.	Responsible Entity has not taken appropriate action on breaches of the Corporations Act or the fund constitution which have been reported to it by the Compliance Committee.
<b>Amendment</b>	The Company Constitution may be modified, repealed or replaced only by a special resolution passed by Shareholders.	The Responsible Entity may by supplemental deed modify, add to or delete from, the EAGF Constitution if it reasonably considers the amendments will not adversely affect the unitholder's rights. Otherwise, it must obtain unitholder approval of the amendments at a meeting of unitholders. <sup>5</sup>
<b>Transfer of securities</b>	<p>Subject to the Company Constitution and to any restrictions attached to a Share, Shares may be transferred by a written transfer instrument in any usual or common form or any other form approved by the Directors.</p> <p>In addition, the Company may participate in any computerised or electronic system for market settlement, securities transfer and registration conducted in accordance with the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, or corresponding laws or financial market rules in any other country.</p> <p>The Directors may refuse to register a transfer of Shares where permitted to do so under the Corporations Act or the ASX Listing Rules.</p> <p>The Directors must refuse to register a transfer of Shares when required to by the Corporations Act or the ASX Listing Rules.</p> <p>If the Directors refuse to register a transfer, the Company must, within five business days after the date of lodgment of the transfer, give to the lodging party written notice of the refusal and the</p>	<p>While EAGF is quoted, transfers of units are subject to the EAGF Constitution and the operation of the Corporations Act, CHESS and the AQUA Rules (as applicable).</p> <p>Subject to the EAGF Constitution and any class rights, a unitholder may transfer EAGF Units in the manner as the Responsible Entity from time to time prescribes.</p> <p>While ever the EAGF Units participate in a clearing and settlement facility in Australia, the Responsible Entity must not, except as permitted by the ASX Operating Rules or the ASX Settlement Operating Rules:</p> <p>(a) prevent, delay or interfere with a proper transfer in accordance with the ASX Settlement Operating Rules; or</p> <p>(b) reject the registration of a paper-based transfer (which satisfies the requirements of the transfer provisions of the EAGF Constitution).</p>

<sup>5</sup> Section 601GC(1) of the Corporations Act.

	Shares in the Company	Units in EAGF
	reasons for it. <sup>6</sup>	
<b>Tax treatment</b>	<p>The Company is subject to Australian income tax at a rate of 25% or 30% on its taxable income (depending on whether the Company is entitled to apply the reduced tax rate in a particular income year).</p> <p>Companies are not entitled to a capital gains tax (<b>CGT</b>) discount in respect of any capital gains which they make.</p> <p>Distributions paid by the Company are generally in the form of dividends, which may either be franked or unfranked.</p> <p>Where the Company pays a fully or partly franked dividend, franking credits will attach to the dividend.</p> <p>Depending on their particular tax characteristics, a Shareholder may be required to include the amount of any franking credits attached to a dividend in their assessable income. Shareholders may also be entitled to a tax offset, which may reduce their income tax liability, for the amount of the franking credits attached to a dividend.</p> <p>Shareholders who are Australian tax resident individuals or complying superannuation funds may be entitled to a refund of any franking credit tax offsets which exceed their income tax liability.</p>	<p>EAGF should be treated as a tax transparent or 'flow through' entity for Australian income tax purposes. Income distributed by EAGF should generally retain its character in the hands of the unitholders.</p> <p>EAGF unitholders will be subject to tax on their share of the taxable income of EAGF.</p> <p>Where EAGF makes capital gains, unitholders in EAGF may be entitled to apply the CGT discount of 50% (for Australian tax resident individuals and certain trusts) or 33 1/3% (for complying superannuation funds).</p> <p>Please refer to section 12 of the EAGF PDS for more details on the tax implications arising for EAGF unitholders.</p>

## 2.7 Differences between the ASX Listing Rules and the AQUA Rules

As EAGF will be applying for the EAGF Units to be admitted to AQUA Trading Status on ASX, this Shareholder Booklet is required to set out the key differences between the ASX Listing Rules and the AQUA Rules.

These differences are set out below and generally relate to the level of control and influence that the issuer of a product has over the underlying instrument. Further information relating to the AQUA Market can be found at "<https://www2.asx.com.au/issuers/investment-products>".

<sup>6</sup> Rule 27.4 of the Company Constitution.

Requirements	ASX Listing Rule	AQUA Rule
<p><b>Continuous Disclosure</b></p>	<p>Issuers of products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p>	<p>Issuers of products under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>The Responsible Entity will comply with the disclosure requirements in section 675 of the Corporations Act. This means that the Responsible Entity will disclose to ASIC information which is not generally available and that a reasonable person would expect, if the information were generally available, to have a material effect on the price or value of the EAGF Units, provided that such information has not already been included in the EAGF PDS (as supplemented or amended). The Responsible Entity will publish such information on the ASX market announcements platform and its website at the same time as it is disclosed to ASIC.</p> <p>Under AQUA Rule 10A.4, the Responsible Entity must also disclose:</p> <ul style="list-style-type: none"> <li>• information about the NAV of EAGF daily;</li> <li>• information about withdrawals from EAGF;</li> <li>• information about distributions paid in relation to EAGF;</li> <li>• any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and</li> <li>• any other information that would be required to be disclosed to the ASX under section 323DA of the Corporations Act if the EAGF Units were admitted under the ASX Listing Rules.</li> </ul> <p>In addition, under the AQUA Rules, the Responsible Entity must immediately notify the ASX of any information the non-disclosure of which may lead to the establishment of a false market in the EAGF Units</p>

Requirements	ASX Listing Rule	AQUA Rule
		or would materially affect the price of the EAGF Units.
<b>Periodic Disclosure</b>	Issuers of products under the ASX Listing Rules are required to disclose half-yearly and annual information or annual reports under Chapter 4 of the ASX Listing Rules.	<p>Issuers of products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or reports.</p> <p>However, the Responsible Entity is still required to lodge ASIC financial reports required under Chapter 2M of the Corporations Act. The Responsible Entity will also lodge these reports with ASX at the time it submits them to ASIC.</p>
<b>Corporate Control</b>	Listed companies and listed managed investment schemes are subject to requirements in the Corporations Act and the ASX Listing Rules relating to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	<p>As products quoted under the AQUA Rules are not shares in companies, the issuers of such products are not subject to the corporate governance requirements referred to under the Corporations Act and the ASX Listing Rules.</p> <p>However, the Responsible Entity, as an issuer of a product quoted under the AQUA Rules, is subject to the general requirement to provide ASX with information concerning itself that may otherwise lead to the establishment of a false market or materially affect the price of its products. Section 601FM of the Corporations Act will continue to apply to the Responsible Entity in relation to the removal of a responsible entity of a registered managed investment scheme by members.</p>
<b>Related party Transactions</b>	Chapter 10 of the ASX Listing Rules specifies controls over related party transactions (which relate to transactions between an entity and other people in a position to influence the entity).	Chapter 10 of the ASX Listing Rules does not apply to AQUA products such as EAGF Units. However, as EAGF is a registered managed investment scheme it is still subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
<b>Auditor Rotation</b>	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	The specific auditor rotation requirements under Division 5 of Part 2M.4 of the Corporations Act do not apply to AQUA product issuers. However the Responsible Entity will continue to be required to undertake independent audit of its compliance with EAGF's compliance plan in

Requirements	ASX Listing Rule	AQUA Rule
		accordance with section 601HG of the Corporations Act.

## 2.8 Summary of the Implementation Deed

As noted in Section 1.4 above, the Company and the Responsible Entity, Ellerston Capital Limited ABN 34 110 397 674, have entered into the Implementation Deed which sets out the process in which the Transaction will be implemented and the terms and conditions that will govern the implementation of the Transaction by the parties.

The Implementation Deed details the steps of the Transaction (which are summarised in this Shareholder Booklet) and each party's obligations with respect to those steps. The Implementation Deed also includes the Conditions which must be satisfied (or waived) for the In Specie Distribution to proceed, as summarised in Section 2.1(c).

Unless otherwise agreed between the Company and the Responsible Entity, each party must pay its own expenses incurred in negotiating, preparing, executing and registering the Implementation Deed.

Either party can terminate the Implementation Deed at any time by giving written notice to the other party if:

- (a) a Competing Proposal (as defined in the Implementation Deed) is announced and the Transaction is not approved by Shareholders or EAGF unitholders (if required) by the End Date;
- (b) the other party is in material breach of the Implementation Deed and, to the extent that the breach is capable of remedy, that breach is not remedied by the breaching party within five Business Days of receiving notice of the breach and the non-breaching party's intention to terminate;
- (c) a court or another government agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Transaction, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review and the Transaction is not approved by Shareholders or EAGF unitholders (if required) by the End Date;
- (d) the Conditions have not been satisfied or waived by the End Date and the parties have not agreed to extend such date, provided that a party may not terminate the agreement if the relevant Condition has not been satisfied or agreement cannot be reached as a result of that party's breach of the agreement, or a deliberate act or omission of that party;
- (e) an Insolvency Event (as defined in the Implementation Deed) occurs in relation to the other party; or
- (f) both parties agree in writing to terminate the Implementation Deed.

The Implementation Deed otherwise contains terms and conditions (including standard representations, warranties and indemnities) considered standard for an agreement of this nature.

## 2.9 Summary of Australian taxation consequences of the Transaction

The following is a general summary of the potential Australian income taxation consequences of the Transaction to Shareholders and the Company. The following

comments do not purport to be a complete analysis or to identify all potential tax consequences. The comments only apply to Shareholders who are resident in Australia for tax purposes and who hold their Shares in the Company 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 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 Australian income tax law. Non-resident Shareholders should obtain tax advice on the implications of the Transaction to their Australian tax position and the tax rules in their country.

The summary of potential Australian income tax consequences described below are statements of general principle only and Shareholders should be aware that the actual Australian tax implications may differ from those summarised below, depending on the individual circumstances of each Shareholder. This summary does not constitute tax advice and should not be relied upon as such. Shareholders should obtain and rely on their own tax advice in relation to taxation consequences of the Transaction having regard to their particular circumstances. Neither the Company nor any of its officers accept any responsibility or liability in respect of such consequences.

This section is based on Australian income tax legislation, public taxation rulings, determinations, and administrative practice as at the date of this Shareholder Booklet. The comments do not take into account or anticipate changes in Australian tax law, administrative practice or future judicial interpretations of Australian tax law after the date of this Shareholder Booklet. Future amendments to taxation legislation, or its interpretation by the court or the taxation authorities, may take effect retrospectively and/or affect the conclusions drawn.

### **Class ruling**

The Company is in the process of making an application to the Commissioner of Taxation (**Commissioner**) for a class ruling (**Class Ruling**) confirming certain income tax implications of the Transaction for Australian tax resident Shareholders. A copy of the Class Ruling will be made available to investors on the Company's website 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 Shareholder Booklet.

### **Transfer of EAI Assets to EAGF**

The transfer of the EAI Assets to EAGF will result in a disposal of those assets by the Company for tax purposes. A gain or loss for tax purposes may arise on the disposal of each asset depending on the difference between the consideration received on disposal and the tax cost base of the asset. Realised gains and losses on the disposal of the EAI Assets will be required to be included in the calculation of the Company's taxable income for the year ending 30 June 2023. The Company has carry forward tax losses as at 30 June 2022 and any net gains on the disposal of EAI Assets may be offset by carry forward tax losses provided those losses are available to be deducted under the applicable loss recoupment rules. To the extent that the Company's carry forward tax losses are not utilised in respect of taxable income which arises prior to or as part of the transfer of the EAI Assets, it is not expected that the Company will utilise the tax losses for the benefit of Shareholders. Any tax paid by the Company should generate franking credits.

To the extent that an income tax liability is expected to arise for the year ending 30 June 2023, sufficient cash will be left in the Company as part of the Cash Reserve to enable it to pay this tax liability to the ATO.

## **Special Dividend received from the Company**

The In Specie Distribution of EAGF Units to Shareholders will include a dividend. Shareholders who receive dividends from the Company (including the Special Dividend) will be required to include the amount of the dividend in their assessable income. The Special Dividend is comprised of a non-cash component being the EAGF Units as well as any associated franking credits.

It is the intention of the Company to frank the in-specie dividend payment to the full extent possible. Accordingly, the Special Dividend will have accompanying franking credits.

Generally, provided you are a "qualified person" in relation to the Special Dividend and the ATO does not make a determination under the dividend streaming rules to deny the benefit of the franking credits attached to the Special Dividend, Shareholders should:

- also include the amount of the franking credits attached to the Special Dividend in their assessable income in the year in which they receive the Special Dividend, and
- subject to special rules which apply where a partnership or trust receives the dividend, qualify for a tax offset equal to the amount of the franking credits attached to the Special Dividend, which can be applied against a Shareholder's income tax liability for the relevant income year.

A Shareholder should be a "qualified person" in relation to the Special Dividend if the "holding period rule" and the "related payments rule" are satisfied. Generally:

- to satisfy the "holding period rule", a Shareholder must have held their Shares "at risk" for at least 45 days (not including the days of acquisition and disposal) within the period beginning on the day after the day on which the Shares were acquired and ending 45 days after the Shares become ex-distribution. This means that once a Shareholder satisfies the "holding period rule" in relation to a distribution on Shares, the Shareholder does not need to satisfy it again in relation to those Shares for subsequent distributions, unless the Shareholder makes a "related payment" (refer below), and
- under the "related payments rule", if a Shareholder is obligated to make a "related payment" (essentially a payment passing on the benefit of the Special Dividend) in respect of the Special Dividend, the Shareholder must hold the Shares "at risk" for at least 45 days (not including the days of acquisition and disposal) within each period beginning 45 days before, and ending 45 days after, they become ex-distribution.

To be held "at risk", a Shareholder must retain 30% or more of the risks and benefits associated with holding the Shares. Where a Shareholder undertakes risk management strategies in relation to their Shares (e.g. by the use of limited recourse loans, entering into put or call options in relation to the Shares or other derivatives), a Shareholder's ability to satisfy the "at risk" requirement and thus to be a "qualified person" may be affected.

Certain other anti-avoidance rules may also deem a person not to be a "qualified person" with respect to a dividend, including where a franked dividend is streamed to certain shareholders or where there is a dividend stripping or dividend washing arrangement.

Individual Shareholders are automatically treated as a "qualified person" for these purposes if the total amount of tax offsets in respect of all franked amounts to which the individual is entitled in an income year does not exceed A\$5,000. This is referred to as the "small shareholder rule". However, an individual will not be a "qualified person" under the small shareholder rule if "related payments" have been made, or will be made, in respect of these amounts.

Australian tax resident individuals and complying superannuation funds may be able to receive a cash tax refund from the ATO if the tax offset equal to the franking credits attached to the Special Dividend exceeds the tax payable on their total taxable income.

As noted above, special rules apply in relation to franked dividends received by partnerships or trusts. Where the franked dividend "flows indirectly" to the partners in the partnership or the beneficiaries of a trust, a tax offset equal to the partner or beneficiary's share of the franking credit attached to the Special Dividend should be available to the partner or beneficiary, provided both the partner or beneficiary and the partnership or trust (as relevant) are each a "qualified person". Exiting Shareholders who are partnerships or trusts should seek their own advice in relation to the application of these rules, including whether the Special Dividend will "flow indirectly" to partners or beneficiaries.

For a company, the franking credits attached to the Special Dividend will generally give rise to a franking credit in the company's franking account. A company will not be entitled to a tax refund of the excess franking credits. Rather, the surplus franking credits may be converted to a tax loss which can be carried forward to future years (subject to satisfying certain loss carry forward rules).

### **Capital Reduction Distribution and cancellation of Shares**

The Capital Reduction Distribution of EAGF Units to Exiting Shareholders and cancellation of Shares will give rise to a CGT event for Exiting Shareholders. Shareholders should accordingly be required to calculate a capital gain or capital loss. The amount of the capital gain or capital loss will be dependent on each Exiting 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 for an Exiting Shareholder where the amount of the Capital Reduction Distribution received by the Exiting Shareholder exceeds that Exiting Shareholder's cost base for the Shares. A capital loss should arise where the amount of the Capital Reduction Distribution received by the Exiting Shareholder is less than the reduced cost base of the Shares.

The value of the Capital Reduction Distribution and the amount of Exiting Shareholders' capital gains or capital losses will depend on the value of the EAGF Units when they are distributed in-specie. Information regarding the value of the EAGF Units when they are distributed in-specie will be made available on the Company's website after the Effective Date in order to assist Shareholders with calculating their capital gain or capital loss. It is expected that the Class Ruling being sought from the ATO will, once issued by the ATO, confirm the value of capital proceeds which are to be included in the calculation of Exiting Shareholders' capital gains or capital losses.

The timing of the CGT event should be the Effective Date. Resident individuals, trusts (where certain conditions are satisfied) and complying superannuation fund Shareholders who have held their Shares for at least 12 months may be entitled to the CGT discount. The CGT discount may reduce capital gains by 50% for resident individuals and certain trusts or 33 1/3% for complying superannuation funds.

Returns of share capital may be re-characterised as unfranked dividends where the Commissioner makes a determination under section 45B of the *Income Tax Assessment Act 1936*. The Company does not expect that the Commissioner will make such a determination and it is expected that this will be confirmed in the Class Ruling. However, in the event that the Commissioner made such a determination with respect to the Capital Reduction Distribution, Exiting Shareholders would be required to include the amount of their entitlement to the Capital Reduction Distribution in their assessable income. The CGT discount should not apply in this case.



**Cost base and date of acquisition of new EAGF Units**

The first element of the cost base and reduced cost base for each new EAGF Unit that is acquired will be equal to the market value of the new EAGF Unit at the time of the transfer of the new EAGF Units.

Information regarding the value of the EAGF Units when they are distributed in-specie will be made available on the Company's website after the Effective Date in order to assist Shareholders with calculating their capital gain or capital loss. It is expected that the Class Ruling being sought from the ATO will, once issued by the ATO, confirm the market value for the purposes of determining Exiting Shareholders' cost base and reduced cost base in EAGF Units.

For CGT purposes (including the CGT discount), the date of acquisition of the EAGF Units should be the Effective Date.

**Australian tax status of EAGF**

For information on the Australian tax treatment of EAGF, please refer to the PDS issued with this Shareholder Booklet.

### 3. **Additional information relating to EAGF**

#### 3.1 **Summary of EAGF Constitution**

The constitution of EAGF, along with the Corporations Act and other relevant laws, governs the way in which EAGF operates and the rights and responsibilities and duties of the Responsible Entity and EAGF unitholders.

A summary of the key material terms of the constitution of EAGF are set out in section 13 of the EAGF PDS.

#### 3.2 **Appointment of Market Maker**

The Responsible Entity has appointed Nine Mile Financial Pty Limited as market maker in respect of EAGF to provide liquidity to investors on the AQUA Market by acting as a buyer and seller of EAGF Units (**Market Maker**).

Pursuant to the terms of its appointment, the Market Maker is required to:

- (a) be registered by ASX as a market maker and authorised to make markets in the EAGF Units under the ASX Operating Rules and comply with any other ASX Operating Rules applicable to the Market Maker; and
- (b) use reasonable endeavours to provide continuous two-way quotes for the EAGF Units for the period in accordance with the ASX Operating Rules.

Further information about the role of the Market Maker is set out in section 6 of the EAGF PDS.

#### 3.3 **EAGF's investment strategy**

EAGF's investment strategy is set out in section 6 of the EAGF PDS.

EAGF's ability to produce investment returns will depend on the availability of assets that meet EAGF's investment guidelines, Asian equity market conditions and the effect of the key risks identified in section 8 of the EAGF PDS.

#### 3.4 **Distributions**

The Responsible Entity intends to continue making half-yearly distributions (where there is distributable income) as soon as practicable after each 30 June and 31 December. The Responsible Entity intends to distribute at least the amount of EAGF's taxable income (excluding non-cash items) annually. The Responsible Entity offers a distribution reinvestment plan in respect of distributions made by EAGF. Investors can elect to have all or part of their cash distribution reinvested as additional EAGF Units, subject to the terms and conditions of EAGF's distribution reinvestment plan.

#### 3.5 **Capital structure**

As noted above, the number of EAGF Units on issue will increase by virtue of the Transaction and the number of unitholders of EAGF will increase (by the number of Shareholders, excluding certain Overseas Shareholders or Shareholders whose entitlements comprised a fractional EAGF Unit (see Section 2.3) and those Shareholders who currently hold EAGF Units).

The total number of EAGF Units to be issued to the Company will be determined based on the value of the EAI Assets and the NAV per EAGF Unit, such values to be calculated as at the Implementation Date (see Section 2.1).

As at the Last Practicable Date before the date of this Shareholder Booklet, there were 10,809,408 EAGF Units on issue and the NAV per EAGF Unit was 9,099,167.

### 3.6 **Rights attaching to EAGF Units**

The rights attaching to EAGF Units will not be affected by the Transaction. A summary of the rights attaching to the EAGF Units is included in the comparison table set out in Section 2.6.

Full details of the rights attaching to the EAGF Units are set out in the EAGF Constitution, a copy of which may be obtained by contacting the Responsible Entity's office during normal business hours.

Section 13 of the EAGF PDS contains a broad summary of the rights, privileges and restrictions attaching to all EAGF Units.

### 3.7 **Risk factors**

Section 8 of the EAGF PDS contains a summary of the key risks associated with an investment in EAGF.

#### 4. **Additional information relating to the Company**

##### 4.1 **Issued capital of the Company**

As at the Last Practicable Date before the date of this Shareholder Booklet, the Company's capital structure was as follows:

<b>Shares</b>
124,168,061

As noted above, the number of Shares on issue will decrease by virtue of the Transaction and the sole Shareholder on and from the Effective Date will be the Ellerston Shareholder.

##### 4.2 **Rights attaching to Shares**

The rights attaching to Shares will not be affected by the Transaction. A summary of the rights attaching to the Shares is included in the comparison table set out in Section 2.6.

Full details of the rights attaching to the Shares are set out in the Company Constitution, a copy of which may be obtained by contacting the Company's office during normal business hours.

##### 4.3 **Board of the Company**

The Board currently comprises:

- (a) Mr Bill Best – Independent Non-Executive Director, Chairman;
- (b) Mr Sam Brougham – Independent Non-Executive Director; and
- (c) Ms Marian Carr – Independent Non-Executive Director.

##### 4.4 **Director's relevant interests in the Company**

The table below indicates the securities in which the Directors have a relevant interest as at the date of this Shareholder Booklet:

<b>Director</b>	<b>Shares</b>
Mr Bill Best	100,000
Mr Sam Brougham	1,364,701
Ms Marian Carr	50,000

None of the Directors have a relevant interest in EAGF Units.

##### 4.5 **Information concerning Shares**

The highest and lowest recorded sale prices of Shares as traded on ASX during the 4 months prior to the Last Practicable Date before the date of this Shareholder Booklet, and the respective dates of those sales were:

<b>Date</b>	<b>Highest price</b>	<b>Date</b>	<b>Lowest price</b>
7 March 2023	\$0.87	7 March 2023	\$0.765

#### 4.6 **Changes to the obligations of the Company**

If the Transaction successfully completes, the Company will operate as an unlisted company and will remain subject to the Corporations Act, including the range of protections afforded to shareholders under the Corporations Act.

The Company intends to convert to a proprietary limited company shortly after the Implementation Date. Upon conversion, the Company will no longer need to comply with some of the obligations in the Corporations Act.

In particular, the Company will not be an "unlisted disclosing entity" for the purposes of the Corporations Act. As such, the Company will not be required to maintain a continuous disclosure regime.

#### 4.7 **Termination fee in relation to management agreement**

On or shortly after delisting of the Company, the Manager intends to terminate the management agreement between the Company and the Manager. Under the management agreement, the Manager is entitled in this scenario to a termination payment equal to 5%, reduced by 1/120<sup>th</sup> for each calendar month elapsed between the commencement of the term and the termination date, of the net tangible asset backing of the Shares.

The term of the management agreement commenced on 15 September 2015 and is for 10 years. Assuming delisting of the Company occurs in late May 2023 and the agreement is terminated on 31 May 2023, based on the Company's post-tax NTA as at 31 January 2023, a termination fee of \$1,221,399.09 will be payable by the Company to the Manager. The termination fee amount is in addition to the Cash Reserve and will not form part of the EAI Assets.

To reward investors who wish to continue to be invested in the strategy, the Manager (who is also the investment manager and responsible entity of EAGF) is waiving the management fee payable by EAGF for the first year following quotation of EAGF Units on the AQUA Market.

#### 4.8 **Change of Company's share registry**

Following the Meeting and Special Meeting and with effect from the date specified in the timetable in the Important Dates section of this Shareholder Booklet, the Company's share registry function will transition from Link Market Services to Automic Group.

## 5. **Resolution 1 – Amendment to the Company Constitution**

### 5.1 **Summary of Resolution 1**

Resolution 1 seeks Shareholder approval to amend the Company Constitution to allow implementation of the Transaction.

Resolution 1 is conditional on the approval of all other Resolutions in the Notices. If all of the Resolutions are passed, the Company Constitution will be amended as set out in Section 5.3 below with immediate effect.

Resolution 1 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### 5.2 **General**

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by special resolution of its shareholders.

While the Company considers that the current provisions relating to reductions of capital and dividends in the Company Constitution are sufficient for the implementation of the Transaction, the Board considers that the following amendments of the Company Constitution should be made:

- (a) inclusion of specific references to a reduction of capital and dividend effected by the in specie distribution of units in a trust;
- (b) inclusion of statements that, on occurrence of a reduction of capital and dividend effected by an in-specie distribution of units in a trust, the Shareholders are deemed to have agreed to become unitholders of the relevant trust and to be bound by the relevant trust deed (in the case of the Transaction, being, respectively, the EAGF Units and the EAGF Constitution);
- (c) expansion of certain provisions currently in the Company Constitution that will, in the case of the Transaction, empower the Company or any of the Directors as the agent of each Shareholder to execute any transfer of units, or any other document required to give effect to the distribution of units to that Shareholder; and
- (d) inclusion of a provision that, on occurrence of an in-specie distribution (whether as a dividend, in connection with or in satisfaction of a reduction of capital or buy-back or otherwise and whether or not for value), each Shareholder appoints the Company and any other officer of the Company nominated in that behalf by the Directors as his or her agent or attorney to do anything needed or desirable to give effect to that distribution.

As such, Resolution 1 seeks the approval of Shareholders to modify the Company Constitution by:

- (a) inserting a new Rule 31 in replacement of the current Rule 31; and
- (b) inserting a new Rule 95 in replacement of the current Rule 95,

in each case as set out in Section 5.3 below.

A copy of the amended constitution is available for review by Shareholders at the office of the Company and can also be sent to Shareholders upon request to the Company Secretary.

Shareholders are invited to contact the Company if they have any queries or concerns. The Board recommends that Shareholders vote in favour of Resolution 1.

### 5.3 **Proposed amendments to the Company Constitution**

Currently, the Company Constitution states that subject to the Corporations Act and the ASX Listing Rules, the Company may reduce its share capital in any manner. The Company Constitution also states that such reduction may be effected wholly or in part by the distribution of specific assets and in particular fully paid shares, debentures, debenture stock or other securities of any other corporation or in any one or more of such ways.

However, the Company Constitution does not specifically refer to a reduction of capital effected by the in specie distribution of units in a trust.

Similarly, the Company Constitution currently states that the Directors may resolve that a dividend will be paid wholly or partly by the transfer or distribution of specific assets, including fully paid shares in, or debentures of, any other corporation. However, the Company Constitution does not specifically refer to a dividend being paid wholly or partly by the transfer or distribution of units in a trust.

To clarify the powers of the Company, the Directors consider it beneficial to amend the Company Constitution to specifically provide for both a reduction in capital and dividend, and the method of the reduction, being by way of distribution of shares or securities in any body corporate or trust, in this case EAGF.

In addition to the above, the proposed amendments will state that should the Company complete an in-specie distribution and, as consideration, distribute securities in a body corporate or trust (in this case EAGF) to the Shareholders:

- (a) those Shareholders agree to become members of that body corporate or trust (in this case EAGF) and to be bound by the constitution of that body corporate or trust (in this case the EAGF Constitution);
- (b) each of the Shareholders appoints the Company or any of the Directors as its agent to execute any instrument of transfer, or any other document required to give effect to the distribution of securities in that body corporate or trust to that Shareholder; and
- (c) each of the Shareholders appoints the Company and any other officer of the Company nominated in that behalf by the Directors as his or her agent or attorney to do anything needed or desirable to give effect to that distribution.

Accordingly, the Company is seeking Shareholder approval to the amendment of the Company Constitution to clarify the Company's powers by the insertion of new Rule 31 and new Rule 95 to the exclusion of, and as replacement for, the current Rule 31 and the current Rule 95 respectively as follows:

#### **Insert a new Rule 31:**

##### **"31 *Reductions of capital***

*31.1 Subject to the Corporations Act and the Listing Rules, the Company may reduce its share capital in any manner.*

*31.2 Without limiting the generality of clause 31.1, the Company when reducing its share capital may resolve that such reduction be effected wholly or in part by any or all of the payment of cash, the issue of shares, units or other securities, the grant of options or other securities, the transfer or distribution of shares or any other securities in any other body corporate or the transfer*

*or distribution of units or any other securities in any trust or the transfer or distribution of any other assets. The Directors may fix the value for distribution of any securities or other assets.*

31.3 *Where the Company pursuant to a reduction of its share capital issues, transfers or distributes shares or any other securities in a body corporate or units or any other securities in a trust, each Member:*

- (i) will be deemed to have agreed to become a member of that body corporate or trust and to be bound by the constitution of that body corporate or trust; and*
- (ii) appoints the Company and each Director as its agent to execute an instrument of transfer or other document required to facilitate or effect the issue, transfer or distribution of those shares or other securities in a body corporate or units or other securities in the trust to that Member."*

**Insert a new Rule 95:**

**"95 *Distribution of assets***

95.1 *The Directors may resolve that a dividend will be paid wholly or partly by any or all of the payment of cash, the issue of shares, units or other securities, the grant of options or other securities, the transfer or distribution of shares or any other securities in any other body corporate or the transfer of units or any other securities in any trust or the transfer of any other assets.*

95.2 *If a difficulty arises in connection with clause 95.1, the Directors may:*

- (a) deal with the difficulty as they consider expedient;*
- (b) fix the value of all or any part of the shares, units, options, other securities or any other assets for the purposes of the distribution;*
- (c) determine that cash will be paid to any Members on the basis of the fixed value in order to adjust the rights of all the Members; and*
- (d) vest any such shares, units, options, other securities or any other assets in trustees as the Directors consider expedient.*

95.3 *If an issue, transfer or distribution of shares, units, options, other securities or any other assets to a particular Member or Members is illegal or, in the Directors' opinion, impracticable, the Directors may make a cash payment to the Member or Members on the basis of the cash amount of the dividend instead of the issue, transfer or distribution of shares, units, options, other securities or any other assets.*

95.4 *Where the Company pays a dividend (interim or final) by the issue, transfer or distribution of shares or any other securities in a body corporate or units or any other securities in a trust:*

- (a) the Members receiving the dividend will be taken to have agreed to become members of that body corporate or trust and to be bound by the constitution of that body corporate or trust; and*
- (b) each of those Members appoints the Company and each Director as its agent to execute any transfer of shares or other document*



*required to facilitate or effect the issue, transfer or distribution of those shares or other securities in a body corporate or units or other securities in the trust to that Member.*

- 95.5 *If the Company issues, transfers or distributes to Members (either generally or to specific Members) shares, units, debentures, assets or other securities in the Company or in another body corporate or trust (whether as a dividend, in connection with or in satisfaction of a reduction of capital or buy-back or otherwise and whether or not for value), each of those Members appoints the Company and any officer of the Company nominated in that behalf by the Directors as his or her agent or attorney to do anything needed or desirable to give effect to that issue, transfer or distribution, including without limitation agreeing to become a member, holder of shares, holder of units, holder of debentures or holder of other securities of the Company or that other body corporate or trust or exercising all rights and powers of the Member to agree on behalf of the Member's nominee (or to procure the Member's nominee to agree) to such nominee becoming a member, holder of shares, holder of units, holder of debentures or holder of other securities of the Company or that other body corporate or trust.*

## 6. **Resolution 2 – Approval to undertake the Capital Reduction Distribution**

### 6.1 **Summary of Resolution 2**

Resolution 2 seeks Shareholder approval to enable the Company to reduce its capital with the reduction to be effected against each Share held by each Exiting Shareholder at the Record Date by cancelling all such Shares in consideration for the Company making a pro rata distribution in-specie of EAGF Units to each Exiting Shareholder at the Record Date.

Resolution 2 is conditional on the approval of all other Resolutions in the Notices. If all of the Resolutions are passed, the Company's capital will be reduced by way of the Capital Reduction Distribution described in Section 2.1 above.

Resolution 2 is a special resolution.

### 6.2 **Section 256C of the Corporations Act**

The proposed reduction of capital by way of the Capital Reduction Distribution is a selective capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- (a) is fair and reasonable to Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders in accordance with section 256C of the Corporations Act.

The Directors believe that the Transaction is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors.

Further, the Directors consider that the Transaction will not result in the Company being insolvent at the time of or after the Capital Reduction Distribution.

The Directors have commissioned the Independent Expert to prepare a report on whether the Transaction (including the Capital Reduction Distribution) is, on balance, collectively fair and reasonable to, and therefore in the best interests of, the Shareholders. The Independent Expert Report is attached to this Shareholder Booklet at Annexure A.

The Independent Expert has concluded that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders. In accordance with the Corporations Act:

- (a) the proposed reduction is a selective reduction and requires approval by a special resolution passed at a general meeting of Shareholders;
- (b) this Shareholder Booklet and previous ASX announcements set out all information known to the Company that is material to the decision on how to vote on Resolution 2; and
- (c) the Company has lodged with ASIC a copy of this Shareholder Booklet.

Under the proposed reduction of capital, the Shares held by the Exiting Shareholders will be cancelled. As a result and in accordance with the Corporations Act, separate approval by special resolution is being sought at the Special Meeting.

### 6.3 **Product disclosure statement pursuant to the offer to transfer EAGF Units**

Under the Corporations Act, an offer of securities generally requires disclosure to investors through a disclosure document, typically in the form of a prospectus or product disclosure statement.

The Corporations Act restricts:

- (a) the Company from disposing of the EAGF Units to its Shareholders by way of an in-specie distribution without issuing a disclosure document; and
- (b) the Shareholders from on-selling their EAGF Units within the first 12 months after receiving them under an in-specie distribution where a disclosure document has not accompanied the original offer.

The invitation to Shareholders to vote on this Resolution constitutes an offer to transfer EAGF Units to Shareholders pursuant to an in-specie distribution.

A copy of the EAGF PDS is set out at Annexure B and therefore the offer to transfer EAGF Units to Shareholders is accompanied by a disclosure document.

### 6.4 **Capital Reduction – General**

The Corporations Act and the ASX Listing Rules set out the procedure and timing for a capital reduction. Refer to the Important Dates section of this Shareholder Booklet for an indicative timetable in respect of the Transaction. The alteration to the Company's capital and the Capital Reduction Distribution will become effective from the Effective Date.

The Record Date for the In Specie Distribution (including the Capital Reduction Distribution) is proposed to be 29 May 2023, subject to the Resolutions being approved and satisfaction of the Conditions.

If the capital reduction proceeds, the Exiting Shareholders will receive a pro rata entitlement to EAGF Units and each Exiting Shareholder's name will be entered on the register of unitholders of EAGF with each Exiting Shareholder having deemed to have consented to becoming a EAGF unitholder and being bound by the EAGF Constitution (refer to Section 5). An Exiting Shareholder's entitlement to the number of EAGF Units to be distributed to it is to be based on the number of Shares held at the Record Date (see Section 2.1(c)).

### 6.5 **ASX Announcements**

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations, which requires the Company to disclose to the ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the Company.

These documents are available for viewing and download on the Company's website on <https://ellerstoncapital.com/funds/asian-investments-fund/> or the ASX website on [www.asx.com.au/](http://www.asx.com.au/) under the ASX code "EAI".

The Company will provide updates on the Transaction to Shareholders at the time the Capital Reduction Distribution takes place via lodgement of an ASX market announcement and in the despatch of holding statements to Shareholders.

### 6.6 **Other material information**

There is no information known to the Company that is material to the making of a decision by a Shareholder on how to vote on Resolution 2 other than as disclosed in this Shareholder

Booklet (including annexures) and information that the Company has announced on the ASX's platform or previously otherwise disclosed to Shareholders.

**6.7 Lodgement**

The Company has lodged a copy of this Shareholder Booklet with ASIC in accordance with section 256C(5) of the Corporations Act.

**6.8 Directors' recommendation**

The Directors believe that the Transaction is in the best interests of Shareholders and recommend that the Shareholders vote in favour of Resolution 2 as, in the opinion of the Directors, the benefits of the Transaction outweigh the disadvantages (see Section 2.2 of this Explanatory Memorandum). The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders.

## 7. **Resolution 3 – Removal from the Official List of the ASX**

### 7.1 **Summary of Resolution 3**

The Company has applied to ASX requesting that, subject to the successful implementation of the Transaction, ASX removes the Company from the Official List under ASX Listing Rule 17.11. As is its usual practice, ASX has imposed a requirement under ASX Listing Rule 17.11 and Guidance Note 33 Removal of Entities from the ASX Official List, that the Company obtain Shareholder approval to the proposed delisting.

Resolution 3 seeks Shareholder approval under ASX Listing Rule 17.11 for the Company's removal from the Official List.

Resolution 3 is conditional on the approval of all other Resolutions in the Notices. If all of the Resolutions are passed, and subject to the successful completion of the Transaction and fulfilment of the conditions imposed by ASX, the Company will be removed from the Official List and the Company's Shares will cease to be traded on ASX. If any of the Resolutions are not passed, the Company will retain its holding of the EAI Assets, the Transaction will not proceed, the Shareholders will not be transferred EAGF Units, the Company will not be delisted from the Official List of the ASX and EAGF will not proceed with its application for EAGF Units to be admitted to AQUA Trading Status on the ASX.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

If Resolution 3 is passed and a Shareholder considers the removal of the Company from the Official List to be contrary to the interests of Shareholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a Shareholder or Shareholders, it may apply to the Court for relief. The Court may then make any order that it considers appropriate in relation to the Company, including but not limited to orders regulating the conduct of the Company's affairs in the future, requiring the Company to be wound up or requiring that the Company Constitution be modified or repealed.

If all of the Resolutions are passed and the Transaction successfully completes, only the Ellerston Shareholder will hold Shares in the Company and the Company will hold no material assets. As noted above, the Company also intends to convert to a proprietary limited company and may in the future apply for voluntary deregistration.

As such, the Company does not think it appropriate or necessary to implement a buy-back or other facility to allow the Ellerston Shareholder to sell or redeem its Shares and has not done so, however Shareholders will be able to sell their Shares as usual on-market on ASX prior to the removal of the Company from the Official List. In addition, all Shareholders will receive EAGF Units on implementation of the Transaction and will be able to trade their EAGF Units on-market on ASX.

### 7.2 **Conditions to removal**

ASX has granted the Company's request to be removed from the Official List pursuant to ASX Listing Rule 17.11, subject to compliance with the following conditions:

- (a) the EAGF Units are conditionally approved to be admitted to AQUA Trading Status as an AQUA Product Series under ASX Operating Rules Schedule 10A.3.1;
- (b) the Shareholders approve the following:
  - (i) a special resolution to carry out the selective reduction of capital;

- (ii) a special resolution to carry out the cancellation of Shares (to be approved by Exiting Shareholders only);
  - (iii) a special resolution to remove the Company from the Official List of ASX;
  - (iv) an ordinary resolution (excluding any votes cast by the Responsible Entity and its associates) to convert the quotation of Shares admitted under the ASX Listing Rules to admission as an AQUA Product Series admitted to AQUA Trading Status in accordance with ASX Operating Rule 10A.3.1(ca); and
- (c) the Shareholder Booklet includes a statement, in a form and substance satisfactory to ASX, setting out:
- (i) the relevant timetable, which is acceptable to ASX, and which will be followed for the removal of the Company from the Official List and the admission of EAGF Units to AQUA Trading Status as an AQUA Product Series under the AQUA Rules;
  - (ii) the relevant information, to ASX's satisfaction, prescribed in section 2.11 of ASX Guidance Note 33;
  - (iii) the proposed outcome for Shareholders of the conversion of Shares held by them in an ASX Listing admitted under the ASX Listing Rules to units in an AQUA Product Series admitted to AQUA Trading Status;
  - (iv) the differences between the AQUA Market and the listing regime application to the Company as an ASX Listing; and
  - (v) where further information about the AQUA Market can be found on ASX's website.

### 7.3 **Reasons for seeking removal from the Official List**

The proposed Transaction, and subsequent de-listing of the Company from ASX, is considered by the Board to be in the best interests of the Company in light of the low level of trading of the Shares on ASX (both in frequency and overall volume) and the Board's view that the current market capitalisation of the Company does not reflect the underlying asset value of the Company. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

## **8. Resolution 4 – Admission of EAGF Units to AQUA Trading Status**

### **8.1 Summary of Resolution 4**

Resolution 4 seeks Shareholder approval for the Responsible Entity to seek admission of EAGF Units to AQUA Trading Status.

Resolution 4 is conditional on the approval of all other Resolutions in the Notices. If all of the Resolutions are passed, and subject to the successful completion of the Transaction and fulfilment of any listing conditions imposed by ASX, EAGF Units will be admitted to AQUA Trading Status.

Resolution 4 is an ordinary resolution.

### **8.2 Reasons for EAGF to seek admission of EAGF Units to AQUA Trading Status**

As noted in Section 7.3 above, the proposed Transaction and subsequent admission of EAGF Units to AQUA Trading Status, is considered by the Board to be in the best interests of the Company in light of the low level of trading of the Shares on ASX (both in frequency and overall volume) and the Board's view that the current market capitalisation of the Company does not reflect the underlying asset value of the Company. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

Given the differences in structure of the entity, the Board believes that the admission of EAGF Units to AQUA Trading Status on ASX will provide better liquidity for unitholders.

The Responsible Entity intends to lodge the EAGF PDS with ASIC and ASX on or around the date of this Shareholder Booklet. The Company notes that it is not guaranteed that ASX will approve the Admission Application.

## 9. **Resolution 5 – Approval of the Transaction**

### 9.1 **Summary of Resolution 5**

Resolution 5 seeks Shareholder approval, for all purposes, to undertake the Transaction.

Resolution 5 is conditional on the approval of all other Resolutions in the Notices.

Resolution 5 is an ordinary resolution.

### 9.2 **Reasons for seeking approval of Resolution 5**

As noted in Section 6.8 above, the proposed Transaction is considered by the Board to be in the best interests of the Company. The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

For the reasons discussed in this Shareholder Booklet, the Board believes that undertaking the Transaction, which will (subject to all required approvals being obtained) result in the Shareholders holding EAGF Units admitted to AQUA Trading Status on ASX, will provide better liquidity for Shareholders (who will become EAGF unitholders), given the differences in structure of the entity, whilst maintaining exposure to generally the same investment thesis applied by the Company and the Manager.



## 10. **Special Meeting Resolution – Approval to undertake the Capital Reduction Distribution**

### 10.1 **Summary of Special Meeting Resolution**

Special Meeting Resolution seeks approval from Exiting Shareholders to enable the Company to undertake a selective reduction of capital with the reduction to be effected against each Share held by each Exiting Shareholder at the Record Date by cancelling all such Shares in consideration for the Company making a pro rata distribution in-specie of EAGF Units to each Exiting Shareholder at the Record Date.

The Special Meeting Resolution is conditional on the approval of all other Resolutions in the Notice of General Meeting. If all of the Resolutions are passed, the Company's capital will be reduced by way of the Capital Reduction Distribution.

The Special Meeting Resolution is a special resolution.

### 10.2 **Section 256C of the Corporations Act**

The proposed reduction of capital by way of the Capital Reduction Distribution is a selective capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- (a) is fair and reasonable to Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders in accordance with section 256C of the Corporations Act.

The Directors believe that the Transaction is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors.

The Capital Reduction Distribution is on a pro rata basis and the terms of the reduction of capital are the same for each Exiting Shareholder.

Under the Capital Reduction Distribution, the Shares held by the Exiting Shareholders will be cancelled and as consideration they will receive EAGF Units. It is anticipated that as a result of the Special Dividend and the Capital Reduction Distribution, Exiting Shareholders will have substantially the same percentage holding in EAGF as they used to have in the Company (adjusted for the EAGF Units which are currently on issue).

Further, the Directors consider that the Transaction will not result in the Company being insolvent at the time of or after the Capital Reduction Distribution.

The Directors have commissioned the Independent Expert to prepare a report on whether the Transaction (including the Capital Reduction Distribution) is, on balance, collectively fair and reasonable to, and therefore in the best interests of, the Shareholders. The Independent Expert Report is attached to this Shareholder Booklet at Annexure A.

The Independent Expert has concluded that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders. In accordance with the Corporations Act:

- (a) the proposed reduction is a selective reduction involving the cancellation of Shares and requires approval by a special resolution passed at a meeting of Exiting Shareholders (being those Shareholders whose Shares are to be cancelled);

- (b) this Shareholder Booklet and previous ASX announcements set out all information known to the Company that is material to the decision on how to vote on this Resolution; and
- (c) the Company has lodged with ASIC a copy of this Shareholder Booklet.

### 10.3 **Product disclosure statement pursuant to the offer to transfer EAGF Units**

Under the Corporations Act, an offer of securities generally requires disclosure to investors through a disclosure document, typically in the form of a prospectus or product disclosure statement.

The Corporations Act restricts:

- (a) the Company from disposing of the EAGF Units to its Shareholders by way of an in-specie distribution without issuing a disclosure document; and
- (b) the Shareholders from on-selling their EAGF Units within the first 12 months after receiving them under an in-specie distribution where a disclosure document has not accompanied the original offer.

The invitation to Exiting Shareholders to vote on this Resolution constitutes an offer to transfer EAGF Units to Exiting Shareholders pursuant to an in-specie distribution.

A copy of the EAGF PDS is set out at Annexure B and therefore the offer to transfer EAGF Units to Shareholders is accompanied by a disclosure document.

### 10.4 **Capital Reduction – General**

The Corporations Act and the ASX Listing Rules set out the procedure and timing for a capital reduction. Refer to the Important Dates section of this Shareholder Booklet for an indicative timetable in respect of the Transaction. The alteration to the Company's capital and the Capital Reduction Distribution will become effective from the Effective Date. The Record Date for the In Specie Distribution (including the Capital Reduction Distribution) is proposed to be 29 May 2023, subject to the Resolutions being approved and satisfaction of the Conditions.

If the capital reduction proceeds, Exiting Shareholders will receive a pro rata entitlement to EAGF Units and each Exiting Shareholder's name will be entered on the register of unitholders of EAGF with each Exiting Shareholder having deemed to have consented to becoming a EAGF unitholder and being bound by the EAGF Constitution (refer to Section 5). An Exiting Shareholder's entitlement to the number of EAGF Units to be distributed to it is to be based on the number of Shares held at the Record Date (see Section 2.1(c)).

### 10.5 **ASX Announcements**

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations, which requires the Company to disclose to the ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the Company.

These documents are available for viewing and download on the Company's website on <https://ellerstoncapital.com/funds/asian-investments-fund/> or the ASX website on [www.asx.com.au/](http://www.asx.com.au/) under the ASX code "EAI".

The Company will provide updates on the Transaction to Shareholders at the time the Capital Reduction Distribution takes place via lodgement of an ASX market announcement and in the despatch of holding statements to Shareholders.

10.6 **Other material information**

There is no information known to the Company that is material to the making of a decision by a Shareholder on how to vote on this Resolution other than as disclosed in this Shareholder Booklet (including annexures) and information that the Company has announced on the ASX's platform or previously otherwise disclosed to Shareholders.

10.7 **Lodgement**

The Company has lodged a copy of this Shareholder Booklet with ASIC in accordance with section 256C(5) of the Corporations Act.

10.8 **Directors' recommendation**

The Directors believe that the Transaction is in the best interests of Exiting Shareholders and recommend that the Exiting Shareholders vote in favour of this Resolution as, in the opinion of the Directors, the benefits of the proposed Transaction outweigh the disadvantages (see Section 2.2 of this Explanatory Memorandum). The Directors have formed this view in the absence of a Superior Proposal and subject to the Independent Expert not changing its conclusion or withdrawing its report prior to 8:00 am on the Effective Date.

The Independent Expert has opined that the Transaction is fair and reasonable to, and therefore in the best interests of, Exiting Shareholders.

## 11. **Additional information relating to the Transaction**

### 11.1 **ASX Listing Rule 11.1 notification**

In accordance with ASX Listing Rule 11.1 and the prescribed information requirements in Guidance Note 12, the Company provides the following notification:

- (a) the parties to the Transaction are the Company and the Responsible Entity. The parties have entered into an Implementation Deed, the material terms of which are summarised in Section 2.8;
- (b) following implementation of the Transaction and the transfer of EAI Assets to EAGF and the capital reduction and cancellation of all the Shares held by the Exiting Shareholders, the Company's main asset will be the Cash Reserve. As such, the likely effect of the Transaction is to significantly decrease the Company's consolidated total assets, total equity interests, annual investment income, annual expenses, earnings per share and annual investment profit before tax;
- (c) the Company is not proposing to issue securities as part of, or in connection with, the Transaction. However the Company will be transferring EAGF Units to Shareholders on a pro rata basis to their shareholdings in the Company by way of the In Specie Distribution;
- (d) no changes to the Board or senior management are proposed as part of, or in connection with, the Transaction;
- (e) the Transaction requires various Shareholder approvals and these will be sought at the Meeting and Special Meeting. The required approvals are set out in Sections 5 to 10;
- (f) the Transaction does not require re-compliance with the requirements for admission and quotation under ASX Listing Rule 11.1.3; and
- (g) the proposed timetable for implementing the Transaction is set out in the Important Dates section of this Shareholder Booklet.

### 11.2 **ASX confirmations**

ASX has provided the following confirmations to the Company in connection with the Transaction:

- (a) no separate notification under ASX Listing Rule 11.1.1 is required to be released to the market;
- (b) that, in relation to the potential significant change to the scale of the Company's activities, ASX will not exercise its discretion to require such change to be approved by Shareholders, or require the Company to re-comply with the requirements in ASX Listing Rules 1 and 2 as if the Company was applying for admission to the official list; and
- (c) subject to the satisfaction of the following conditions, ASX is likely to agree to the Company's request for removal from the official list, such removal being anticipated to occur on or shortly after implementation of the Transaction, and ASX will not impose additional conditions other than the ones set out below before it will act on the Company's request for removal:
  - (i) EAGF Units are conditionally approved to be admitted to AQUA Trading Status;

- (ii) the admission of EAGF Units to AQUA Trading Status is approved by Shareholders;
- (iii) the selective reduction of capital and cancellation of Shares are approved by Shareholders;
- (iv) the Company's removal from the official list is approved by Shareholders; and
- (v) this Shareholder Booklet sets out, among other things, the information prescribed in section 2.11 of Guidance Note 33<sup>7</sup>.

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<sup>7</sup> Refer to Section 7.2(c) for further details.

## 12. Definitions

In this Shareholder Booklet, words importing the singular include the plural and vice versa.

<b>\$</b>	means Australian Dollars.
<b>Admission Application</b>	has the meaning given in Section 2.1(a).
<b>AI</b>	means "accredited investor" as defined Rule 501(a) of the US Securities Act.
<b>AQUA Market</b>	means the market for AQUA products operated by the ASX.
<b>AQUA Product Series</b>	has the meaning given in the AQUA Rules.
<b>AQUA Rules</b>	means the rules issued by the ASX which apply to AQUA products, as supplemented, amended, varied, or replaced from time to time.
<b>AQUA Trading Status</b>	means authorisation by ASX for the EAGF Units (being the AQUA Products, as that term is defined in the ASX Operating Rules) to be traded on the market operated by ASX.
<b>ASX</b>	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
<b>ASX Listing</b>	means one of the categories for admission to the Official List.
<b>ASX Listing Rules</b>	means the listing rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
<b>ASX Operating Rules</b>	means the operating rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
<b>ASX Settlement</b>	means the settlement system and electronic securities depository for cash equities, warrants and other equity related securities traded in Australia.
<b>ASX Settlement Operating Rules</b>	means the operating rules of ASX Settlement as amended or replaced from time to time, except to the extent of any express written waiver by ASX Settlement.
<b>ATO</b>	Australian Taxation Office
<b>Board</b>	means the board of Directors of the Company.
<b>Business Day</b>	means a day that is a "business day" within the meaning of the ASX Listing Rules and is not a Saturday, Sunday or public holiday in Sydney, New South Wales.
<b>Capital Reduction Distribution</b>	means the distribution of capital pursuant to a selective capital reduction under Part 2J.1 of the Corporations Act as

	further described in this Shareholder Booklet, to be satisfied by the In Specie Distribution.
<b>Cash Reserve</b>	has the meaning given in Section 2.1(b).
<b>Cash Proceeds</b>	has the meaning given in Section 2.3.
<b>Company</b>	means Ellerston Asian Investments Limited (ACN 606 683 729).
<b>Company Constitution</b>	means the constitution of the Company as at the date of the Meeting.
<b>Conditions</b>	has the meaning given in Section 2.1(d).
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Costs</b>	means any cost, charge, disbursement, expense, outgoing, fee, tax or commission.
<b>Director</b>	means a director of the Company.
<b>EAGF</b>	means Ellerston Asia Growth Fund (ARSN 626 690 686).
<b>EAGF Constitution</b>	means the constitution of EAGF as at the date of the Meeting.
<b>EAGF Liabilities</b>	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 unitholders and other unpaid remuneration (if any) due to the Responsible Entity but <b>excluding</b> any amount on account of unitholder equity, application monies or any other amount representing the value of rights attaching to EAGF Units whether or not redeemable.
<b>EAGF PDS</b>	means the document set out in Annexure B.
<b>EAGF Unit</b>	means a fully paid ordinary unit of EAGF.
<b>EAI Assets</b>	means all of the Company's assets that comprise assets permitted under ASX Operating Rule 10A.3.3.
<b>Effective Date</b>	means 1 June 2023, as set out in the timetable in the Important Dates section of this Shareholder Booklet.
<b>Ellerston Shareholder</b>	means ENSZ Nominees Pty Ltd (ACN 657 944 735).
<b>End Date</b>	means 30 June 2023, subject to any extension to that date made under the Implementation Deed.
<b>ETMF</b>	means exchange traded managed fund.
<b>Exiting Shareholder</b>	means all Shareholders apart from the Ellerston Shareholder.

<b>Explanatory Memorandum</b>	means the explanatory memorandum which forms part of this Shareholder Booklet.
<b>General Meeting</b>	means the meeting of Shareholders convened by the Notice of General Meeting to consider the relevant Resolutions.
<b>Implementation Date</b>	means 31 May 2023, as set out in the timetable in the Important Dates section of this Shareholder Booklet, being the date of completion of the transfer of the EAI Assets and the issue of EAGF Units by the Responsible Entity to the Company.
<b>Implementation Deed</b>	means the deed entered into between the Company and the Responsible Entity on 24 February 2023.
<b>In Specie Distribution</b>	means the in-specie distribution of EAGF Units as described in Section 2.1(c).
<b>Independent Expert</b>	means KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd).
<b>Last Practicable Date</b>	means Monday, 17 April 2023.
<b>Manager</b>	means Ellerston Capital Limited (ACN 110 397 674).
<b>Market Maker</b>	means Nine Mile Financial Pty Limited (ACN 613 490 252).
<b>Meeting</b>	means the meeting of Shareholders convened by the Notice of General Meeting.
<b>NAV</b>	means the total value of the EAGF property less the EAGF Liabilities.
<b>Notices</b>	means the Notice of General Meeting of Shareholders and the Notice of Special Meeting of Exiting Shareholders which form part of this Shareholder Booklet.
<b>NTA</b>	means net tangible assets.
<b>Official List</b>	means the official list of entities that ASX has admitted and not removed.
<b>Overseas Shareholder</b>	means a Shareholder with a registered address outside of Australia.
<b>QIB</b>	means "qualified institutional buyer" as defined in Rule 144A under the US Securities Act.
<b>QP</b>	means "qualified purchasers" within the meaning of section 2(a)(51) of the US Investment Company Act.
<b>Record Date</b>	means 29 May 2023, as set out in the timetable in the Important Dates section of this Shareholder Booklet, being the date that entitlement to the In Specie Distribution is determined.
<b>Regulation S</b>	means Regulation S under the US Securities Act.



<b>Responsible Entity</b>	means the responsible entity of EAGF, being Ellerston Capital Limited (ACN 110 397 674).
<b>Resolution</b>	means a resolution referred to in the Notices.
<b>Rule</b>	means a rule of the Company Constitution.
<b>Schedule</b>	means a schedule to this Shareholder Booklet.
<b>Section</b>	means a section of this Shareholder Booklet.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means the holder of a Share.
<b>Shareholder Booklet</b>	means the Notices and the Explanatory Memorandum.
<b>Special Dividend</b>	means payment of a dividend to be satisfied by the In Specie Distribution payable to all Shareholders as further described in this Shareholder Booklet.
<b>Special Meeting</b>	means the meeting of Exiting Shareholders convened by the Notice of Special Meeting.
<b>Special Meeting Resolution</b>	means the resolution described in section 10 of this Shareholder Booklet.
<b>Superior Proposal</b>	<p>means a Competing Proposal (as defined in the Implementation Deed) which the Board, acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties, and after having obtained advice from its legal advisers, determines:</p> <p>(a) is reasonably capable of being completed taking into account all aspects of the Competing Proposal; and</p> <p>(b) would, if completed substantially in accordance with its terms, be of a higher value and more favourable to Shareholders than the Transaction, considering all aspects of the Competing Proposal.</p>
<b>Tax Act</b>	means the <i>Income Tax Assessment Act 1936</i> (Cth), the <i>Income Tax Assessment Act 1997</i> (Cth) or the <i>Income Tax (Transitional Provisions) Act 1997</i> (Cth), as the context requires.
<b>Transaction</b>	means the proposed restructure of the Company by way of transfer of the EAI Assets to EAGF followed by the conversion of EAGF to a dual-structure ETMF on the AQUA Market and In Specie Distribution to the Shareholders.
<b>Transaction Costs</b>	<p>means, when calculating, as at any date the issue price or redemption price of EAGF Units:</p> <p>(a) an estimate by the Responsible Entity of the total transaction costs EAGF would incur to acquire</p>

afresh or to sell (as the case requires) the EAGF property;

- (b) if appropriate having regard to the actual cost which would be incurred because of the issue or sale of the EAGF Units (including in relation to EAGF Units issued by way of reinvestment in EAGF of distributions in accordance with the EAGF Constitution), 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, zero, divided by the number of EAGF Units in issue at the relevant time.

**US Investment Company Act**

means the U.S. Investment Company Act of 1940, as amended.

**US Securities Act**

means the U.S. Securities Act of 1933, as amended.

**US Representation Letter**

means the letter in the form provided by the Company to be executed and delivered to the Company and EAGF by Shareholders in the United States or who are, or are acting for the account or benefit of, "US persons" (as defined in Regulation S) certifying they are either AIs or QIBs and also QPs and containing certain other representations, warranties and agreements relating to US securities laws.

**Warranty**

has the meaning given in the Implementation Deed.

## **Schedule**

**Notice of General Meeting, Notice of Special Meeting and voting and attendance information**

**Notice of General Meeting, Notice of Special Meeting and voting and attendance information**

**Ellerston Asian Investments Limited**

**ACN 606 683 729**

**Notice of General Meeting of Shareholders and Notice of Special Meeting of Exiting Shareholders**

Notice is hereby given that a General Meeting of Shareholders of Ellerston Asian Investments Limited ACN 606 683 729 will be held as a physical meeting on Thursday, 18 May 2023 at 10:00 am (Sydney time) at the Sheraton Grand Sydney Hyde Park (Phillip Room on Level 2, 161 Elizabeth St, Sydney NSW 2000) with a Special Meeting of Exiting Shareholders to be held at the same venue as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever is earlier).

The Explanatory Memorandum provides additional information on the matters to be considered at the General Meeting and the Special Meeting. The Explanatory Memorandum and the Proxy Form comprise part of the Notices.

Terms and abbreviations used in the Notices are defined in Section 12.

## **NOTICE OF GENERAL MEETING**

### **1. Agenda**

#### **1.1 Resolution 1 – Amendment to the Company Constitution**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That pursuant to and in accordance with section 136(2) of the Corporations Act and for all other purposes, the Company Constitution is amended with immediate effect by making the amendments specified in the Explanatory Memorandum which accompanied the Notice of General Meeting."*

#### **1.2 Resolution 2 – Approval to undertake the Capital Reduction Distribution**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, subject to and conditional on all other Resolutions and the Special Meeting Resolution being passed, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, approval is given for the Company to reduce its share capital, with the reduction to be effected against each Share held by each Exiting Shareholder at the Record Date by cancelling all such Shares in consideration for potentially some cash and the Company making a pro rata distribution in-specie of EAGF Units to each Exiting Shareholder at the Record Date on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of General Meeting."*

#### **1.3 Resolution 3 – Removal from the Official List of the ASX**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, subject to and conditional on all other Resolutions being passed and completion of the In Specie Distribution, pursuant to ASX Listing Rule 17.11 and for all other purposes approval is given for the Company to be removed from the Official List of the ASX on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of General Meeting."*

#### **1.4 Resolution 4 – Admission of EAGF Units to AQUA Trading Status**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to and conditional on all other Resolutions being passed and completion of the In Specie Distribution, pursuant to ASX Operating Rule 10A.3.1(ca), approval is given for the conversion of Shares admitted under the ASX Listing Rules to admission of EAGF Units to AQUA Trading Status on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of General Meeting."*

#### **1.5 Resolution 5 – Approval of the Transaction**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to and conditional on all other Resolutions being passed, approval is given for all purposes for the Company to undertake the Transaction described in the*

*Shareholder Booklet and enter into all agreements and arrangements to give effect to the Transaction."*

**BY ORDER OF THE BOARD**

A handwritten signature in blue ink, appearing to read 'I Kelly', written in a cursive style.

**Ian Kelly**  
Company Secretary

## **NOTICE OF SPECIAL MEETING**

### **2. Agenda**

#### **2.1 Special Meeting Resolution – Approval to undertake the Capital Reduction Distribution**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, subject to and conditional on all other Resolutions being passed, for the purposes of sections 256B and 256C(2) of the Corporations Act and for all other purposes, approval is given for the Company to reduce its share capital, with the reduction to be effected against each Share held by each Exiting Shareholder at the Record Date by cancelling all such Shares in consideration for potentially some cash and the Company making a pro rata distribution in-specie of EAGF Units to each Exiting Shareholder at the Record Date on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of Special Meeting."*

### **BY ORDER OF THE BOARD**



**Ian Kelly**  
Company Secretary

### 3. **Voting exclusions**

#### 3.1 **General Meeting – Resolution 2**

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of the acquirer of the asset or any person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares in the Company) or an associate of that person or persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In addition, pursuant to section 256C(2) of the Corporations Act, no votes may be cast in favour of Resolution 2 by any person who is to receive consideration as part of the proposed capital reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates.

#### 3.2 **Special Meeting – Special Meeting Resolution**

The Company will disregard any votes cast on the Special Meeting Resolution by the Ellerston Shareholder and its associates.

However, this does not apply to a vote cast in favour of the Special Meeting Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.



#### 4. **Information required under Guidance Note 33**

In accordance with section 2.11 of Guidance Note 33, Shareholders can find the following information with respect to the proposed delisting of the Company from the Official List:

- (a) the reasons why the approval is being sought and what will happen if the approval is given or not given is set out in Section 7.1 of this Shareholder Booklet;
- (b) details of any other conditions that ASX requires to be satisfied before it will act on the request for removal from the Official List are set out in Section 7.2 of this Shareholder Booklet;
- (c) the Company's reasons for seeking removal from the Official List are set out in Section 7.3 of this Shareholder Booklet;
- (d) the consequences for the Company and its Shareholders if the Company is removed from the Official List, including whether or not it will become an unlisted disclosing entity under the Corporations Act following its removal are set out in Section 4 of this Shareholder Booklet (refer to Section 4.6 for information relating to the Company not becoming an unlisted disclosing entity);
- (e) the advantages and disadvantages of removal from the Official List compared to the advantages and disadvantages of remaining listed on ASX are set out in Section 2.2 of this Shareholder Booklet;
- (f) as noted in Section 7.1 of this Shareholder Booklet, the Company does not propose to implement a buy-back or other facility to allow Shareholders to sell or redeem their Shares;
- (g) an explanation of the remedies that Shareholders may pursue under Part 2F.1 of the Corporations Act is set out in Section 7.1 of this Shareholder Booklet.

#### 5. **Other information**

The Explanatory Memorandum and the annexures accompanying the Notice of General Meeting and the Notice of Special Meeting are incorporated in and comprise part of the Notices and should be read in conjunction with the Notices.

#### 6. **Interdependence of resolutions**

Each Resolution is conditional on the approval of all other Resolutions in the General Meeting and Special Meeting by the requisite majority.

#### 7. **Voting rights**

##### 7.1 **Who may vote**

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Company (as convenor of the General Meeting and the Special Meeting) has determined that persons entitled to attend and vote:

- (a) **at the General Meeting:** will be those persons as at 7:00 pm (Sydney time) on 16 May 2023.
- (b) **at the Special Meeting:** will be the Exiting Shareholders as set out in the register of Shareholders as at 7:00 pm (Sydney time) on 16 May 2023.

The Ellerston Shareholder and its representatives may, for convenience, be permitted to attend the Special Meeting but they will not be counted as present at the meeting and must not vote on the Special Meeting Resolution or ask questions or otherwise participate in the meeting.

## 7.2 Proxies

A Shareholder entitled to attend the General Meeting or the Special Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the meetings.

- (a) A proxy need not be a Shareholder.
- (b) If the Shareholder is entitled to cast two or more votes at the General Meeting or the Special Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- (c) If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- (d) Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- (e) A Proxy Form accompanies the Notices.
- (f) Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit, or abstain from voting.
- (g) If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- (h) The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised office or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- (i) If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- (j) The Proxy Form (together with any relevant authority) must be received by no later than 10:00 am (Sydney time) on 16 May 2023).
- (k) The completed Proxy Form may be:
  - (i) **Hand delivered** to the address on the Proxy Form;
  - (ii) **Mailed** to the address on the Proxy Form; or
  - (iii) **Faxed** to +61(2) 9287 0309.

7.3 **Live voting during the General Meeting and the Special Meeting**

Shareholders entitled to vote will be able to live vote in real-time during the General Meeting and the Special Meeting in person using voting cards that will be made available by the Company's registry representatives when invited by the Chairman.

7.4 **Voting by attorney**

A Shareholder entitled to attend and vote at the General Meeting and/or the Special Meeting may appoint an attorney to vote at the meetings.

7.5 **Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the General Meeting or the Special Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the relevant meeting.

**ANNEXURE A INDEPENDENT EXPERT'S REPORT ON THE TRANSACTION**



**KPMG Corporate Finance**  
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**Private and confidential**

The Directors  
Ellerston Asian Investments Limited  
Level 11  
179 Elizabeth Street  
Sydney NSW 2000

19 April 2023

Dear Directors

## **Independent Expert Report and Financial Services Guide**

### **Part One – Independent Expert’s Report**

#### **1 Introduction**

On 10 November 2022, the directors of Ellerston Asian Investments Limited (**EAI** or the **Company**) announced their intention to undertake a restructure to merge EAI with Ellerston Asia Growth Fund (**EAGF**) and convert to a dual-structure exchange traded managed fund (**ETMF**) on the market operated by the Australian Securities Exchange (**ASX**) known as ASX AQUA.

On 24 February 2023, EAI further announced it had executed a transaction implementation deed (**TID**) with Ellerston Capital Limited (**Ellerston Capital**) as responsible entity of EAGF to give effect to the proposed restructure.



Under the proposed restructure, all EAI shareholders will receive a special dividend (**Special Dividend**) and all EAI shareholders apart from one shareholder (**Nominated Shareholder**)<sup>1</sup> (**Exiting Shareholders**) will receive a capital reduction distribution (**Capital Reduction Distribution**) involving the cancellation of all EAI shares held by the Exiting Shareholders (**Proposed Transaction**). Payment of the Special Dividend and Capital Reduction Distribution will be satisfied by an in-specie transfer of new EAGF units held by EAI to shareholders (**In Specie Distribution**).

The In Specie Distribution will occur on a pro rata basis, based on the number of EAI shares held by a EAI shareholder or Exiting Shareholder (as applicable) on the record date. Further details in relation to the Proposed Transaction are set out in Section 6 of this report.

EAI is a listed investment company (**LIC**) whose shares are traded on the ASX. As at 31 January 2023 (the **Valuation Date**), EAI's investment portfolio, comprising listed Asian equity investments and cash of \$112.2 million and unlisted assets of \$6.3 million, totalled approximately \$118.5 million and the Company had a market capitalisation of \$104.3 million.

EAGF is an existing unlisted trust which is an Australian Securities and Investments Commission (**ASIC**) registered managed investment scheme. EAGF was established in 2016 and holds a similar investment portfolio to EAI, with a total value of approximately \$9.2 million as at 31 January 2023.

Ellerston Capital is the investment manager of EAI and the responsible entity of EAGF.

The directors of EAI have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an Independent Expert Report (**IER**) setting out whether the Proposed Transaction is fair and reasonable, and therefore in the best interests of, the Company's shareholders as a whole.

In the absence of a superior proposal and subject to the IER stating that the Proposed Transaction is fair and reasonable, and therefore in the best interests of, EAI shareholders as a whole, the board of EAI (**EAI Board**) has unanimously recommended that EAI shareholders vote in favour of the Proposed Transaction. Each EAI director who holds or controls EAI shares intends to vote in favour of the Proposed Transaction.

This report sets out KPMG Corporate Finance's opinion as to the merits or otherwise of the Proposed Transaction. This report should be considered in conjunction with and not independently of the information set out in the Notice of meeting and Shareholder Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

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<sup>1</sup> The Nominated Shareholder will not participate in the selective capital reduction and will be the sole shareholder of EAI on implementation of the Proposed Transaction. Leaving one shareholder in EAI will remove the need for a liquidation process.

## 2 Summary of Proposed Transaction

The Proposed Transaction will result in Exiting Shareholders exchanging their EAI shares for units in EAGF. The Proposed Transaction will be implemented through the following steps:

- Ellerston Capital has submitted an application to the ASX for admission of EAGF units to trading status on the ASX in accordance with the AQUA Rules<sup>2</sup>
- EAI will transfer all of its assets that comprise assets permitted under ASX Operating Rule 10A.3.3 (**EAI Assets**) to EAGF
- Ellerston Capital will issue units in EAGF to EAI in consideration for the transfer of the EAI Assets
- EAI will undertake a special dividend to all shareholders and a selective capital reduction to all Exiting Shareholders. This will effectively involve Exiting Shareholders exchanging their EAI shares for units in EAGF at a ratio based on EAGF's net assets value (**NAV**) and the value of the EAI Assets, in each case calculated as at the implementation date of the Proposed Transaction
- EAI will be removed from the ASX and convert to a proprietary limited company.

The Proposed Transaction is subject to various conditions precedent. Further details of the Proposed Transaction and conditions precedent are outlined in Section 6 of this report.

## 3 Requirement for our report

The Proposed Transaction is to be implemented pursuant to Section 256B of the Corporations Act 2001 (the **Act**). Section 256B allows a company to reduce its capital in a way that is not otherwise authorised by law if the reduction:

- is fair and reasonable to the company's shareholders as a whole
- does not materially prejudice the company's ability to pay its creditors
- is approved by shareholders.

There is no technical requirement for an IER to be prepared in the current circumstances. However, it is not uncommon for directors to commission an IER to ensure they are providing the information that is material to the making of a decision by a creditor or member.

Our report has been prepared in accordance with the ASIC's Regulatory Guide (**RG**) 111 "Content of expert reports". RG 111 requires that an independent expert report state whether a proposed selective capital reduction is fair and reasonable to the holders of the shares to be cancelled and those that remain shareholders in the company.

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase

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<sup>2</sup> The AQUA Rules (Schedule 10A of the ASX Operating Rules) are specifically designed for 'open-ended' investment schemes that do not fit easily under the Listing Rules or the Warrant Rules.

- 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’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

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 transaction is in the best interests of the members of the company.

In the circumstance of a ‘not fair but reasonable’ outcome, RG 111.21 states that the expert can also conclude that the transaction is ‘in the best interests’ on the basis that it clearly states that the consideration is less than the value of the securities subject to the transaction but that there are sufficient reasons for members to vote in favour of the transaction in the absence of a higher offer.

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.

The sole purpose of this report is to express KPMG Corporate Finance’s opinion as to whether the Proposed Transaction is fair and reasonable to Exiting Shareholders. Our opinion should not be construed to represent a recommendation as to whether Exiting Shareholders should vote in favour or against the Proposed Transaction, which remains a matter solely for individual Exiting Shareholders to determine.



## 4 Summary of opinion

**In our opinion, the Proposed Transaction is fair and reasonable, and therefore in the best interests of, Exiting 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 EAI share on a control basis to the value of the Proposed Transaction consideration, being approximately 1.04 EAGF units per EAI share<sup>3</sup> (**Proposed Transaction Consideration**) to be received by Exiting Shareholders
- reasonableness, by assessing the implications of the Proposed Transaction for Exiting Shareholders, the alternatives to the Proposed Transaction which are available to EAI, and the consequences of the Proposed Transaction not proceeding.

Our assessment has concluded that the Proposed Transaction is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Proposed Transaction is in the best interests of Exiting Shareholders.

As a LIC, it is not unusual for EAI's shares to trade at a discount to its net tangible assets (NTA<sup>4</sup>). However, over a sustained period, the size of the trading discount has caused ongoing concern for many Exiting Shareholders, as well as the EAI Board. Despite various initiatives to reduce the level of discount, the trading discount has remained and Exiting Shareholders wishing to realise their investment have been forced to accept an exit price for their EAI shares well below NTA backing per share.

EAI considered a number of alternatives to close the gap between the traded price and NTA backing per share. The Proposed Transaction was identified as the most favourable solution, providing a platform for those investors who want to continue their exposure to EAI's portfolio, whilst allowing those shareholders who want to exit their investment, to do so at a price closer to the underlying NTA per share. The Proposed Transaction is not without implementation costs, which have the impact of reducing the value of Exiting Shareholders' investment, but it also offers the potential for annual cost and management fee benefits to be realised for continuing shareholders.

The principal matters we have taken into consideration in forming our opinion are summarised below.

The decision whether to approve the Proposed Transaction is a matter for individual Exiting Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio structure, risk profile and tax position. We recommend that Exiting Shareholders consult their own professional advisor regarding the action they should take in relation to the Proposed Transaction.

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<sup>3</sup> Based on the Valuation Date of 31 January 2023. The final conversion ratio will be calculated based on the value of EAI Assets and the NAV of EAGF at the implementation date and the number of EAI shares held by an Exiting Shareholder at the record date.

<sup>4</sup> Considering EAI's LIC status, its NTA is equivalent to its NAV.

## 4.1 Fairness

We have determined whether the Proposed Transaction is fair to Exiting Shareholders by comparing the value of their existing interest in EAI, being EAI shares, on a control basis, to the value of the Proposed Transaction Consideration, being the value of the EAGF units they will receive.

The Proposed Transaction will be fair if the market value of the Proposed Transaction Consideration after the implementation of the Proposed Transaction is equal to or greater than the market value of an EAI share prior to the Proposed Transaction, on a control basis.

### Value of an EAI share

To determine the market value of an EAI share, we have adopted a net asset methodology. The current or most recent listed market prices of the underlying investments in EAI's investment portfolio provide an accurate representation of the current market value of EAI's investment holdings. EAI releases NTA information on a daily basis to the market, with the portfolio investments marked-to-market based on the latest traded market price on the relevant stock exchange on which each investment is traded. Consequently, the assessment of a net asset value is generally considered to be the most appropriate methodology for the valuation of LICs of this type.

We have assessed the value of EAI (on a control basis) to be in the range of \$105.9 million to \$120.2 million, which corresponds to a value of \$0.853 and \$0.968 per EAI share as at the Valuation Date. Our detailed valuation is set out in Section 11.1 of this report and is summarised in the table below.

**Table 1: Valuation of an EAI share pre the Proposed Transaction**

<b>Value of EAI (control basis)</b>			
<b>\$'000</b>	<b>Jan-23</b>	<b>Low value</b>	<b>High value</b>
Net tangible assets (post-tax)	117,517	106,964	121,177
Less: costs associated with the Proposed Transaction		-1,023	-1,023
Value of EAI (control basis)		105,941	120,154
Number of shares on issue at 31 January 2023 (#)		124,168,061	124,168,061
<b>Value per EAI share (\$)</b>		<b>0.853</b>	<b>0.968</b>

*Source: Unaudited balance sheet as at 31 January 2023, EAI, KPMG Corporate Finance analysis*

*Note: Numbers may not add up due to rounding.*

Our valuation reflects 100 percent ownership of EAI and, therefore, reflects a control value. As a result, we would expect the valuation to be in excess of the price at which EAI shares would trade on the ASX in the absence of the Proposed Transaction. In accordance with RG 111, we have confirmed that the control premium implied by our valuation is supported by historical LIC transactions.

### Value of the Proposed Transaction Consideration

We have determined the value of the Proposed Transaction Consideration by applying a consistent net asset methodology to that applied in the valuation of an EAI share.

We have assessed the value of the Proposed Transaction Consideration to be in the range of \$0.835 and \$0.925 per EAI share as at the Valuation Date. Our valuation is set out in Section 12.2 of this report and is summarised in the table below.



**Table 2: Valuation of the Proposed Transaction Consideration**

<b>Value of Proposed Transaction Consideration</b>				
<b>\$'000</b>	<b>Notes</b>	<b>Jan-23</b>	<b>Low value</b>	<b>High value</b>
EAGF - existing NAV		9,171	8,748	9,594
EAGF - existing units on issue (#)			10,814,015	10,814,015
NAV per EAGF unit (\$)	A		0.809	0.887
EAI Assets			103,624	114,820
EAI - Exiting Shareholders' shares (#)			124,168,060	124,168,060
EAI Assets per share held by Exiting Shareholders (\$)	B		0.835	0.925
Conversion ratio (x)	=B/A		1.0316	1.0424
New EAGF units issued to Exiting Shareholders (#)			128,092,270	129,427,362
Combined EAGF NAV – post Proposed Transaction			112,373	124,413
Total EAGF units on issue – post Proposed Transaction (#)			138,906,285	140,241,377
NAV per EAGF unit – post Proposed Transaction (\$)			0.809	0.887
Conversion ratio (x)			1.0316	1.0424
<b>Value of the Proposed Transaction Consideration per share (\$)</b>			<b>0.835</b>	<b>0.925</b>

*Source: Unaudited balance sheet as at 31 January 2023, EAI, KPMG Corporate Finance analysis*  
*Note: Numbers may not add up due to rounding.*

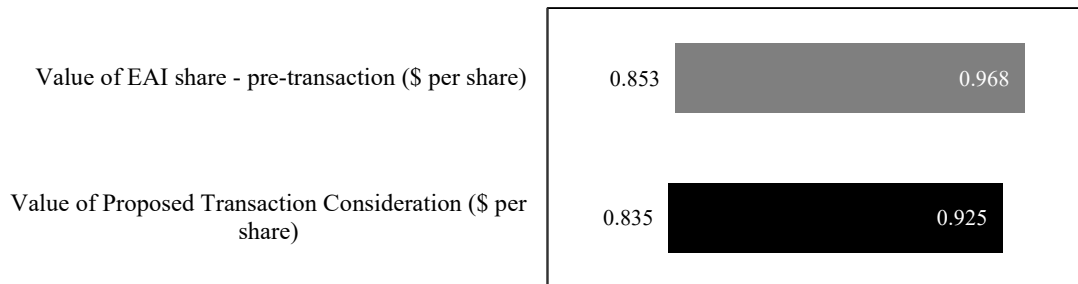
In assessing the Proposed Transaction Consideration, we have determined the value of EAGF post implementation of the Proposed Transaction and applied the conversion ratio to determine the value of the EAGF units received for each EAI share Exiting Shareholders currently hold. No discount has been applied to reflect the minority nature of the consideration received by Exiting Shareholders as the expectation is that the ETMF structure of EAGF post implementation of the Proposed Transaction will allow Exiting Shareholders to be able to realise their investment at the underlying NAV per share (less the buy/sell spread).

The final conversion ratio will not be known until the implementation date of the Proposed Transaction. As a result, our valuation of the Proposed Transaction Consideration has been performed based on proposed calculation mechanism, using 31 January 2023 financial information. Given the similarity in the underlying investment portfolios in EAI and EAGF, it is expected that the EAI Assets and EAGF NAV positions that underpin our valuation assessment will not diverge materially between 31 January 2023 and the implementation date. However, Exiting Shareholders should be aware that if the NAV and/or the value of the EAI Assets does move adversely, the valuation may differ from that set out above, but due to the relativity of the conversion ratio, the outcome of the fairness assessment should not change.

**Assessment of fairness**

A comparison of our assessed value per EAI share on a control basis to the Proposed Transaction Consideration is illustrated in the figure below.

**Figure 1: Assessment of fairness**



*Source: KPMG Corporate Finance analysis*

We have assessed the value of an EAI share on a control basis to be in the range of \$0.853 and \$0.968, and the value of the Proposed Transaction Consideration to be in the range of \$0.835 and 0.925 per EAI share.

According to RG 111, the Proposed Transaction should be considered fair if the consideration offered to Exiting Shareholders is equal to or higher than the assessed value of an EAI share, on a control basis, prior to the Proposed Transaction. As our assessed value range of the Proposed Transaction Consideration largely overlaps with our assessed value of an EAI share prior to the Proposed Transaction, with the difference in value limited largely to the transaction costs incurred, we consider the Proposed Transaction to be fair to Exiting Shareholders.

**4.2 Reasonableness**

In accordance with RG 111, a transaction is considered to be reasonable if it is fair. Accordingly, as we have determined that the Proposed Transaction is fair, the Proposed Transaction is also reasonable. Notwithstanding this requirement, we have also considered various issues that Exiting Shareholders may also wish to consider in deciding whether or not to support the Proposed Transaction, including those set out below.

**4.2.1. Advantages**

Based on our analysis, if approved, the Proposed Transaction is expected to result in the following advantages.

**Redemption closer to NTA or NAV**

Under the current structure, Exiting Shareholders are able to trade EAI shares on the ASX. The price of an EAI share is driven by investors in the secondary market buying and selling shares, which is reflected in the average daily trading volumes/values and market capitalisation. If liquidity is low, this limits Exiting Shareholders’ ability to buy and sell EAI shares on market at a price consistent with the

underlying NTA per share. Historically, EAI shares have traded at a discount to the NTA per share. For the 12-month period ending 31 January 2023, the average daily value of EAI shares traded on ASX was approximately \$0.823. Over the same period, EAI shares traded at a discount to the post-tax NTA per share of between 0.9 percent and 26.8 percent.

Liquidity in an ETMF is a combination of the liquidity provided by a market maker, appointed by the responsible entity, who buys and sells ETMF units on the market at prices reflecting the NAV per unit, and liquidity available to investors (other than through the market maker) by trading in the secondary market in the same way as other ASX quoted securities. Investors in EAGF will be able to exit their investment in EAGF either by selling their EAGF units on the ASX or by directly making a withdrawal request to the responsible entity for the redemption of their EAGF units.

Following the implementation of the Proposed Transaction, Exiting Shareholders will receive EAGF units with greater liquidity and the potential to redeem their investment at a price closer to NAV per unit as the proposed dual access structure provides the option for Exiting Shareholders to transact on or off market and at a price close to NAV. Subject to market conditions at the time of redemption, either the ASX or registry options to redeem will provide a more cost effective solution for Exiting Shareholders to access liquidity in their investment.

The role of the market maker is to ensure there is always a buyer or seller for ETMF units, which provides greater liquidity for investors. The market maker also seeks to maintain a tight buy/sell spread so that the price of ETMF units is closely aligned to the underlying value of the ETMF's assets per unit throughout each ASX trading day. As at 31 January 2023, comparable Australian ETMFs traded at a discount to NAV per unit of between 0.1 percent to 1.9 percent, which is a significantly smaller discount to NTA per share than comparable Australian LICs, which traded at a 9.9 percent to 14.9 percent discount to the post-tax NTA per share as at 31 January 2023 (detailed in Appendix 4 of this report).

### **Increase in scale**

Immediately following the implementation of the Proposed Transaction, EAGF's investment portfolio will be the combined investment portfolios of EAI and EAGF. The increase in size will provide the Exiting Shareholders an opportunity to gain scale benefits typically associated with size, albeit noting that EAI is contributing significantly more value to the combined EAGF than existing EAGF unitholders.

Further, EAI is currently a closed investment structure in the sense that new funds cannot be added other than through some form of corporate action, rights issue or placement. However, EAGF is an open-ended management fund, meaning it is easier to increase the size of the fund, subject to normal cash inflows (buying units) and outflows (selling units) thus providing the potential for increased scale in the future.

However, as the Proposed Transaction will allow Exiting Shareholders to realise their investment at a price closer to the underlying NTA, there is a risk that there will be an increase in redemptions immediately after the implementation of the Proposed Transaction. If that occurs, it may result in the anticipated scale benefits not being realised to the extent envisaged.

### **Reduction in management expenses**

Immediately following the implementation of the Proposed Transaction, Ellerston Capital will control a single enlarged investment portfolio comprising the current respective investment portfolios of EAI and

EAGF. 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 future returns for the unitholders of EAGF.

#### **Lower management and performance fees**

If the Proposed Transaction is approved, Exiting Shareholders who receive EAGF units will be subject to the base management fees payable. In this regard, EAGF fees are slightly lower than EAI fees, charged at 0.75 percent (inclusive of the net effect of GST) of NAV per month, in comparison to EAI's 0.95 percent (plus GST) for the first \$50 million of NAV and 0.75 percent (plus GST) for any amount by which the NAV exceeds \$50 million per month.

Under the current management agreement between EAI and Ellerston Capital (**Management Agreement**), EAI pays 15 percent (plus GST) per annum in performance fees should the pre-tax portfolio performance exceed its stipulated benchmark, being the MSCI AC Asia Ex Japan Index (AUD).

Following the implementation of the Proposed Transaction, Exiting Shareholders who receive EAGF units will pay 10 percent (inclusive of the net effect of GST) per annum in performance fees should the investment return exceed the stipulated benchmark, being the MSCI AC Asia Ex Japan Index (AUD).

#### **4.2.2. Disadvantages**

Based on our analysis, if approved, the Proposed Transaction is expected to result in the following disadvantages.

##### **Payment of early termination fee**

If the Proposed Transaction is approved, the management agreement between EAI and Ellerston Capital will be terminated. Ellerston Capital, the manager of EAI, will be paid an early termination fee of approximately \$1.3 million, calculated as 1.13 percent of post-tax NTA. Details of the early termination fee are outlined in Section 12.1 of this report and Section 4.7 of the Shareholder Booklet.

In order to mitigate the impact of the early termination fee on Exiting Shareholders, Ellerston Capital has agreed to waive management fees for all EAGF unitholders for a period of one year following the implementation of the Proposed Transaction.

The impact of the early termination fee and the management fee waiver are reflected in our assessment of the value of the Proposed Transaction Consideration.

##### **One-off costs related to the Proposed Transaction**

The Proposed Transaction will involve EAI incurring various costs relating to legal, tax, and accounting advice. These transaction costs are expected to amount to \$1.1 million, of which approximately \$1.0 million has been committed irrespective of whether the Proposed Transaction is approved.

##### **Tax consequences**

If the Proposed Transaction is approved and implemented, the exchange of EAI shares for EAGF units will constitute a disposal of EAI shares and an acquisition of EAGF units for Australian taxation purposes. Taxation implications for Australian resident Exiting Shareholders in relation to the disposal of EAI shares and the acquisition of EAGF units under the Proposed Transaction, and any subsequent withdrawal or retention of EAGF units following the implementation of the Proposed Transaction, are detailed in Section 2.9 of the Shareholder Booklet.

Ultimately the tax implications for Exiting Shareholders if the Proposed Transaction proceeds are dependent on the specific taxation circumstances of individual Exiting Shareholders and each Exiting Shareholder should consider their circumstances when deciding whether to support the Proposed Transaction.

#### **Loss of franking credits**

As ETMFs do not pay corporate tax, EAGF 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).

However, EAI advised that the existing imputation tax credits balance of \$4.6 million (as at 31 January 2023) will be distributed to EAI shareholders as part of the Special Dividend on the implementation date of the Proposed Transaction.

#### **Cash reserve retained by EAI post the Proposed Transaction**

EAI will retain additional cash (estimated to be \$1.0 million) to fund any outstanding liabilities that are not currently reflected in its balance sheet (**Cash Reserve**). When the implementation date approaches, the Cash Reserve balance is expected to be adjusted with a provision applied if the Cash Reserve is unable to cover all liabilities. Any cash remaining after settling all liabilities, will be transferred to EAGF on the implementation date and subsequently affect its NAV. The full amount of Cash Reserve has been deducted in our valuation of the Proposed Transaction Consideration.

### **4.2.3. 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 Proposed Transaction, but we consider to be relevant for Exiting Shareholders who remain invested following the implementation of the Proposed Transaction.

#### **Reduction in control**

Post the implementation of the Proposed Transaction, EAGF will have an increased level of net assets, as a result of combining the investment portfolios of EAI and EAGF. Although the combined NAV is forecast to increase immediately following the implementation of the Proposed Transaction, Exiting Shareholders via their newly issued EAGF units, will own a slightly smaller percentage of the combined investment portfolio, compared to their percentage ownership in EAI prior to the implementation of the Proposed Transaction. As such, there will be a reduction in the level of control of the underlying investment portfolio pre and post the Proposed Transaction for Exiting Shareholders as a whole.



### **Likelihood of a superior alternative proposal emerging is considered unlikely**

The EAI Board has explored a number of options to address the issue of EAI shares trading at a discount to the NTA, including the buying back of shares and offering a stable dividend payout. As previously noted, EAI shares have consistently traded at a discount to NTA.

No alternative solutions have been identified by EAI, and we consider the prospect of an alternative proposal emerging in the near future to be unlikely.

### **Similar investment mandate**

Currently, Exiting Shareholders are exposed to EAI's investment strategy, which is to construct a concentrated portfolio with a focus on capital growth and downside protection by investing in highly liquid shares throughout Asian countries (ex-Japan). EAI's investment portfolio is actively managed, typically hedged with reference to foreign exchange exposure, with zero leverage at the portfolio level.

Post the implementation of the Proposed Transaction, Exiting Shareholders will hold EAGF units, whose investment strategy largely resembles that of EAI.

### **Change in governance framework**

Currently, EAI's governance structure is consistent with the requirements of a listed entity under the ASX's listing rules. EAGF will be listed on ASX AQUA and will be subject to the AQUA rules, which are specifically designed for managed funds, exchange traded funds and structured products. EAGF will continue to be regulated by ASIC as a managed fund.

Whilst EAGF will continue to be regulated by the ASX and ASIC, the governance framework will be different to that applied to EAI and with which Exiting Shareholders are familiar with.

#### **4.2.4. Consequences if the Proposed Transaction does not proceed**

Should the Proposed Transaction not be approved, and the Proposed Transaction not be implemented, EAI will remain a LIC with its shares trading on the ASX. Exiting Shareholders will continue to hold their interests in EAI and the underlying investment portfolio of EAI. Irrespective of whether the Proposed Transaction is approved or not, a portion of the costs relating to the Transaction will have been incurred, which are detailed in Section 11.1 of this report.

The announcement of the intention to restructure and subsequently the details of the Proposed Transaction, narrowed the discount of the trading price in EAI shares to the NTA. If the Proposed Transaction is not implemented, the EAI share price may fall to the discounted levels experienced prior to the announcement of the Proposed Transaction.



## 5 Other matters

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 and coincides with a period of significant volatility in global financial markets and increased macro-economic uncertainty. Where necessary and to the extent possible, we have reflected these conditions in our assessment, however any subsequent changes in these conditions on the global economy and financial markets generally, and the company being valued specifically, could impact upon value in the future, either positively or negatively.

In forming our opinion, we have considered the interests of EAI 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 Proposed Transaction 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.

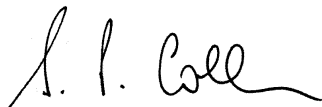
Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting EAI shareholders in considering the Proposed Transaction. We do not assume any responsibility 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.

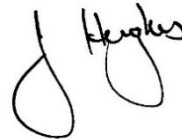
Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Shareholder Booklet to be sent to EAI shareholders in relation to the Proposed Transaction, without the prior written consent of KPMG Corporate Finance 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 Shareholder 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



Jason Hughes  
Authorised Representative

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## 6 The Proposed Transaction

### 6.1 Background

EAI has consistently traded below NTA since its inception on 15 September 2015. The largest observed discount over the past three years has been 26.0 percent with an average discount of 11.9 percent.

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 EAI's LIC structure, in part as a result of its insufficient scale, has resulted in a disconnect between EAI's investment portfolio performance and the performance of EAI shares.

After considering a range of solutions to narrow the trading discount, the EAI Board believes the Proposed Transaction is the most appropriate solution to provide EAI shareholders seeking liquidity with a clear pathway to exit their investment at a price more closely aligned to the underlying asset value, while providing other EAI shareholders with the option to remain invested in the underlying portfolio.

Specifically, the EAI Board believes that by pursuing the Proposed Transaction, it avoids:

- EAI becoming a forced seller of investments that may not have realised their long-term value
- unintended costs and potential taxation implications for EAI
- imposing the will of those EAI 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 Proposed Transaction

The Proposed Transaction will be implemented through the following steps:

- EAI will prepare the Shareholder Booklet for the General Meeting and the Special Meeting, Ellerston Capital will provide such information as EAI reasonably requires for this purpose, including information relating to EAGF
- EAI and Ellerston Capital will obtain such authorisations from Government Agencies as are required for the purposes of the Proposed Transaction
- EAI will call the General Meeting and the Special Meeting and issue the Shareholder Booklet
- Ellerston Capital has applied for EAGF units to be admitted to AQUA Trading Status on the ASX as a dual-structure exchange traded managed fund, to take effect on implementation
- EAI will transfer the EAI Assets to EAGF
- As consideration for the EAI Assets, Ellerston Capital will issue EAGF units to EAI
- EAI will determine to pay a special dividend to all shareholders, to be franked to the maximum extent possible, and undertake a capital reduction distribution to Exiting Shareholders involving the cancellation of all shares held by the Exiting Shareholders. Payment of the special dividend and capital reduction distribution will be satisfied by the distribution in-specie of EAGF units.

- the number of EAGF units to be transferred to each Exiting Shareholder pursuant to each of the Special Dividend and Capital Reduction Distribution will be determined based on the following formula, with components of the formula to be calculated as at the implementation date (unless otherwise specified):

$$X = (Y/Z)*A$$

where:

- X** = number of EAGF Units to be transferred to an EAI shareholder or Exiting Shareholder (as applicable)
- Y** = total value of EAI Assets / total number of EAI shares held by shareholders or Exiting Shareholders (as applicable) (i.e., the NTA per EAI share post the Proposed Transaction)
- Z** = the net assets value per EAGF Unit, and
- A** = the number of EAI shares held by a shareholder or Exiting Shareholder (as applicable) on the Record Date.

Following the completion of the Proposed Transaction:

- EAI shareholders will hold new units in EAGF
- EAI will retain sufficient cash to fund any outstanding liabilities that have not been reflected in its current balance sheet and the Nominated Shareholder will be the sole shareholder of EAI
- EAGF will continue to pursue an investment strategy similar to EAI by focusing on a concentrated portfolio of high quality, high growth, large capitalisation Asian securities
- Exiting Shareholders who continue to hold their EAGF units will be subject to lower management and performance fee structures, compared to that currently in place with EAI
- EAI will delist from the ASX.

EAI shareholders whose address is a place outside of Australia (and its external territories) (**Foreign Shareholders**<sup>5</sup>), or EAI shareholders who may receive fractional EAGF units will have the EAGF units or the fractional EAGF units they are entitled to under the Proposed Transaction (**Ineligible Units**) sold or otherwise disposed of (including, if appropriate, by redemption of the EAGF units) by a nominee. The nominee will be directed to dispose of those EAGF units and account to the Foreign Shareholders or the EAI shareholder who would otherwise have received the fractional EAGF units for the proceeds of disposal less any costs or expenses in connection with the disposal.

The EAI Board unanimously recommends that EAI shareholders vote in favour of the Proposed Transaction, in the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Proposed Transaction is fair and reasonable to, and therefore in the best interests of, EAI shareholders. In forming the recommendation, the EAI Board has had regard to the expected advantages, disadvantages and risks associated with the Proposed Transaction. In particular, the EAI Board believes:

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<sup>5</sup> If, in the opinion of the Directors, the requirements of any jurisdiction where an EAI shareholder is resident does not restrict or prohibit the distribution of EAGF units or otherwise impose on EAI an undue administrative cost and burden with respect to compliance with overseas legislation, new EAGF units may be distributed to such EAI shareholder. Such an EAI shareholder will not be deemed to be a Foreign Shareholder.

- the Proposed Transaction provides a solution to the trading discount to the NTA. If the Proposed Transaction is approved and implemented, Exiting Shareholders will exchange their EAI shares for units in EAGF, a dual-structure ETMF with liquidity mechanisms that are likely to allow Exiting Shareholders to realise their investment at a price that is expected to more closely reflect the underlying NAV of the fund's investment portfolio, as opposed to selling their EAI shares, which may or may not trade at a discount / premium to the underlying NTA of the investment portfolio
- the Proposed Transaction provides EAI shareholders who wish to remain invested in the same underlying Asian equity strategy the opportunity to do so, as EAGF will continue to pursue an investment strategy that is similar to EAI by focusing on a concentrated global portfolio of high quality, high growth, large capitalisation Asian 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.

Each member of the EAI Board intends to vote all EAI shares they hold or control in favour of the Proposed Transaction, in the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Proposed Transaction is fair and reasonable to, and therefore in the best interests of, EAI shareholders. As at the date of this report, the board of EAI collectively hold or control approximately 0.9 percent of EAI shares on issue.

### 6.3 Key conditions of the Proposed Transaction

The Proposed Transaction is conditional on a number of conditions precedent, which are outlined in Section 3 of the TID. These conditions precedent are summarised below:

- all regulatory approvals or consents necessary to implement the Proposed Transaction being granted, given, made or obtained on an unconditional basis
- each of the Resolutions in the Shareholder Booklet being approved by EAI shareholders
- the Proposed Transaction being approved by EAGF unitholders, if required
- the EAGF units are approved for quotation on the ASX AQUA market either unconditionally or subject only to conditions customarily imposed by ASX
- each of the warranties given or made by EAI under the TID is true and correct as at the time it is given or made
- the independent expert concludes that the Proposed Transaction is fair and reasonable to the EAI shareholders in the IER and does not change its conclusion or withdraw its report
- each of the warranties given or made by the responsible entity of EAGF under the TID is true and correct as at the time it is given or made
- EAI being satisfied (acting reasonably) with the contents of the opinion provided by its tax advisor setting out the tax implications of the Proposed Transaction
- no Competing Proposal (as defined in the TID) is made or announced
- the EAI Board resolves and maintains that the Proposed Transaction is in the best interests of shareholders; and
- the board of Ellerston Capital resolves and maintains that the Proposed Transaction is in the best interests of EAGF unitholders.

Further details on the condition's precedent are contained in Section 3 of the TID.

## 7 Scope of the report

### 7.1 Purpose

The Proposed Transaction is to be implemented pursuant to Section 256B of the Act. Section 256B allows a company to reduce its capital in a way that is not otherwise authorised by law if the reduction:

- is fair and reasonable to the company's shareholders as a whole
- does not materially prejudice the company's ability to pay its creditors
- is approved by shareholders.

There is no technical requirement for an IER to be prepared in the current circumstances. However, it is not uncommon for directors to commission an IER to ensure they are providing the information that is material to the making of a decision by a creditor or member.

The directors of EAI have engaged KPMG Corporate Finance to prepare an IER setting out whether, in its opinion, the Proposed Transaction is fair and reasonable, and therefore in the best interests of, EAI shareholders and to state reasons for that opinion.

The report will be prepared in accordance with the ASIC's RG 111 "Content of expert reports". RG 111 requires that an independent expert report state whether a proposed selective capital reduction is fair and reasonable to the holders of the shares to be cancelled and those that remain shareholders in the company.

### 7.2 Basis of assessment

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 111.29 states that where a selective capital reduction 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 percent 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 transaction is in the best interests of the members of the company. In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the transaction is 'in the best interests' on the basis that it clearly

states that the consideration is less than the value of the securities subject to the transaction but that there are sufficient reasons for members to vote in favour of the transaction in the absence of a higher offer.

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to EAI shareholders, we have considered the following:

- the rationale of the Proposed Transaction
- a comparison of the assessed value of EAI shares with the assessed value of the post Proposed Transaction securities, being units in EAGF
- the terms of the Proposed Transaction
- the level of any synergies / special value available
- the likelihood of an alternative offer
- recent trading prices of EAI shares on the ASX
- the consequences of EAI shareholders not approving the Proposed Transaction
- the implications of the Proposed Transaction including financial, tax and liquidity issues
- other alternatives considered and the implications of each alternative for EAI 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 EAI shareholders as a whole. As an individual shareholder's decision to vote for or against the Proposed Transaction 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 EAI 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 EAI'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.

EAI 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.

## **8 EAI overview**

EAI is a LIC whose shares are traded on the ASX. As at 31 January 2023, EAI's investment portfolio, including cash, totalled approximately \$112.2 million, and had a market capitalisation of approximately \$104.3 million.

EAI was admitted to the ASX on 15 September 2015 with a focus on capital growth by investing in a concentrated, high conviction and growth-oriented portfolio that consists of highly liquid shares throughout Asian countries (ex-Japan). As a majority of the company's investments are made in equities, it focuses primarily on the core themes that underpin the growth opportunities in Asia, including the rise of the Asian consumer, digital disruption in Asia, structural reform in India, and the liberalisation of the Chinese capital market. Its shareholders include governments, industry and corporate superannuation funds, international funds, family offices and high net worth investors. The primary investment objective of EAI is to grow and protect shareholders' wealth by identifying outstanding Asian investment opportunities, and to generate superior returns for shareholders with a focus on risk management and capital preservation.

The Company appointed Ellerston Capital as its manager. Ellerston Capital is a specialist investment manager that has provided a range of innovative Australian and international investment strategies since 2002.

The current board of directors of EAI comprise:

- Mr. Bill Best – Independent Non-Executive Chairman
- Mr. Sam Brougham - Independent Non-Executive Director
- Ms. Marian Carr - Independent Non-Executive Director.

### **8.1 Investment strategy**

EAI's investment strategy is to combine macro insights with investable long-term themes and company analysis within a highly disciplined and repeatable investment process. Investments are selected based on fundamental, bottom-up investment research and analysis, combined with a top-down assessment of macroeconomic conditions and market outlook. A multi-step approach to environmental, social, and governance (ESG) is embedded throughout the investment process and is measured against country, sector and security benchmarks.

Specifically, the Manager aims to provide investors with exposure to a diversified portfolio of Asian assets with the following investment strategies:

- build a portfolio of 20 to 50 high quality, high growth, large capitalisation Asian companies
- management of the portfolio by a team of dedicated Asia specialists who have diverse sector and geographical expertise as well as extensive hands-on investment experience
- adopt a distinctive high conviction, benchmark independent approach

- use a unique, proprietary and multi-step approach to ESG that is embedded throughout the investment process and is measured against the benchmark
- limit exposure to significant harm sectors, including controversial weapons and tobacco, nuclear energy, coal, palm oil production, gambling and pornography.

## 8.2 Investment portfolio and performance

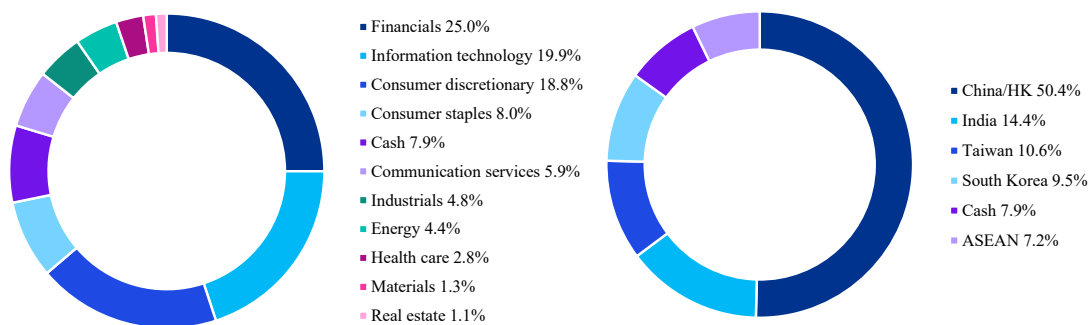
EAI’s investment portfolio is diversified across a number of sectors and Asian countries. The top 10 holdings within the investment portfolio as at 31 January 2023 and the portfolio’s allocation by sector and country are shown below.

**Table 3. EAI top 10 investments**

Ellerston Asian Investments - top 10 investments		
Company name	Location	% of portfolio
TSMC	Taiwan	9.0%
Samsung Electronics	South Korea	6.5%
Tencent	China/Hong Kong	5.9%
Alibaba Group Holding	China/Hong Kong	5.1%
AIA Group	China/Hong Kong	4.8%
Reliance Industries	India	4.4%
DBS Group Holdings	Singapore	4.4%
Kweichow Moutai	China/Hong Kong	3.2%
HDFC Bank Limited	India	3.2%
China Mengniu Dairy	China/Hong Kong	3.1%
<b>Total (Top 10 investments)</b>		<b>49.6%</b>

Source: EAI, KPMG Corporate Finance analysis

**Figure 2. EAI portfolio allocation by sector and country**



Source: EAI

As at 31 January 2023, EAI’s investment portfolio comprised 30+ companies spread across 10 sectors, including Financials, Information Technology, Consumer Discretionary, Consumer Staples, Communication Services, Industrials, Energy, Health Care, Materials, and Real Estate. The Financials sector represents the largest portfolio allocation by value at 25.0 percent, followed by Information Technology at 19.9 percent and Consumer Discretionary at 18.8 percent.

At a country level, China represents the largest country allocation by value, at 50.4 percent, followed by India at 14.4 percent and Taiwan at 10.6 percent.

The table below outlines EAI's investment portfolio performance as at 31 January 2023 since inception (15 September 2015). Calculations are based on before all tax provisions, after fees and expenses, including the effects of the share buyback, and excluding the effects of option exercise dilution.

**Table 4. EAI historical performance summary**

<b>Performance summary</b>							
<b>Performance</b>	<b>1 Mth</b>	<b>3 Mths</b>	<b>6 Mths</b>	<b>1 Year</b>	<b>3 Year p.a.</b>	<b>5 Year p.a.</b>	<b>Since Inception p.a.</b>
Net <sup>1</sup>	4.65%	16.35%	2.76%	-16.30%	-3.34%	-0.20%	3.21%
Benchmark <sup>2</sup>	4.11%	16.08%	3.29%	-12.40%	-1.08%	0.07%	4.46%
Alpha	0.54%	0.28%	-0.53%	-3.89%	-2.26%	-0.27%	-1.25%

*Source: EAI, KPMG Corporate Finance analysis*

*Note 1: The net return figure is calculated before all tax provisions, after fees and expenses, including the effects of the share buyback, and excluding the effects of option exercise dilution. Past performance is not a reliable indication of future performance*

*Note 2: Benchmark selected is MSCI Asia ex Japan (non-accumulation) (AUD)*

For the period between inception and 31 January 2023, EAI's investment portfolio achieved an annualised net return of 3.21 percent (before all taxes) per annum, in comparison to its benchmark, MSCI Asia ex Japan (non-accumulation) (AUD), which returned 4.46 percent per annum.

When launched, the Manager's articulated strategy was that the portfolio would be primarily hedged against currency gains or losses. This means that the return of EAI reflects the underlying performance of the invested companies rather than the performance of the Australian dollar relative to other currencies. As such, the Manager adopted a benchmark, which also reported return based in Australian dollar terms, being the MSCI Asia ex Japan (non-accumulative) (AUD).

### 8.3 Fee structure

The Management Agreement between EAI and Ellerston Capital commenced on 27 July 2015. Under the Management Agreement, Ellerston Capital is entitled to the management and performance fees set out below.

**Table 5. Fee structure**

<b>Management and performance fees</b>		
<b>Type of fee</b>	<b>Fee</b>	<b>Terms of fee</b>
Management fee	0.95% to 0.75%	— Management fee of 0.95% (plus GST) per annum for the first \$50 million of net assets value — 0.75% (plus GST) per annum on any amount by which the net assets value exceeds \$50 million, calculated and accrued monthly and paid monthly in arrears.

Management and performance fees		
Type of fee	Fee	Terms of fee
Performance fee	15%	<ul style="list-style-type: none"> <li>— Performance fee equal to 15% (plus GST) of the amount by which the investment portfolio’s pre-tax return exceeds the return of the MSCI AC Asia Ex Japan Index (AUD), calculated and accrued monthly and paid annually in arrears.</li> <li>— Performance fee will be payable only if the investment portfolio’s pre tax return exceeds the return of the MSCI AC Asia Ex Japan Index (AUD) for the financial year. Any negative performance fee amount will be carried forward to the following financial year. No performance fee will be payable in respect of a financial year until negative performance fee has been recouped.</li> </ul>

Source: EAI

## 8.4 Historical statement of comprehensive income

EAI’s historical financial performance for financial years ended 30 June 2021 (FY21), FY22 and first half of FY23 (1HFY23) is summarised on the next page.

The majority of EAI’s income is generated from net changes in fair value of financial assets and liabilities through profit or loss. FY22 was a challenging year for equity market returns in Asia, which is reflected in the financial performance of EAI with a loss of \$38.4 million in fair value of financial assets and liabilities (compared to a profit of \$36.6 million in FY21), resulting in a net loss after income tax of \$29.4 million (compared to a net profit after income tax of \$25.0 million in FY21). There was a significant decline in valuation multiples throughout the Asian market in FY22, primarily due to global concerns of rising inflation, tightening monetary policies and a series of regional specific headwinds, including China’s zero-COVID lockdown and the subsequent spread of the Omicron variant throughout the country in March 2022, which caused significant damage to China’s domestic economy and global supply chains.

Although portfolio performance improved during 1HFY23, EAI suffered a loss of \$7.3 million in fair value of financial assets and liabilities, resulting in a net loss after income tax of \$10.9 million. There were further concrete signs supporting a cyclical upturn for Chinese and Hong Kong stock markets, primarily due to the easing of China’s zero-COVID policy and the shift by policymakers towards restoring economic growth, contributing to further monetary and fiscal stimulus and a more benign regulatory and geopolitical environment.

**Table 6. Historical financial performance**

<b>Statement of comprehensive income</b>			
<b>\$'000</b>	<b>FY21</b>	<b>FY22</b>	<b>1HFY23</b>
<b>Income</b>			
Interest income from financial assets measured at amortised cost	4.8	14.9	223.3
Dividend income	2,329.0	2,330.8	826.3
Net foreign exchange gains	561.9	199.4	155.7
Net changes in fair value of financial assets and liabilities	36,649.4	-38,350.3	-7,311.8
Other income	235.6	11.8	-
<b>Total income</b>	<b>39,780.7</b>	<b>-35,793.5</b>	<b>-6,106.6</b>
<b>Expenses</b>			
Directors' fees	133.1	141.1	59.2
Management and performance fees	1,414.2	1,209.8	468.6
Custody and administration fees	135.3	170.9	92.2
Audit and tax fees	54.8	93.7	44.1
Registry fees	51.3	55.5	50.9
Transaction costs	1,725.2	786.5	142.2
Withholding taxes	1,169.3	379.6	118.9
ASX fees	61.6	67.6	30.2
Insurance fees	53.9	198.5	73.2
Other expenses	12.8	251.6	21.2
<b>Total operating expenses</b>	<b>4,811.6</b>	<b>3,354.7</b>	<b>1,100.7</b>
Net profit/(loss) before income tax	34,969.2	-39,148.2	-7,207.3
Income tax benefit/(expense)	-9,985.2	9,756.3	-3,681.5
<b>Net profit/(loss) after income tax</b>	<b>24,984.0</b>	<b>-29,391.9</b>	<b>-10,888.7</b>
Other comprehensive income/(loss)	-	-	-
<b>Total comprehensive income/(loss)</b>	<b>24,984.0</b>	<b>-29,391.9</b>	<b>-10,888.7</b>
Basic and diluted earnings/(losses) per share (cents)	19.0	-22.8	-8.7

Source: EAI audited financial statements for FY22 and interim report for 1H23

## 8.5 Historical financial position

The historical financial position for EAI as at 30 June 2021, 30 June 2022 and 31 December 2022 is set out below.

**Table 7. Historical financial position**

<b>Statement of Financial Position</b>			
<b>\$'000</b>	<b>30-Jun-21</b>	<b>30-Jun-22</b>	<b>31-Dec-22</b>
<b>Current assets</b>			
Cash and cash equivalents	16,185.8	10,077.2	8,101.7
Receivables	393.1	305.5	117.2
Due from brokers	6,990.5	13,369.9	17,887.0
Current tax asset	-	496.2	496.2
Financial assets at Fair Value (FV) through profit or loss	159,787.4	97,377.0	82,612.1
<b>Total current assets</b>	<b>183,356.8</b>	<b>121,625.9</b>	<b>109,214.3</b>
<b>Non-current assets</b>			
Deferred tax asset	-	5,378.9	1,697.4
<b>Total non-current assets</b>	<b>-</b>	<b>5,378.9</b>	<b>1,697.4</b>
<b>Total assets</b>	<b>183,356.8</b>	<b>127,004.8</b>	<b>110,911.7</b>
<b>Current liabilities</b>			
Payables	209.4	134.8	198.3
Management and performance fees payable	115.9	79.0	73.4
Due to brokers	4,492.9	787.3	-
Current tax liability	6,319.8	-	-
Financial liabilities at FV through profit or loss	8.3	0.4	1,222.9
<b>Total current liabilities</b>	<b>11,146.3</b>	<b>1,001.5</b>	<b>1,494.5</b>
<b>Non-current liabilities</b>			
Deferred tax liability	4,377.5	-	-
<b>Total non-current liabilities</b>	<b>4,377.5</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>15,523.8</b>	<b>1,001.5</b>	<b>1,494.5</b>
<b>Net assets</b>	<b>167,833.0</b>	<b>126,003.3</b>	<b>109,417.2</b>
<b>Equity</b>			
Issued capital	130,395.3	125,712.0	123,766.5
Retained earnings	32,822.8	-17,137.1	-28,025.8
Dividend profit reserve	4,614.9	17,428.3	13,676.5
<b>Total equity</b>	<b>167,833.0</b>	<b>126,003.3</b>	<b>109,417.2</b>
<b>Net tangible assets per share (\$)</b>			
Net Tangible Assets before all taxes <sup>1</sup>	1.360	0.948	0.864
Net Tangible Assets after realised tax <sup>2</sup>	1.311	0.948	0.864
Net Tangible Assets after tax	1.278	0.994	0.881

Source: EAI audited financial statements for FY22 and interim report for 1H23

Note 1: All figures are after the payment of dividends and taxes

Note 2: Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the EAI's investment portfolio. It excludes any tax on unrealised gains/(losses) and deferred tax, which are represented in the Net Tangible Assets after tax

The EAI investment portfolio consists primarily of listed equity securities. As at 31 December 2022, the value of these financial assets and financial liabilities amounted to approximately \$82.6 million and \$1.2 million, respectively.

EAI maintains a deliberate and measured approach in the construction of its investment portfolio, including the amount of cash held in the portfolio. As at 31 December 2022, EAI had a cash balance of \$8.1 million, representing 8.6 percent of the investment portfolio.

As at 31 December 2022, EAI had a net deferred tax asset of \$1.7 million.

To the extent that any current year profits or prior year 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 in order to facilitate the payment of future dividends. As at 31 December 2022, EAI has a dividend profit reserve balance of \$13.7 million.

## 8.6 Capital structure

As at 31 December 2022, there were 124,168,061 fully paid ordinary shares on issue, with no other outstanding securities.

**Table 8. Ordinary shares on issue**

Ordinary shares on issue	
Ordinary	Number of securities
Opening balance - 1 July 2022	126,708,620
Shares bought back during the period	-2,540,559
Total issued capital - fully paid ordinary shares – 31 December 2022	124,168,061
Total issued capital	124,168,061

*Source: EAI interim report for 1H23*

The top 20 EAI shareholders collectively own c. 40.1 percent of the shares in EAI. The top 20 shareholders as at 31 December 2022 are shown below.

**Table 9. Top shareholders**

Top 20 shareholders			
Rank	Name	Holding	%IC
1	City of London Investment Mgt Co (London)	8,268,727	6.66%
2	1607 Capital Partners (Richmond)	7,613,893	6.13%
3	Wilson Asset Mgt (Sydney)	6,233,255	5.02%
4	Ellerston Capital (Sydney)	5,365,333	4.32%
5	Mirabella Financial Services (London)	4,476,166	3.60%
6	Private Clients of LGT Crestone Wealth Mgt Australia (Sydney)	2,871,329	2.31%
7	Geat (Brisbane)	1,904,800	1.53%
8	Messrs Ashok P Jacob & Shane P O'Brien (Sydney)	1,826,666	1.47%
9	Cormack Foundation (Melbourne)	1,500,000	1.21%
10	Affluence Funds Mgt (Brisbane)	1,365,000	1.10%
11	Mr Samuel Brougham (Melbourne)	1,364,701	1.10%
12	Mr & Mrs Robert AC Brice (Brisbane)	1,167,467	0.94%

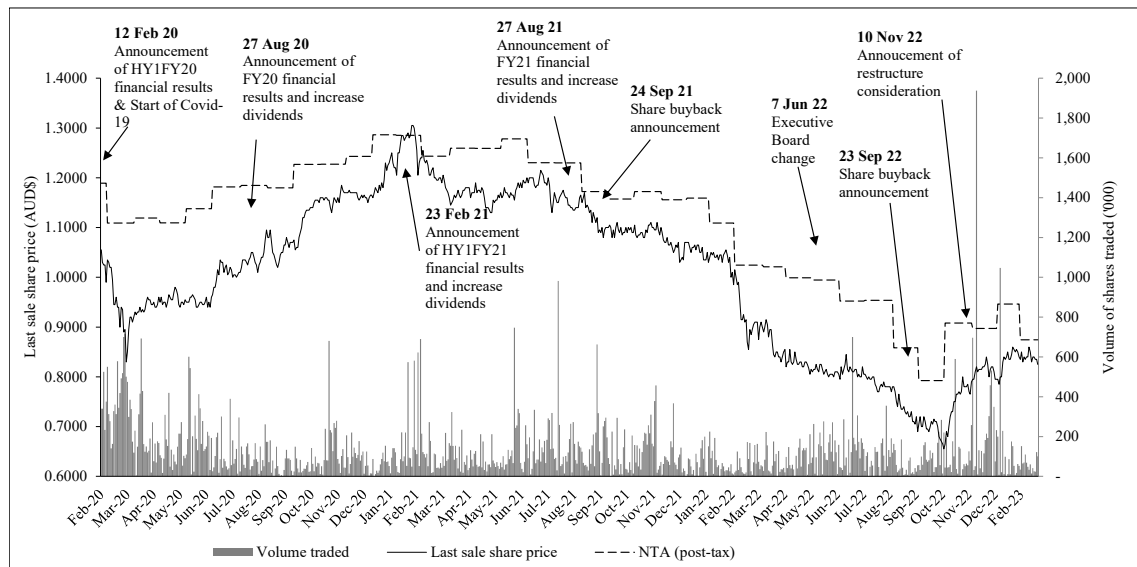
<b>Top 20 shareholders</b>			
13	Mr & Mrs Richard K Krohn (Brisbane)	1,030,000	0.83%
14	Mr & Mrs Richard K Krohn (Brisbane)	823,150	0.66%
15	Mr Timothy P Burke (Melbourne)	750,000	0.60%
16	Almitas Capital (Santa Monica)	721,736	0.58%
17	Private Clients of HUB 24 Custodial Services (Sydney)	679,372	0.55%
18	Chaplin Family (Melbourne)	661,733	0.53%
19	Mrs Shelley M Davenport (Regional (New Zealand))	650,000	0.52%
20	Mr & Mrs Kevin L Bamford (Melbourne)	568,980	0.46%
<b>Total</b>		<b>49,842,308</b>	<b>40.14%</b>

Source: EAI data dated 31 December 2022

## 8.7 Share price and volume trading history

The figure below shows EAI’s daily closing price on the ASX over the period from 24 February 2020 to 23 February 2023 inclusive, along with the daily volume of securities traded on the ASX and NTA over the same period. The intention to restructure was announced by the Board on 10 November 2022 and the Proposed Transaction was announced on 24 February 2023.

**Figure 3. EAI daily close price and volume traded on ASX**



Source: S&P Capital IQ, KPMG Corporate Finance Analysis, ASX announcements

As outlined in Section 8.2 of this report, the EAI investment portfolio outperformed its benchmark on a 1-month and 3-month basis to 31 January 2023. However, irrespective of the historical performance of the underlying investment portfolio, EAI shares have consistently traded below NTA as shown in the figure above. On average, EAI shares traded 10.3 percent below NTA over the period (3-year) with the largest observed discount being 26.8 percent.

For the period between the announcement of the Intention of Restructure (10 November 2022) and 23 February 2023, EAI shares have traded between 0.9 percent and 17.4 percent below NTA. On average,



EAI shares traded at 9.9 percent below NTA over this period. It appears that the market views the Proposed Transaction positively, as indicated by the narrowing of the share price discount to the NTA, post announcement.

Share markets globally have experienced volatility and downward pressure over the past 12 months, which coincides with a period of increased macroeconomic uncertainty. EAI's share price has been in decline over this period, although some recovery has occurred since November 2022.

## 8.8 Trading liquidity

An analysis of the volume of trading in EAI's shares on the ASX in the 12-month period to 23 February 2023, being the last trading date prior to the announcement of the Proposed Transaction, is set out below.

**Table 10. 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	0.820	0.825	0.821	0.1	0.1	0.1
1 week	0.810	0.840	0.826	0.3	0.3	0.2
1 month	0.810	0.865	0.839	1.0	1.2	0.8
3 months	0.765	0.865	0.813	7.7	9.5	6.7
6 months	0.655	0.865	0.781	12.1	15.5	11.0
12 months	0.655	1.030	0.803	22.2	27.7	19.7

*Source: S&P Capital IQ, KPMG Corporate Finance analysis*

Specifically, we note the following regarding the volume weighted average price (VWAP) analysis:

- the cumulative value of EAI shares traded over the 12-month period preceding 23 February 2023 was \$22.2 million, or 19.7 percent of the total issued shares
- since less than 1 percent of the company's total issued capital is traded on a weekly basis, EAI shares are considered to have a relatively low level of liquidity.

## 9 EAGF overview

EAGF is an Australian registered managed investment scheme that was constituted on 23 September 2016 and began operations on 3 January 2017. As at 31 January 2023, EAGF's pre-tax net assets totalled \$9.2 million.

EAGF is the only Asia focused fund in Australia with an emphasis on capital growth. EAGF offers exposure to high quality companies in Asia that provide sustainable growth with the objective to outperform the benchmark MSCI Asia Ex Japan (non-accumulation) (AUD) on a net of fees basis.

Ellerston Capital is the responsible entity and manager of the EAGF. As previously outlined in Section 8, Ellerston Capital has been managing money since 2002 and is a specialist investment manager providing a range of innovative Australian and international investment strategies.

The current board of directors and senior management of EAGF comprise:

- Mr. Ashok Jacob – Chairman
- Mr. Brian O'Sullivan – Director
- Mr. Chris Kourtis – Director
- Mr. Fredy Hoh – Portfolio Manager.

### 9.1 Investment strategy

EAGF's investment strategy is to construct a high-quality portfolio with exposure to Asian companies using Ellerston Capital's distinctive high growth, high conviction and benchmark-independent investment approach. EAGF seeks to generate positive returns and minimise any instances of negative returns by investing in Asian companies in which there is the highest conviction.

Specifically, EAGF's investment strategy includes:

- build a portfolio of 20 to 50 high quality, high growth, large capitalisation Asian companies
- have effective cash and cash-like investments up to 20 percent
- identify investment targets by identifying companies that are likely to offer the best risk/reward profile through a disciplined, bottom-up fundamental analysis combined with a top-down assessment of macroeconomic conditions and the identification of structural themes driving growth in Asia
- adopt a unique, proprietary and multi-step approach to ESG that is embedded in the investment process
- use a 0 percent revenue threshold for significant harm sectors and a 5 percent revenue threshold for other negatively screened sectors.

## 9.2 Investment portfolio and performance

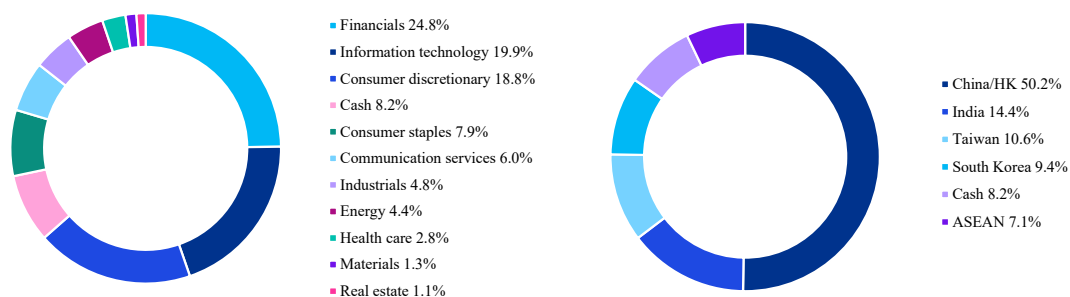
EAGF’s investment portfolio is diversified across a number of sectors and countries. The top 10 holdings within the investment portfolio as at 31 January 2023 and the portfolio’s allocation by sector and country are shown below.

**Table 11. EAGF top 10 investments**

Ellerston Asian Growth Fund - top 10 investments		
Company name	Location	% of portfolio
TSMC	Taiwan	9.0%
Samsung Electronics	South Korea	6.5%
Tencent	China/Hong Kong	5.9%
Alibaba Group Holding	China/Hong Kong	5.1%
AIA Group	China/Hong Kong	4.8%
Reliance Industries	India	4.4%
DBS Group Holdings	Singapore	4.4%
Kweichow Moutai	China/Hong Kong	3.2%
HDFC Bank Limited	India	3.2%
China Mengniu Dairy	China/Hong Kong	3.1%
<b>Total (Top 10 investments)</b>		<b>49.6%</b>

Source: Ellerston Asia Growth Fund Monthly Newsletter, January 2023

**Figure 4. EAGF portfolio allocation by sector and country**



Source: Ellerston Asia Growth Fund Monthly Newsletter, January 2023

EAGF has a portfolio very similar to EAI. On a sector basis, the Financials sector represents the largest portfolio allocation, followed by Information Technology and Consumer Discretionary.

At a country level, China represents the largest country allocation by value, at 50.2 percent, followed by India at 14.4 percent and Taiwan at 10.6 percent.

For the period between EAGF’s inception on 3 January 2017 and 31 January 2023, EAGF’s investment portfolio achieved an annualised net return of 3.82 percent per annum, in comparison to its benchmark, MSCI Asia Ex Japan (non-accumulation) (AUD), which returned 4.76 percent per annum. Detailed comparison of EAGF’s investment portfolio performance is outlined below.

**Table 12. EAGF historical performance summary**

<b>Performance summary</b>							
<b>Performance</b>	<b>1 Mth</b>	<b>3 Mths</b>	<b>6 Mths</b>	<b>1 Year</b>	<b>3 Year p.a.</b>	<b>5 Year p.a.</b>	<b>Since Inception p.a.</b>
EAGF <sup>1</sup>	4.64%	16.26%	2.70%	-15.65%	-3.10%	-0.29%	3.82%
Benchmark <sup>2</sup>	4.11%	16.08%	3.29%	-12.40%	-1.08%	0.07%	4.76%
Alpha	0.52%	0.19%	-0.59%	-3.25%	-2.02%	-0.36%	-0.94%

Source: EAGF

Note 1: The net return figure is calculated before all tax provisions, after fees and expenses, including the effects of the share buyback, and excluding the effects of option exercise dilution. Past performance is not a reliable indication of future performance

Note 2: Benchmark selected is MSCI Asia ex Japan (non-accumulation) (AUD)

### 9.3 Fee structure

Ellerston Capital, as the responsible entity, receives management and performance fees from EAGF. A summary of the fee structure is listed in the table below.

**Table 13: EAGF fee structure**

<b>Management and performance fees</b>		
<b>Type of fee</b>	<b>Fee</b>	<b>Terms of fee</b>
Management fee	0.75%	— Management fee of 0.75% per annum (inclusive of the net effect of GST) of net assets value of the units, calculated and accrued daily and paid from the assets of the Fund monthly in arrears.
Performance fee	10.0%	— Performance fee of 10.0% per annum (inclusive of net effect of GST) of the investment return over the return of the MSCI AC Asia Ex Japan Index (non accumulation) (AUD), after recovering any underperformance in past periods, calculated, and accrued daily and deducted from the assets of after 30 June in each year in arrears. — 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 further performance fees can accrue or be paid.

Source: EAGF

### 9.4 Historical distributions

EAGF pays distributions on a semi-annual basis on 30 June and 31 December where the Fund has distributable income. The table below sets out the historical distributions for the period between FY20 and 1HFY23.

**Table 14: Historical distributions**

<b>Historical distributions</b>					
<b>Distributions per unit (\$)</b>	<b>31-Dec-22</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>	<b>31-Dec-19</b>
EAGF	0.0007	0.0001	0.1788	0.0473	0.0131

Source: EAGF, KPMG Corporate Finance analysis

## 10 Evaluation of the Proposed Transaction

### 10.1 Valuation methodology

Our valuation of an EAI 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 that should be 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 the market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay. 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 asset methodology is typically adopted as there tends to be minimal goodwill, if any.

### 10.2 Selection of valuation methodology for EAI

We have adopted a net asset methodology to value 100 percent of the issued capital in EAI. We have chosen this methodology considering:

- the net asset methodology is generally considered the most appropriate methodology 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. There is sufficient information available to us to adopt the net asset methodology. In this regard, we note that EAI releases daily NTA information to the market

- EAI is a LIC with its shares quoted on the ASX. Under the current structure, the trading price of an EAI share is representative of the value an EAI shareholder would realise for their investment in EAI in its current structure. Given the relatively low liquidity of EAI shares (summarised in Section 8.9 of this report), we have utilised the market value of listed securities methodology solely as a cross-check of our values under the primary net asset methodology.

When applying the net asset methodology, we have considered the following:

- EAI 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 January 2023
- when applying the net asset methodology, the resulting value represents 100 percent of the value of EAI on a control basis, as required by RG 111.

### 10.3 Selection of valuation methodology for the Proposed Transaction Consideration

If the Proposed Transaction is approved and implemented, Exiting Shareholders will receive approximately 1.04 EAGF units for every EAI share owned.

In assessing the Proposed Transaction, we have noted that the EAI Assets will be transferred to EAGF on implementation of the Proposed Transaction. As outlined in Section 12.2, Exiting Shareholders will ultimately receive EAGF units that give them exposure to the same assets transferred from the EAI portfolio.

Accordingly, we have determined the value of the Proposed Transaction Consideration by applying a consistent net asset methodology to that adopted for the valuation of EAI.

When applying the net asset methodology, we have considered the following:

- we have based our valuation on the latest available monthly NTA report, being the report dated 31 January 2023
- individual EAI shareholders will effectively be receiving a minority interest in EAGF following implementation of the Proposed Transaction. 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 asset methodology, the resulting value represents the value at which Exiting Shareholders will be able to realise their investment, through the liquidity mechanism available in EAGF and therefore a minority discount is not explicitly applied.

## 11 Value of EAI

### 11.1 Valuation of an EAI share

In applying a net asset methodology, we have determined the value of EAI (on a control basis) to be in the range of \$105.9 million to \$120.2 million, which corresponds to a value of \$0.853 to \$0.968 per EAI share.

Our valuation is set out in the table below.

**Table 15: Valuation of an EAI share**

<b>Value of EAI (control basis)</b>				
<b>\$'000</b>	<b>Notes</b>	<b>Jan-23</b>	<b>Low value</b>	<b>High value</b>
<b>Assets</b>				
Cash and cash equivalents	1	7,142	7,142	7,142
Receivables		1,028	1,028	1,028
Deferred tax asset	2	5,303	-	3,712
Financial assets	3	105,008	99,757	110,258
<b>Total assets</b>		<b>118,481</b>	<b>107,927</b>	<b>122,140</b>
<b>Liabilities</b>				
Payables		753	753	753
Management fees		75	75	75
Admin Fee		67	67	67
Custodian Fee		5	5	5
Audit		6	6	6
Directors		21	21	21
Registry		34	34	34
Other		3	3	3
<b>Total liabilities</b>		<b>963</b>	<b>963</b>	<b>963</b>
<b>Net tangible assets (post-tax)</b>		<b>117,517</b>	<b>106,964</b>	<b>121,177</b>
Less: costs associated with the Proposed Transaction	4		-1,023	-1,023
<b>Value of EAI (control basis)</b>			<b>105,941</b>	<b>120,154</b>
Number of shares on issue as at 31 January 2023 (#)	5	124,168,061	124,168,061	124,168,061
<b>Value per share (\$)</b>			<b>0.853</b>	<b>0.968</b>

*Source: unaudited balance sheet as at 31 January 2023, KPMG Corporate Finance analysis*

*Note: Numbers may not add up due to rounding.*

The factors considered in our assessment of the value of an EAI share are set out below.

#### 1. Cash and cash equivalents

EAI's cash and cash equivalents at 31 January 2023 is approximately \$7.1 million. EAI declared an interim fully franked dividend of 3 cents per fully paid ordinary share, amounting to approximately \$3.7 million, which will be paid on 29 March 2023 and funded from the cash balance at the time. We

consider there is no adjustment required for the declared dividends since the dividends will be funded from the cash balance and paid to Exiting Shareholders.

2. Deferred tax asset

As at 31 January 2023, EAI had approximately \$17.7 million of unused tax losses carried forward, resulting in a deferred tax asset balance of \$5.3 million. We have made an adjustment to recognise between 0% and 70% of the deferred tax asset amount when calculating the market value since there is uncertainty over the timing and extent to which all tax losses will be utilised and potential buyers are generally unwilling to pay for deferred tax assets under a realisation of assets approach.

3. Value range of financial assets

To recognise market volatility and the potential fluctuation in the value of the underlying investments included in the NTA, we have reduced the value of financial assets by 5 percent to create the low end of the valuation range, and increased the fair value by 5 percent to create the high end of the valuation range.

4. Costs associated with the Proposed Transaction

Transaction costs related to the Proposed Transaction are estimated to be approximately \$1.1 million, of which approximately 90% will be incurred even if the Proposed Transaction is not approved. The value of EAI prior to the Proposed Transaction has been calculated by deducting 90% of the estimated transaction costs (approximately \$1.0 million).

5. Shares on issue on 31 January 2023

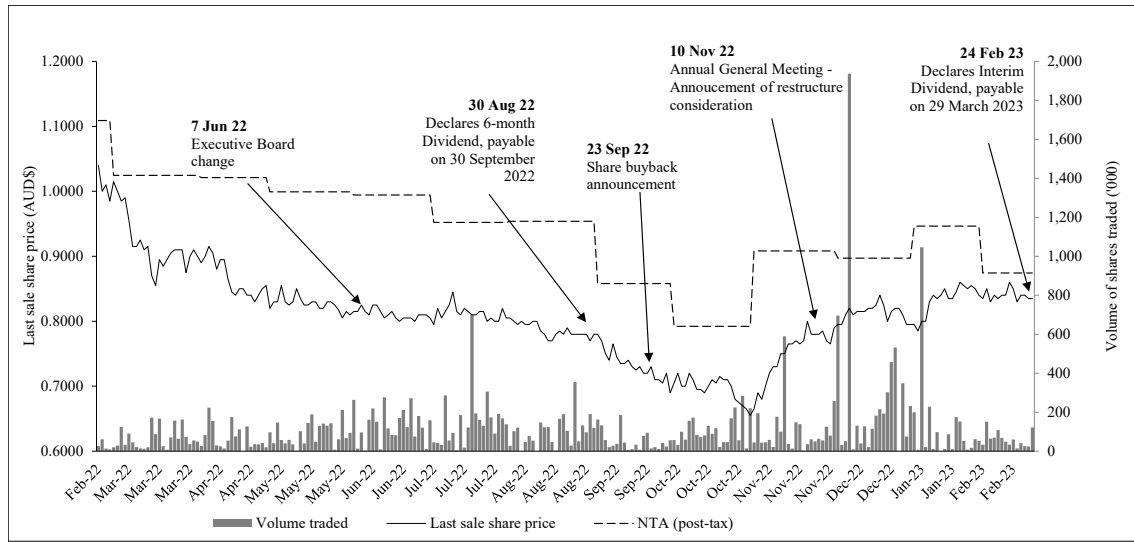
As at 31 January 2023, EAI had 124,168,061 shares on issue.



## 11.2 Valuation cross-check

We have cross-checked the primary valuation methodology by analysing recent trading prices of EAI shares. The chart below illustrates the EAI's share price between 24 February 2022 and 23 February 2023.

**Figure 5: EAI share price performance**



Source: S&P Capital IQ, ASX announcements, KPMG Corporate Finance analysis

In assessing the share price at which an EAI share may trade in the absence of the Proposed Transaction, we have considered the following:

- EAI shares traded between \$0.66 and \$1.04 per share between 24 February 2022 and 23 February 2023, being the day before the announcement of the Proposed Transaction
- EAI shares traded at a discount of between 0.9 percent and 26.8 percent to post-tax NTA between 24 February 2022 and the date before the announcement of the Proposed Transaction
- prior to the announcement of the Proposed Transaction, the EAI VWAP was between \$0.82 and \$0.83 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 EAI
- share prices of LICs typically trade at a discount to NTA. Therefore, as a high-level cross-check, we calculated the implied premium by comparing the value we determined for an EAI share to the VWAP of an EAI share leading up to the announcement date of the Proposed Transaction.

### Premium to share price

We have calculated the implied premium of our value range determined from the primary valuation methodology to the 1-month VWAP of an EAI share in the table below.

**Table 16: Implied premium cross-check based on share price analysis**

Share price cross-check		
\$	Low value	High value
EAI share (control basis)	0.853	0.968
1-month VWAP (minority basis)	0.810	0.865
Premium to 1-month VWAP	5.3%	11.9%

*Source: S&P Capital IQ, ASX announcements, KPMG Corporate Finance analysis*

The value range determined from the primary valuation methodology implies a control premium of approximately 5.3 percent to 11.9 percent compared to the 1-month VWAP of an EAI share. We consider the level of premium 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
- EAI's strategy and investment portfolio is publicly available and easy to replicate, therefore any value above net tangible assets may be limited
- the trading share price of EAI is reflective of the trades of small parcels of shares on the ASX with a minority discount usually applied. As such, in our assessment of an appropriate control premium for EAI, 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 Appendix 5 of this report) suggests a premium range of 1.7 percent to 16.3 percent has been paid in historical transactions.

### Trade premium to NTA

We have also considered the historical premium paid to NTA by potential trade and/or financial buyers within the LIC industry and conclude that transaction evidence suggests the premium to NTA paid in historical transactions has been minimal.

As summarised in the table below, comparable transactions involving LICs have historically taken place at a discount to the NTA of the target, with a mean and median of negative 0.9 percent and negative 2.6 percent, respectively.

**Table 17: Comparable transactions summary**

Comparable transactions		
Target	Announce date	Premium/ (discount) to post-tax NTA
WCM Global Long Short Limited	13-Oct-22	-2.6%
Absolute Equity Performance Fund Limited	14-Jun-22	-6.5%
PM Capital Asian Opportunities Fund Limited	14-Sep-21	0.9%
Templeton Global Growth Fund Limited	29-Jun-21	6.5%
Ellerston Global Investment Limited	09-Jun-20	-2.6%
Mean		-0.9%
Median		-2.6%
Range		-6.5% to 6.5%

*Source: S&P Capital IQ, ASX announcements, various IERs, KPMG Corporate Finance analysis*

Overall, the cross-check analysis supports our assessed valuation of EAI derived from our primary net asset methodology. Therefore, we consider our valuation of EAI to be appropriate.

## 12 Valuation of the Proposed Transaction Consideration

### 12.1 Implications of the Proposed Transaction

After implementation of the Proposed Transaction, Exiting Shareholders will hold units in EAGF. Set out below is a summary of the implications of the Proposed Transaction to Exiting Shareholders.

#### Different investment structure

Currently, EAI shareholders invest in a LIC and hold their investment via EAI shares that are traded on the ASX. The return on investment is derived from a combination of the EAI 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 8.8, EAI shares have historically traded at a discount to the NTA. Dividend distributions may be franked or unfranked. Historically, EAI has generated sufficient tax credits to distribute fully franked dividends.

If the Proposed Transaction is implemented, Exiting Shareholders will receive units in EAGF in consideration for the transfer of the EAI Assets. EAGF will be listed on the ASX AQUA market as a dual-structure ETMF. An ETMF is a listed management fund operating in the form of an open-ended unit trust where the investment manager employs an actively managed investment strategy. An investor's unit holding in an ETMF is determined by the unit price and the dollar value of the investment. ETMFs are generally traded at or slightly below their NAV and market makers can create or redeem units based on investors' demand. As ETMFs are not subject to tax, pre-tax income is distributed to unitholders with no tax credits attached (i.e., unfranked). However, we understand EAI's imputation credit balance will be paid to EAI shareholders as part of the Special Dividend.

#### Same investment manager

Currently, EAI's investment portfolio is managed by Ellerston Capital. Following the implementation of the Proposed Transaction, Ellerston Capital will remain the responsible entity of EAGF, with a key portfolio manager retained post the restructure.

### **Similar investment mandate**

EAI's investment strategy, as outlined in Section 8.1 of this report, is to construct a concentrated portfolio of high quality, high growth and large cap Asian securities using Ellerston Capital's distinctively high conviction, benchmark independent investment approach. Additionally, EAI's investment portfolio is actively managed with a multi-step ESG approach embedded throughout the investment process.

EAGF's investment portfolio composition largely resembles that of EAI. As outlined in Section 9.1 of this report, EAGF's investment strategy is to build a portfolio of 20 to 50 high quality, high growth and large cap Asian securities that generate positive returns. EAGF's investment targets will be identified through a disciplined, bottom-up fundamental analysis combined with a top-down assessment of macroeconomic conditions. A unique multi-step ESG approach has been integrated in EAGF's investment process.

### **Immediate increase in portfolio size**

As at 31 January 2023, EAI's investment portfolio totalled \$118.5 million and EAGF's investment portfolio totalled \$9.2 million. Immediately following the implementation of the Proposed Transaction, EAGF's investment portfolio will be that of the combined investment portfolio of EAI and EAGF (minus the Cash Reserve retained within EAI for any outstanding liabilities).

Since Exiting Shareholders will effectively hold EAGF units following the implementation of the Proposed Transaction, Exiting Shareholders will gain ownership of a larger investment portfolio, although the collective percentage ownership in the underlying investment portfolio will decrease.

As EAGF is an open-ended fund, the size of the fund is dependent on cash inflows (buying units) and outflows (selling units) and therefore its size is uncertain in the long run. In contrast, due to the current EAI close-ended structure in which only existing shares 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), the size of the underlying investment portfolio is more certain.

### **Lower fee structure**

Under the Management Agreement, EAI pays to Ellerston Capital 0.95 percent (plus GST) of the first \$50 million of NAV and 0.75 percent (plus GST) of any amount by which the NAV exceeds \$50 million in management fees on a monthly basis, as well as 15 percent in performance fees should the pre-tax portfolio performance exceed its stipulated benchmark, being the MSCI AC Asia Ex Japan Index (AUD) on an annual basis.

Post implementation of the Proposed Transaction, Exiting Shareholders will pay 0.75 percent (inclusive of the net effect of GST) of EAGF NAV in management fees on a monthly basis, and 10 percent (inclusive of net effect of GST) in performance fees on an annual basis should the investment return exceed its stipulated benchmark, being the MSCI AC Asia Ex Japan Index (AUD).

There are a number of factors to highlight in the calculation of those fees:

- due to early termination of the management agreement with Ellerston Capital arising from the implementation of the Proposed Transaction, Ellerston Capital is entitled to, and will seek, an early termination fee of approximately \$1.3 million, calculated as 1.13 percent of the post-tax NTA.
- to mitigate the impact of the early termination fee on Exiting Shareholders, Ellerston Capital has agreed to waive management fees for a period of one year following the implementation of the Proposed Transaction
- management and performance fees will be calculated based on the investment portfolio of EAGF post the implementation of the Proposed Transaction (being the combined investment portfolios of EAI and EAGF) against the benchmark index, being the MSCI AC Asia Ex Japan Index (AUD).

### **Different liquidity mechanism**

The liquidity of EAI, as a LIC, is determined by the volume of shares traded on the ASX. This is driven by the demand and supply of market forces. Low levels of liquidity in a closed-ended LIC can contribute to a divergence between price and NTA.

As an ETMF, EAGFs' liquidity will be facilitated through trading in the secondary market on ASX AQUA, as well as by its appointed market maker who will buy and sell ETMF units on the market at prices reflecting the NAV per unit. Investors in EAGF will be able to exit their investment in EAGF either by selling their EAGF units on the ASX or by directly making a withdrawal request to the responsible entity for the redemption of their EAGF units. Since the market maker increases liquidity and creates an equilibrium in demand, ETMFs generally trade at a lower discount to NAV or equal to NAV.

### **Different dividend policy**

The EAI Board has the discretion to pay dividends or retain profits for future investments. There may be franking credits associated with dividends distributed by EAI.

As an ETMF, all earnings and capital gains from EAGF will be distributed to unit holders. Distributions will be classified as trust income and any franking credits of the underlying assets held are passed to unit holders.

### **Utilisation of exiting EAI franking credits**

As at 31 January 2023, EAI's imputation tax credit balance was approximately \$4.6 million. Following the implementation of the Proposed Transaction, Exiting Shareholders will receive a special dividend that will include the full utilisation of the current imputation tax credit balance.

## **12.2 Valuation of the Proposed Transaction Consideration**

If the Proposed Transaction is approved and implemented, Exiting Shareholders will receive the Proposed Transaction Consideration, being approximately 1.04 EAGF units for each EAI share they hold.

We have assessed the value of the Proposed Transaction Consideration to be in the range of \$0.835 to \$0.925 per EAI share.

In assessing the Proposed Transaction Consideration, we have determined the value of EAGF post implementation of the Proposed Transaction and applied the conversion ratio to determine the value of the EAGF units received for each EAI share Exiting Shareholders currently hold. No discount has been applied to reflect the minority nature of the consideration received by Exiting Shareholders as the expectation is that the ETMF structure of EAGF post implementation of the Proposed Transaction will allow Exiting Shareholders to be able to realise their investment at the underlying NAV (less the buy/sell spread). Accordingly, we have determined the value of the Proposed Transaction Consideration by applying a consistent net asset methodology to that adopted for the valuation of an EAI share.

Our valuation is summarised below.

**Table 18: Valuation of Proposed Transaction Consideration**

<b>Value of Proposed Transaction Consideration</b>				
<b>\$'000</b>	<b>Notes</b>	<b>Jan-23</b>	<b>Low value</b>	<b>High value</b>
EAGF - existing NAV		9,171	8,748	9,594
EAGF - existing units on issue (#)			10,814,015	10,814,015
NAV per EAGF unit (\$)	A		0.809	0.887
EAI Assets	1		103,624	114,820
EAI - Exiting Shareholders' shares (#)			124,168,060	124,168,060
EAI Assets per share held by Exiting Shareholders (\$)	B		0.835	0.925
Conversion ratio (x)	=B/A		1.0316	1.0424
New EAGF units issued to Exiting Shareholders (#)			128,092,270	129,427,362
Combined EAGF NAV – post Proposed Transaction			112,373	124,468
Total EAGF units on issue – post Proposed Transaction (#)			138,906,285	140,241,377
NAV per EAGF unit – post Proposed Transaction (\$)			0.809	0.887
Conversion ratio (x)	2		1.0316	1.0424
<b>Value of the Proposed Transaction Consideration per share (\$)</b>			<b>0.835</b>	<b>0.925</b>

Source: Unaudited balance sheet as at 31 January 2023, KPMG Corporate Finance analysis

Note: Numbers may not add up due to rounding.

The factors considered in our assessment of the value of the Proposed Transaction Consideration are set out below.

1. EAI Assets

The EAI Assets to be contributed to the combined EAGF has been assessed at \$103.6 million to \$114.8 million, as set out in the table below.

**Table 19: Value of EAI Assets**

<b>Value of EAI Assets</b>				
<b>\$'000</b>	<b>Notes</b>	<b>Jan-23</b>	<b>Low value</b>	<b>High value</b>
<b>Net tangible assets (post-tax)</b>		<b>117,517</b>	106,964	121,177
Less: costs associated with the Proposed Transaction	1.1		-1,136	-1,136
Less: early termination fee	1.2		-1,203	-1,363
Plus: one year waiver of management fee	1.3		-	855
Less: EAI deferred tax assets	1.4		-	-3,712
Less: Cash Reserve retained by EAI	1.5		-1,000	-1,000
<b>Value of EAI Assets</b>			<b>103,624</b>	<b>114,820</b>

*Source: Unaudited balance sheet as at 31 January 2023, KPMG Corporate Finance analysis*

*Note: Numbers may not add up due to rounding.*

In relation to the calculation of the value of EAI Assets, we note:

1.1. Costs associated with the Proposed Transaction

Transaction costs related to the Proposed Transaction are estimated to be approximately \$1.1 million, which has been deducted to calculate the value of EAI Assets.

1.2. Early termination fee

As outlined in Section 12.1 of this report, due to early termination of the Management Agreement arising from the implementation of the Proposed Transaction, Ellerston Capital will receive an early termination fee of 1.13 percent of the post-tax NTA or approximately \$1.3 million. Accordingly, this has been deducted from the value of EAI Assets.

1.3. One year waiver of management fee

Following the implementation of the Proposed Transaction, Ellerston Capital has agreed that for one year from the implementation date, no management fees will be charged on EAGF units. The estimated value of the management fee waiver amount is approximately \$0.9 million for the EAGF units transferred to Exiting Shareholders. As this is a benefit that will be available to Exiting Shareholders as a result of the Proposed Transaction, we have added this amount to the value of the EAI Assets to form the high end of our value range, recognising that Exiting Shareholders who elect to exit their position in EAGF prior to the end of the one-year waiver period will not receive the full amount of the benefit. The minimum benefit received will be nil for those Exiting Shareholders who exit their position in EAGF on implementation date, which is reflected in the low end of our value range.

1.4. EAI deferred tax assets

As the tax losses will not be available to EAGF post implementation of the Proposed Transaction, the value recognised for the deferred tax assets in EAI has been deducted in calculating the value of EAI Assets.

1.5. Cash Reserve retained by EAI

As outlined in Section 6.2 of this report, EAI will retain sufficient cash to fund any outstanding liabilities not currently reflected on EAI's balance sheet. This Cash Reserve has been deducted in calculating the value of the EAI Assets. The Cash Reserve is expected to be adjusted closer to

the implementation date, and any unused cash will be transferred to EAGF on the implementation date and subsequently affect its NAV.

2. Conversion ratio

As outlined in Section 2.1 of the Shareholder Booklet, the conversion ratio is calculated as the ratio between the value of the EAI Assets per EAI share held by Exiting Shareholders and the NAV per EAGF unit on the implementation date. The conversion ratio of approximately 1.04 is currently calculated based on the NTA of EAI Assets and the NAV of EAGF as at the Valuation Date.

When applying the net asset methodology, the resulting value represents 100 percent of the value of the combined EAGF portfolio and therefore represents a control value. As individual Exiting Shareholders will effectively be receiving a minority interest in EAGF following the implementation of the Proposed Transaction, we are required to consider the value of the consideration on that basis. In doing so, we have taken the following into consideration:

- 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, where the underlying value of the assets of the company cannot otherwise be realised by shareholders
- liquidity in an ETMF is a combination of the liquidity provided by a market maker, appointed by the responsible entity to buy and sell ETMF units on the market at prices reflecting the NAV per unit, and the liquidity available to investors (other than through the market maker) by trading in the secondary market in the same way as other ASX quoted securities. Investors in EAGF will be able to exit their investment in EAGF either by selling their EAGF units on the ASX or by directly making a withdrawal request to the responsible entity for the redemption of their EAGF units. Therefore, the liquidity mechanism in EAGF (as an ETMF) will generally allow Exiting Shareholders to realise their investment at or slightly below the underlying NAV (less a buy/sell spread), which is supported by an average discount to NAV of 0.7 percent from our comparable ETMFs analysis (details refer to Appendix 4 of this report).

On that basis, we consider individual Exiting Shareholders will be able to realise the units in EAGF that form the Proposed Transaction Consideration at close to the NAV value, and therefore no minority interest adjustment is required.





## Appendix 1 – KPMG Corporate Finance Disclosures

### *Qualifications*

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Sean Collins and Jason Hughes. Each has a significant number of years of experience in the provision of corporate finance advice, including specific advice on valuations, merger and acquisitions, as well as preparation of expert reports.

Sean Collins is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. 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.

Jason Hughes is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance.

### *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 Proposed Transaction is fair and reasonable to EAI shareholders as a whole. KPMG Corporate Finance expressly disclaims any liability to any EAI shareholder 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 Shareholder Booklet or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Shareholder Booklet as a whole or other documents prepared in respect of the Proposed Transaction.

Our report makes reference to “KPMG Corporate Finance analysis”. This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

### *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 EAI 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 Shareholder Booklet to be issued to EAI 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.

*Professional standards*

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

## **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 EAI and EAGF
- annual reports for the periods ended 30 June 2021 and 30 June 2022 for EAI and EAGF
- half year result for period ending 31 December 2022 for EAI
- various broker and analyst reports
- various press and media articles
- EAI Shareholder Booklet dated 19 April 2023
- data providers including S&P Capital IQ Pty Ltd, Bloomberg, Refinitiv, Oxford Economics, Economist Intelligence Unit, Aspect Huntley and Connect 4.

Non-public information:

- EAGF Supplemental Deed Poll, dated 30 April 2018
- EAI etf costings
- EAI Management Fee termination calc for Shareholder book Mar23

In addition, we have held discussions with, and obtained information from, the management of EAI.

## Appendix 3 – Overview of valuation methodologies

### *Discounted cash flow*

Under a discounted cash flow (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.

### *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. 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.

#### *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

**Table 20: Comparable LICs**

LIC					
Company	Share price	Pre-tax NTA	Discount	Post-tax NTA	Premium / (discount) to NTA
Fat Prophets Global Contrarian Fund Ltd	0.955	1.058	-9.8%	n/a	n/a
Ironbark Capital Limited	0.485	0.581	-16.5%	n/a	n/a
WCM Global Growth Limited	1.095	1.327	-17.5%	1.287	-14.9%
Platinum Asia Investments Limited	0.965	1.061	-9.1%	1.072	-9.9%
Platinum Capital Limited	1.355	1.561	-13.2%	1.537	-11.8%
Partners Group Global Income Fund	1.490	1.790	-16.8%	n/a	n/a
Mean			-13.8%		-12.2%
Median			-14.9%		-11.8%
Range			-17.5% to -9.1%		-14.9% to -9.9%

Source: S&P Capital IQ, ASX announcements, various IERs, KPMG Corporate Finance analysis

### *Fat Prophets Global Contrarian Fund Ltd*

Fat Prophets Global Contrarian Fund Ltd (ASX: FPC) is a closed-ended equity mutual fund launched and managed by Fat Prophets Funds Management Australia Pty. Ltd. The fund invests in public equity markets of across the globe. It seeks to invest in stocks of companies operating across diversified sectors. The fund primarily invests in stocks using contrarian approach. It also invests in exchange traded funds. The fund employs fundamental analysis along with a combination of bottom-up and top-down stock picking approach to create its portfolios. Fat Prophets Global Contrarian Fund Ltd was formed on 19 October 2016 and is domiciled in Australia.

### *Ironbark Capital Limited*

Ironbark Capital Limited (ASX: IBC) is a closed-ended balanced mutual fund launched and advised by Kaplan Funds Management Pty Ltd. The fund invests in the public equity and fixed income markets of Australia. It seeks to invest in stocks of companies operating across diversified sectors. The fund invests in various companies listed on the Australian stock exchanges. The fund benchmarks the performance of its portfolios against the ASX 300 Index. It was formerly known as BT Australian Equity Management Limited. Ironbark Capital Limited was formed in March 1987 and is domiciled in Australia.

### *WCM Global Growth Limited*

Contango Global Growth Limited (ASX: WQG) is an equity mutual fund launched by Contango International Management Pty Ltd. The fund is managed by WCM Investment Management. It invests in public equity markets of emerging countries across the globe. The fund seeks to invest in stocks of companies operating across diversified sectors. It employs fundamental analysis with bottom-up stock picking approach to create its portfolio. The fund seeks to benchmark the performance of its portfolio against the MSCI All Country World Index ex-Australia. Contango Global Growth Limited was formed on 23 June 2017 and is domiciled in Australia.



### *Platinum Asia Investments Limited*

Platinum Asia Investments Limited (ASX: PAI) 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. It invests 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 16 September 2015 and is domiciled in Australia.

### *Platinum Capital Limited*

Platinum Capital Limited (ASX: PMC) is a closed-ended equity mutual fund launched and managed by Platinum Asset Management Limited. It invests in the public equity markets across the globe. The fund invests in stocks of companies operating across diversified sectors. It invests 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 World Net Index. Platinum Capital Limited was founded on 29 June 1994 and is domiciled in Australia.

### *Partners Group Global Income Fund*

Partners Group Global Income Fund (ASX: PGG) is a global private debt portfolio, diversified by issuer, industry and geography managed by Partners Group, a global private markets debt firm. Partners Group Global Income Fund was founded on 4 July 2019 and is domiciled in Australia.

**Table 21: Comparable ETMFs**

ETMF			
Company	Share price	NAV per share	Premium / (discount) to NAV
WCM Quality Global Growth Fund	6.260	6.382	-1.9%
Loftus Peak Global Disruption Fund	2.530	2.580	-1.9%
Montaka Global Long Only Equities Fund	2.690	2.736	-1.7%
Switzer Dividend Growth Fund	2.630	2.625	0.2%
Intelligent Investor Australian Equity Growth Fund	3.090	3.094	-0.1%
Airlie Australian Share Fund	3.560	3.547	0.4%
Intelligent Investor Australian Equity Income Fund	3.050	3.064	-0.5%
K2 Australian Small Cap Fund	2.400	2.410	-0.4%
Monash Absolute Active Trust	0.905	0.906	-0.1%
Mean			-0.7%
Median			-0.4%
Range			-1.9% to -0.4%

Source: S&P Capital IQ, ASX announcements, KPMG corporate Finance analysis

#### *WCM Quality Global Growth Fund*

The WCM Quality Global Growth Fund (ASX: WCMQ) is an exchange traded managed fund investing in global equities. The fund provides investors with access to an actively managed portfolio of quality global companies found primarily in the high growth consumer, technology and healthcare sectors. The portfolio is managed by WCM Investment Management, LLC, a California-based specialist global equity firm with an outstanding long-term investment track record. WCM Quality Global Growth Fund was inception on 31 March 2008.

#### *Loftus Peak Global Disruption Fund*

Loftus Peak Global Disruption Fund (ASX: LPGD) is an equity mutual fund launched by Equity Trustees Ltd. The fund is managed by Intrinsic Value Investments Limited. It invests in public equity markets across the globe. The fund invests in stocks of companies operating across diversified sectors. It primarily invests in exchange traded funds such as Optimised Portfolios as Listed Securities which track the MSCI equity indices in 22 possible markets. The fund benchmarks the performance of its portfolio against MSCI World Index. Loftus Peak Global Disruption Fund was formed on 12 April 2002 and is domiciled in Australia.

#### *Montaka Global Long Only Equities Fund*

Montaka Global Long Only Equities Fund (ASX: MOGL) is highly focussed on investing in long-term winners in attractive transforming markets when they are undervalued and offer outsized return potential. The fund is highly focussed on investing in long-term winners in attractive transforming markets when they are undervalued and offer outsized return potential. The fund aims to outperform the Index, net of fees, over the long-term. Investors can invest and redeem daily at net asset value plus/minus a small. Montaka Global Long Only Equities Fund was inception in July 2015.



### *Switzer Dividend Growth Fund*

Switzer Dividend Growth Fund (ASX: SWTZ) is an income-focused exchange-traded managed fund with a mix of yield and quality companies. The objective of the fund is to generate an above-market yield while maximising franking where possible and deliver capital growth over the long term. The fund is characterised by a strong and diverse portfolio of companies that exhibit good cash flows and strong business models. The fund is managed by Blackmore Capital, an asset management firm focusing on 'long only' Australian equities within the S&P/ASX 300.

### *Intelligent Investor Australian Equity Growth Fund*

Intelligent Investor Australian Equity Growth Fund (ASX: IIGF) is an Exchange Traded Fund. The fund primarily invests in the securities of companies listed on the Australian Securities Exchange. The primary objective of the fund is to invest in a portfolio of high quality, undervalued listed Australian stocks with superior financial metrics and competitive advantage to outperform the S&P / ASX 200 Accumulation index. The fund's portfolio comprises 10 to 35 securities at any one time but will also have some exposure to cash.

### *Airlie Australian Share Fund (Magellan Asset Management Limited)*

Airlie Australian Share Fund (ASX: AASF) is an active bottom up investor that aims to build a concentrated portfolio of Australian equities. Airlie has an active investment style that aims to deliver attractive long-term capital growth and regular income to its investors. Founded in 2012 by industry veteran John Sevier and headquartered in Sydney, Airlie manages Australian equities for institutional and retail clients. Magellan Asset Management purchased Airlie in early 2018, providing retail investors exclusive access to Airlie's investment expertise for the first time.

### *Intelligent Investor Australian Equity Income Fund*

Intelligent Investor Australian Equity Income Fund (ASX: INIF, formerly Investsmart Australian Equity Income Fund) is an Exchange Traded Fund. The fund primarily invests in the securities of companies listed on the Australian Securities Exchange. The fund's portfolio will comprise 10 to 35 shares at any one time but will also have some exposure to cash. Intelligent Investor Australian Equity Income Fund floated on the ASX on 19 June 2018.

### *K2 Australian Small Cap Fund*

K2 Australian Small Cap Fund (ASX: KSM) is an equity mutual fund launched and managed by K2 Asset Management Ltd. It invests in public equity markets of Australia and New Zealand. It invests in stocks of companies operating across diversified sectors. The fund invests in value stocks of small-cap and mid-cap companies. K2 Australian Small Cap Fund was formed on 1 December 2013 and is domiciled in Australia.

### *Monash Absolute Active Trust*

Monash Absolute Active Trust (ASX: MAAT) is an Australian registered managed investment scheme. The fund aims to deliver double digit returns while limiting loss of capital over a full market cycle. The fund is long biased long/short fund that invests in a diversified portfolio of Australian listed equities.

## Appendix 5 – Comparable transactions

**Table 22: comparable transactions**

Transactions					
Announcement date	Target	Post-tax NTA	Offer Price	Control premium	Premium/ (discount) to post-tax NTA
13-Oct-22	WCM Global Long Short Limited	0.609	0.641	1.7%	-2.6%
14-Jun-22	Absolute Equity Performance Fund Limited	1.000	0.935	14.0%	-6.5%
14-Sep-21	PM Capital Asian Opportunities Fund Limited	1.095	1.105	16.3%	0.9%
29-Jun-21	Templeton Global Growth Fund Limited	1.554	1.655	9.5%	6.5%
17-Feb-20	Ellerston Global Investment Limited	0.988	0.962	10.6%	-2.6%
Mean				10.4%	-0.9%
Median				10.6%	-2.6%
Range				1.7% to 16.3%	-6.5% to 6.5%

Source: S&P Capital IQ, various IER documents, Media articles, ASX announcements, KPMG Corporate Finance analysis

### *Restructure of WCM Global Long Short Limited*

WCM Global Long Short Limited (ASX: WLS) announced on 13 October 2022 that it intends to exchange its interest in WLS for units of the WCM Quality Global Growth Fund (ASX: WCMQ), which is an exchange-traded managed fund. WLS is a publicly traded investment company formerly known as Contango Income Generator Limited. It was floated in 2015 with the objective of providing shareholders with a sustainable income stream of dividends and capital growth over time. As a result of the restructuring, WLS became a wholly owned subsidiary of WCMQ, and it was delisted from the ASX following the implementation of the restructure.

### *Absolute Equity Performance Fund Limited is acquired by WAM Leaders Limited*

On 7 March 2022, Absolute Equity Performance Fund Limited (ASX: AEG), an equity mutual fund employing fundamental analysis and using fundamental research to select securities and generate returns in the Australian public equity markets, was reportedly seeking buyers. Terms of the deal were not disclosed. WAM Leaders Limited (ASX: WLE), a closed-ended equity mutual fund investing in Australian equity and fixed income markets, announced the acquisition of AEG on 14 June 2022. As part of the Scheme, AEG shareholders will receive new shares of WLE (Scrip Consideration) in exchange for their shares of AEG. On 4 October 2022, the transaction was completed.

### *PM Capital Asian Opportunities Fund Limited is acquired by PM Capital Global Opportunities Fund Limited*

An Australian closed-end investment fund, PM Capital Global Opportunities Fund Limited (ASX: PGF), entered into a Scheme Implementation Deed on 14 September 2021 for the acquisition of 80.07% of PM Capital Asian Opportunities Fund Limited (ASX: PAF), a local investor in Asian securities. As of 4 November 2021, the board recommended that shareholders approve WAM Capital's increased offer for PAF.



*Templeton Global Growth Fund Limited is acquired by WAM Global Limited*

For a consideration of \$258.4 million, WAM Global Limited (ASX: WGB) announced on 29 June 2021 that it will acquire 85.82% of Templeton Global Growth Fund Limited (ASX: TGG), an ASX-listed company headquartered in Australia that invests primarily in equity securities listed on the world's stock exchanges. Shareholders of TGG were provided with the option to receive Scrip Consideration, which is WGB shares, or an option to receive cash consideration. The transaction aims to increase the realised value for the shareholders, enhance the operation of both companies, and increase the combined company's net assets.

*Restructure of Ellerston Global Investments Limited*

Ellerston Global Investments Limited (ASX: EGI) announced on 7 November 2019 that it intends to convert EGI into a trust structure. Subsequently on 17 February 2020, EGI announced it had entered into a Scheme Implementation Deed with the investment manager, Ellerston Capital Limited, to give effect to the previously advised restructure. According to the proposed restructure, EGI shareholders will exchange their EGI shares for a new class of Ellerston Global Mid Small Cap Fund units on a one-to-one basis.

## Appendix 6 – Glossary

Abbreviation	Descriptions
<b>\$</b>	Australian dollars
<b>ASIC</b>	Australian Securities and Investments Commission
<b>EAI Assets</b>	all of EAI assets that comprise assets permitted under ASX Operating Rule 10A.3.3
<b>ASX</b>	Australian Securities Exchange
<b>Cash Reserve</b>	cash retained within EAI for any outstanding liabilities post the Proposed Transaction
<b>Company</b>	Ellerston Asian Investments Limited
<b>DCF</b>	Discounted cash flow
<b>EAGF</b>	Ellerston Asia Growth Fund
<b>EAI</b>	Ellerston Asian Investments Limited
<b>EAI Board</b>	the board of EAI
<b>Ellerston Capital</b>	Ellerston Capital Limited
<b>ESG</b>	Environmental, social, and governance
<b>ETMF</b>	Exchange traded managed fund
<b>Foreign Shareholders</b>	EAI shareholders whose address is a place outside of Australia (and its external territories)
<b>Ineligible Units</b>	EAGF units that Foreign Shareholders would otherwise be entitled to, or fractional EAGF units that certain EAI shareholders would otherwise be entitled to
<b>Manager</b>	Ellerston Capital Limited
<b>MER</b>	Management expense ratio
<b>NTA</b>	Net assets value
<b>NTA</b>	Net tangible assets
<b>Proposed Transaction</b>	Proposed restructure of the Company by way of transfer of the EAI Assets to EAGF followed by the conversion of EAGF to a dual-structure ETMF on the ASX AQUA market
<b>RG</b>	Regulatory Guide
<b>the Act</b>	Corporations Act 2001 (Cth)
<b>TID</b>	Transaction Implementation Deed
<b>Valuation Date</b>	31 January 2023
<b>WACC</b>	Weighted average cost of capital



## **Part Two – Financial Services Guide**

## PART TWO – FINANCIAL SERVICES GUIDE

Dated: October 2022

### 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 (**KPMG FAS**) ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**). Sean Collins is an authorised representative of KPMG FAS, authorised representative number 404189 and Jason Hughes is an authorised representative of KPMG FAS, authorised representative number 404183 (**Authorised Representative**).

This FSG includes information about:

- KPMG FAS and its Authorised Representative/s and how they can be contacted;
- The services KPMG FAS and its Authorised Representative/s are authorised to provide;
- How KPMG FAS and its Authorised Representative/s are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representative/s;
- 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 FAS has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG FAS. This FSG forms part of an Independent Expert 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 FAS and the Authorised Representative are authorised to provide:

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

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG FAS to provide financial product advice on KPMG FAS's behalf.

#### KPMG FAS and the Authorised Representative's responsibility to you

KPMG FAS has been engaged by Ellerston Asian Investments Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Shareholder Booklet (**Document**) prepared by the Client in relation to the proposed restructure in which the shares held in Ellerston Asian Investments Limited will be exchanged for units in a dual-structure exchange traded managed fund, Ellerston Asia Growth Fund (to be renamed Ellerston Asia Growth Fund) (**Transaction**).

You have not engaged KPMG FAS 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 FAS nor the

Authorised Representative are acting for any person other than the Client.

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

#### Fees KPMG FAS may receive and remuneration or other benefits received by our representatives

KPMG FAS 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 FAS \$95,000 for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). KPMG FAS's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses

and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

#### **Referrals**

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

#### **Associations and relationships**

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

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

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

#### **Complaints resolution**

##### Internal complaints resolution process

If you have a complaint, please let either KPMG FAS or the Authorised Representative know. Complaints can be sent in writing to:

The Complaints Officer  
KPMG FAS  
GPO Box 2291U  
Melbourne, VIC 3000  
or [via email \(AU-FM-AFSL-COMPLAINT@kpmg.com.au\)](mailto:AU-FM-AFSL-COMPLAINT@kpmg.com.au).

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (03) 9288 5555 and they will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

##### External complaints resolution process

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.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 FAS has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001* (Cth).

#### **Contact Details**

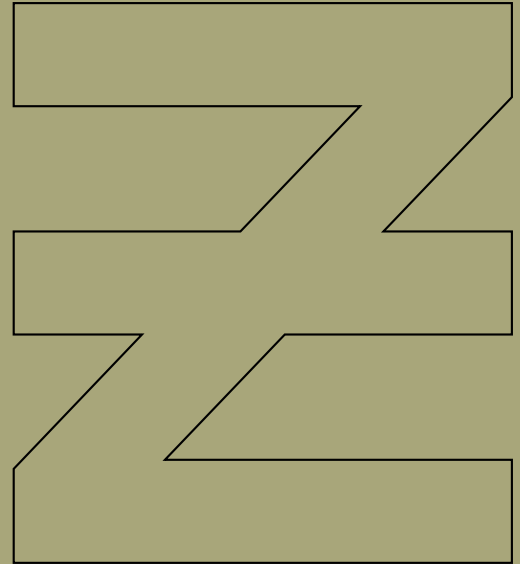
You may contact KPMG FAS using the below contact details:

KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)  
Level 38, International Towers Three  
300 Barangaroo Avenue  
Sydney NSW 2000

PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7621  
Facsimile: (02) 9335 7001

**ANNEXURE B EAGF PDS**





# Ellerston Asia Growth Fund (Hedge Fund)

## Product Disclosure Statement

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**Responsible Entity contact details:**

Address: Ellerston Capital Limited  
Level 11  
179 Elizabeth Street  
Sydney NSW 2000  
T: +61 2 9021 7701  
W: [www.ellerstoncapital.com](http://www.ellerstoncapital.com)

**Unit Registry contact details:**

Address: Ellerston Capital Limited Unit Registry  
C/O Automic Group  
GPO Box 5193 Sydney NSW 2001  
T: 1300 101 595 (or +61 2 9068 1928  
from outside Australia)  
E: [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au)

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## Important notices and disclaimer

### About this document

Ellerston Capital Limited ABN 34 110 397 674 AFS Licence No. 283 000 (**Ellerston Capital, the Responsible Entity** or the **Investment Manager**) is the responsible entity of the Ellerston Asia Growth Fund (Hedge Fund) ARSN 626 690 686 (**Fund**). The Responsible Entity has issued this PDS and is responsible for its contents.

A copy of this PDS was lodged with ASIC on 19 April 2023. No responsibility as to the contents of this PDS is taken by ASIC or ASX.

An application was made to the ASX for Units to be quoted under the AQUA Rules (ASX code: **EAF**).

As at the date of this PDS, Units are yet to be admitted to trading status and quoted on the ASX under the AQUA Rules. No applications for Units will be accepted until the exposure period has expired and Units are quoted on the ASX. The exposure period expires 7 days after the date of this PDS, being the date it was lodged with ASIC, subject to possible extension by ASIC for a further 7 days. No representation is made concerning the Fund's quotation on the ASX under the AQUA Rules.

For clarity, all references in this PDS to "ASX" are references to ASX Limited ABN 98 008 624 691 only.

The Fund is an Australian registered managed investment scheme and unit trust, in which investment money from Investors is pooled. Units are issued by the Responsible Entity on the terms and conditions described in this PDS. By becoming an investor in the Fund (**Investor**), you agree to be bound by the terms of this PDS and the Constitution.

Ellerston Capital is also the Investment Manager for the Fund. Ellerston Capital has not engaged an external party to provide investment management services for the Fund.

Except as, and to the extent, required by law, Ellerston Capital and its respective employees, agents and officers do not guarantee the success or investment performance of the Fund, repayment of capital, payment of any income or return on investment or price at which Units may trade.

An investment in the Fund is subject to investment risk, which may include possible delays in repayment and loss of capital. Investors do not have any cooling-off rights. For more information on the risks associated with an investment in the Fund, please see section 8 (*Risks of investing in the Fund*).

You should not base your investment decision solely on the information in this PDS. You should obtain professional financial advice tailored to your personal circumstances and consider the suitability of the Fund in view of your own financial position, investment objectives and needs before making an investment decision. You should also carefully consider the Target Market Determination (**TMD**) for the Fund before making an investment decision. The TMD includes a description of who the Fund is appropriate for. A copy of the TMD is available at: <https://ellerstoncapital.com/ddoreporting/>.

All monetary amounts in this PDS are in Australian dollars. All fees are inclusive of goods and services tax (**GST**) and take into account reduced input tax credits (**RITC**) if applicable.

Information in this PDS is subject to change from time to time. To the extent that a change is not materially adverse to Investors, the Responsible Entity will make the information available to investors and prospective investors by posting a notice of the change on the Fund's website at <https://ellerstoncapital.com/funds/asia-growth-fund/>. If a change is considered materially adverse, the Responsible Entity will issue a new PDS or supplementary PDS and will also make an announcement through the ASX announcements platform and on the Responsible Entity's website. A paper copy of any updated information will be provided free of charge on request. Please check the Responsible Entity's website for any updates prior to investing.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

### Disclaimers

The information in this PDS is general information only and does not take into account your investment objectives, financial situation or particular needs. You should read all of this PDS and the TMD and seek independent professional investment and taxation advice before making an investment decision.

This PDS does not constitute an offer in any jurisdiction other than Australia or to anyone whom it would not be lawful to make such an offer.

Capitalised terms have the meanings given to them in the Glossary (refer to section 15).

# 1. Key features of the Fund

This section summarises some of the key features of the Fund. This summary is not intended to be exhaustive. You should refer to the relevant cross-referenced sections below and read all of this PDS before making any investment decision.

Key Fund information		Section
<b>Fund Name</b>	Ellerston Asia Growth Fund (Hedge Fund)	
<b>ARSN</b>	626 690 686	
<b>ASX code</b>	EAF	
<b>Responsible Entity and Investment Manager</b>	Ellerston Capital Limited, ABN 34 110 397 674, AFS Licence No. 283 000	<b>Section 4</b>
<b>About the Fund</b>	<p>The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund's Units are to be quoted under the ASX's AQUA Rules.</p> <p>The Fund's investment strategy is to provide access to a high quality portfolio of Asian Companies using the Responsible Entity's distinctive high conviction and benchmark-independent investment approach. The strategy leverages Ellerston's broader experience investing in global markets to identify companies with superior growth characteristics, sustainable earnings and quality management.</p> <p>The Responsible Entity identifies those Asian Companies by filtering the investment universe to identify those that are likely to offer an attractive risk/reward profile. These Asian Companies are assessed in detail through disciplined, 'bottom up' Fundamental analysis. A unique, proprietary and multi-step approach to ESG is embedded throughout the investment process.</p> <p>These Asian Companies are also evaluated against a comprehensive macroeconomic framework that helps the Responsible Entity identify the market drivers of each country, region and Asia as a whole. The Responsible Entity also evaluates how Asian Companies will be impacted by a set of structural, long-term themes.</p> <p>To achieve its investment strategy the Fund will primarily invest in listed equities and derivatives, but it also may use OTC Derivatives to gain exposure to some listed equity holdings. The Fund will also hold cash and will invest into foreign exchange spot and forward contracts for risk management purposes.</p>	<b>Section 6</b>
<b>Investment objective</b>	The investment objective of the Fund is to outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.	<b>Sections 2 and 6</b>
<b>NAV and iNav</b>	<p>State Street Australia Limited as the Fund's Administrator calculates the Fund's NAV per Unit each Business Day based on the Market Price of the Fund's investments.</p> <p>The Responsible Entity will also publish an iNAV per Unit throughout each ASX Trading Day, calculated using updated Market Prices for the investments held by the Fund.</p> <p>The NAV and iNAV are published on the Fund's website at <a href="https://ellerstoncapital.com/funds/asia-growth-fund/">https://ellerstoncapital.com/funds/asia-growth-fund/</a>.</p>	<b>Section 6</b>
<b>Investment horizon</b>	Investors should have a minimum investment horizon of five years.	<b>Section 6</b>
<b>Distributions</b>	Half yearly each 30 June and 31 December where the Fund has distributable income.	<b>Section 6</b>
<b>Choice of transacting on-market or directly with the Unit Registry</b>	<p>Investors have the flexibility of choosing whether to transact on-market or directly with the Unit Registry. Investors can buy and sell Units:</p> <ul style="list-style-type: none"><li>• on-market through a stockbroker or trading platform; or</li><li>• directly with the Unit Registry (as the Responsible Entity's agent) by lodging an Application Form or a Withdrawal Form.</li></ul> <p>The method by which you acquire Units does not limit the method by which you can dispose of Units. If you buy Units on the ASX you can sell those Units on the ASX or lodge a Withdrawal Form directly with the Unit Registry. If you apply for Units directly to the Unit Registry you can sell those Units on the ASX or lodge a Withdrawal Form directly with the Unit Registry.</p> <p>Your Units will be recorded on the issuer sponsored sub-register if you apply directly to the Unit Registry. Your Units must be recorded on the issuer-sponsored sub-register if you want to withdraw via the Unit Registry.</p>	<b>Section 3</b>

<b>ASX liquidity</b>	The Responsible Entity, on behalf of the Fund, seeks to facilitate an orderly and liquid market for Units on the ASX. The Responsible Entity has appointed Nine Mile Financial Pty Limited to maintain continuous liquidity to the market by acting as a buyer and seller of Units in the AQUA Market.	<b>Section 6</b>
<b>Differences between transacting on-market or directly with the Unit Registry</b>	<p>There are differences between buying and selling Units on-market on the ASX and applying for Units or making a withdrawal request directly to the Unit Registry. These differences include the Unit price applicable to an Investor on acquiring, or disposing of, Units, and the minimum investment amount that applies.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>• an Investor who withdraws Units directly by giving the Unit Registry a Withdrawal Form, is likely to receive a different price for their Units compared to an Investor who sells their Units on the ASX at the same time. The differences in prices received by Investors may result in a different return from an investment in the Fund. Please refer to section 3;</li> <li>• an Application Form is not required to be completed by Investors who buy Units on the ASX;</li> <li>• a Withdrawal Form is not required to be completed by Investors who sell Units on the ASX; and</li> <li>• on-market purchases and sales will be settled through the CHESSE settlement service.</li> </ul> <p>Please refer to sections 10 and 11 for a detailed explanation of investing in, and withdrawing from, the Fund.</p>	<b>Section 3</b>
<b>Off-market Unit applications made directly to the Unit Registry</b>	<p>Investors can invest in the Fund by applying for Units by completing the Application Form that accompanies this PDS or completing an Application Form online at <a href="https://apply.automic.com.au/EASGF">https://apply.automic.com.au/EASGF</a>.</p> <p>An application will generally be accepted if you provide a correctly completed Application Form, identification documents (if applicable) and cleared application money on or before 2:00pm (Sydney time) on a Business Day. Otherwise, if those requirements are satisfied after 2:00pm (Sydney time) on a Business Day your application will generally be processed on the next Business Day. Incomplete applications will be processed once we have received correct documentation and application monies. You will generally receive the Application Price calculated for the Business Day on which your application is accepted.</p>	<b>Section 3</b>
<b>Off-market Unit redemptions made directly to the Unit Registry</b>	<p>Investors can withdraw from the Fund by completing the Withdrawal Form available online at <a href="https://ellerstoncapital.com/documents-and-forms/">https://ellerstoncapital.com/documents-and-forms/</a> and giving it to the Unit Registry.</p> <p>A withdrawal request will generally be accepted if you provide a correctly completed Withdrawal Form on or before 2:00pm (Sydney time) on a Business Day. Otherwise, if those requirements are satisfied after 2:00pm (Sydney time) on a Business Day your request will generally be processed on the next Business Day. Incomplete applications will be processed once we have received correct documentation. You will generally receive your withdrawal proceeds within five Business Days, however, the Constitution provides that it may take up to 21 days from the relevant transaction day until you receive your redemption proceeds.</p>	<b>Section 3</b>
<b>Cooling-off rights</b>	Cooling-off rights do not apply to an investment in Units regardless of whether Investors acquire Units on the ASX or directly from the Unit Registry.	<b>Section 3</b>
<b>Fees and other costs</b>	<p>The Responsible Entity is entitled to a management fee of 0.75% per annum of the NAV (GST inclusive). The Responsible Entity is waiving the management fee for the first year following quotation of Units on the AQUA Market.</p> <p>The Responsible Entity may be entitled to a performance fee. Please refer to section 9 for a detailed explanation of fees and costs.</p>	<b>Section 9</b>
<b>Risks</b>	All investments are subject to risk. The significant risks associated with the Fund are described in section 8.	<b>Section 8</b>

## 2. 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. The table below contains a summary of the disclosure principles for the Units.

Disclosure Principles		Section
1. Investment objective and strategy	<p>The investment objective of the Fund is to outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection. There is no guarantee that this objective will be achieved.</p> <p>Ellerston Capital primarily employs a distinctive high conviction and benchmark-independent investment approach. The strategy leverages Ellerston's broader experience investing in global markets to identify companies with superior growth characteristics, sustainable earnings and quality management. Ellerston Capital aims to generate positive returns by investing in the Asian Companies in which there is the highest conviction. Ellerston Capital identifies those Asian Companies by filtering the investment universe to identify those that are likely to offer an attractive risk/reward profile.</p> <p>This "conviction scorecard analysis" comprises a set of progressive hurdles of earnings growth, upside/downside analysis, industry structure, thematic fit, management quality and an ESG screen before undergoing a "deep dive" analysis to build conviction.</p> <p>These Asian Companies are also evaluated against a comprehensive macroeconomic framework that helps the Responsible Entity identify the market drivers of each country, region and Asia as a whole. The Responsible Entity also evaluates how Asian Companies will be impacted by a set of structural, long-term themes.</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 Responsible Entity, macroeconomic risks associated with investing in Asia and currency risk.</p> <p>The Responsible Entity's risk management strategy is set out in Section 6.</p> <p>The Responsible Entity may change the investment objective and strategy to meet current market conditions.</p> <p>Unit holders will be given 30 days' prior notice of any adverse material changes, otherwise these changes will be available on the Responsible Entity's website.</p>	<b>Sections 6 and 8</b>
2. Investment Manager	<p>The responsible entity and investment manager is Ellerston Capital Limited.</p> <p>Fredy Hoh has overall responsibility for the Fund's investment decisions and is supported by a team of investment professionals. Fredy Hoh devotes the majority of his time to the execution of Ellerston Capital's Asian strategy.</p>	<b>Section 4</b>
3. Fund structure	<p>The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund expects to invest directly in its investments. A structure diagram is set out in Section 6.</p> <p>The key service providers are regularly monitored by the Responsible Entity 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>	<b>Sections 5, 6 and 8</b>
4. Valuation, Location and Custody of Assets	<p>The key aspects of the Fund's valuation policy are set out in Section 6.</p> <p>State Street Australia Limited, as the Administrator and Custodian, holds Fund assets. Cash may also be held on deposit with one or more Australian banks.</p>	<b>Section 6</b>
5. Liquidity	<p>The Responsible Entity reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days.</p>	<b>Section 6</b>
6. Leverage	<p>The Fund does not borrow and there is no Leverage on a net basis. The total maximum level of total notional derivatives exposure (when including exchanged traded and OTC Derivatives) is 200%.</p> <p>The anticipated actual level of total notional derivatives exposure (when including exchange traded and OTC Derivatives) is likely to be much lower and as at launch the value of derivatives in the portfolio is likely to be approximately 8% of the NAV of the Fund (gross).</p>	<b>Section 6</b>

7. Derivatives	<p>Derivatives may be used as an alternative way to gain exposure to Asian Companies, to increase/decrease overall portfolio exposure within the prescribed limits, including foreign exchange exposures, or to protect or enhance the total performance of the Fund. Derivatives may have similar effects to Leverage as they increase the level of investible assets.</p> <p>The Fund may utilise any type of Derivative for this purpose, including Futures, exchange traded Options, and forward contracts.</p> <p>The use of Derivatives involves risk including counterparty risk and incurs costs.</p>	<b>Sections 6 and 8</b>
8. Short Selling	The Fund will not utilise Short Selling as part of its investment strategy.	<b>N/A</b>
9. Withdrawals/ Redemptions	<p>Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Unit Registry by 2:00pm (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 11. Unit holders will be notified in writing of any material changes to their redemption rights.</p>	<b>Section 11</b>

## Disclosure benchmarks

The Fund is a hedge fund for the purposes of the Corporations Act because the Responsible Entity is entitled to a performance fee and the Fund uses Derivatives to gain economic exposure to underlying listed Securities. The Responsible Entity is required to disclose against the benchmarks set out below.

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. The Administrator and Custodian have various pricing and valuation policies and procedures which are reviewed by the Responsible Entity periodically. These are consistent with industry standards and result in valuation of non-exchange traded assets being independently verifiable.

In accordance with its documented procedures and policies, the Administrator and Custodian determines the valuation of each asset for each day. The non-exchange traded assets for the Fund will be valued using market data sourced from independent third party vendors, in accordance with industry standards. If information is not available from an independent third party vendor, the Responsible Entity will determine an appropriate alternative method of valuation.

### Benchmark 2: Periodic Reporting

The Fund meets this benchmark.

The Responsible Entity will publish the following information each Business Day on the Responsible Entity's website:

- NAV of the Fund;
- the Application Price and Withdrawal Price of a Unit; and
- the Fund's full portfolio holdings.

The following Fund information will be provided to Unit holders on a monthly basis:

- total NAV and NAV per Unit of the Fund and the redemption value of a Unit of the Fund as at the date the NAV was calculated;
- current funds under management;
- any changes to key service providers including any change in related party status;
- net returns on the Fund assets 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.

In relation to OTC Derivatives of the Fund (excluding those entered into for currency hedging), the following Fund information will also be provided to Investors monthly:

- the aggregate exposure of the Fund to all OTC Derivative counterparties as a percentage of the NAV of the Fund;
- the value of the assets held by the Fund (excluding the value of the OTC Derivatives but including any collateral obtained under the OTC Derivatives) as a percentage of the NAV of the Fund; and
- the swap costs it has incurred or will incur in relation to the OTC Derivatives in the Fund and a breakdown of the collateral under an OTC Derivative held by the Fund by security type, country, sector, currency and credit-rating.

This information will be published as soon as this information becomes available but in any event no later than within 5 Business Days after the end of each month.

The information will be reported in the monthly newsletter which will be available on our website at [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

Annual reporting will include:

- Distribution details;
- Asset allocation to each asset type;
- Liquidity profile;
- Details on Derivative counterparties engaged;
- Monthly or annual investment returns for the Fund; and
- Any changes to key service providers including any change in related party status.

This information will also be available on the Responsible Entity's website.

### 3. Summary comparison – transacting on the ASX or directly with the Unit Registry

As noted above, an Investor that applies for Units directly to the Unit Registry may pay a different price for their Units compared to the price paid by an Investor who buys Units on the ASX at the same time. Similarly, an Investor who gives a Withdrawal Form directly to the Unit Registry is likely to receive a different price for their Units compared to an Investor who sells their Units on the ASX at the same time. **These differences in prices received by Investors may result in a different return from an investment in the Fund.**

The following table sets out key differences between buying and selling Units on-market compared to applying for or withdrawing Units directly with the Unit Registry. This table is a summary only, and you should read this PDS in full before making any decision to invest in the Fund. For more information on buying and selling Units on the ASX see section 10. For more information on how to directly apply for, or directly withdraw from, the Unit Registry, see section 11.

Questions	Buying and selling Units on the ASX	Applying for and withdrawing Units directly from the Unit Registry
<b>How do I make an investment in the Fund?</b>	<p>You can invest in the Fund by purchasing Units on-market through your stockbroker. Trading generally occurs between the hours of 10.00am and 4.00pm on ASX Trading Days.</p> <p>You do not need to complete an Application Form to buy Units on-market. Your purchase of Units will be settled through the CHES settlement service.</p>	<p>To apply for Units directly you must send a correctly completed Application Form and the required supporting identification documentation to our Unit Registry and pay the application money into the Fund's application bank account.</p> <p>If your application is accepted, the Unit Registry will process your application and issue Units to you when we receive this documentation along with your cleared application money.</p> <p>Generally, Units will be issued within 2 Business Days of the clearance of your application money.</p>

Questions	Buying and selling Units on the ASX	Applying for and withdrawing Units directly from the Unit Registry
<b>What is my entry price when I make an investment in the Fund?</b>	<p>Your entry price will be the market price at which you buy Units on the ASX. Investors may also incur brokerage fees and commissions when buying and selling Units on the ASX. Investors should consult their stockbroker for information in relation to their fees and charges.</p> <p>Stockbrokers will provide transaction confirmations for Units bought or sold on the ASX.</p>	<p>Units are acquired directly from the Unit Registry at the Application Price determined in accordance with the Constitution and is generally equal to the NAV divided by the number of Units on issue plus an allowance for the Buy Spread incurred by the Fund. As at the date of this PDS the Buy Spread is 0.25%.</p> <p>Units are issued at the applicable Application Price as at the Business Day on which the application is accepted if before 2.00pm (Sydney time) or otherwise on the next Business Day. The Responsible Entity may issue Units before application money is received as cleared funds but if cleared funds are not received the Units may be cancelled by the Responsible Entity and deemed not to have been issued.</p> <p>The time it takes for application money to clear varies depending on how you transfer the money.</p>
<b>Is there a minimum number of Units I need to purchase?</b>	<p>This will depend upon your stockbroker. It is common for stockbrokers to require that an initial purchase of any particular securities must be for least \$500, known as a "minimum marketable parcel" of securities and to allow further acquisitions provided that no fractions may be acquired. Only whole Units may be bought or sold on the ASX.</p>	<p>The minimum initial investment amount for Investors applying for Units directly to the Unit Registry is \$10,000. Additional investments can be made at any time and there is no minimum amount required: see section 11 for further information.</p> <p>Only whole Units may be bought by Investors applying for Units directly to the Unit Registry.</p>
<b>Do cooling-off rights apply to my purchase of Units?</b>	<p>No. Investors do not have cooling-off rights in respect of Units purchased on the ASX.</p>	<p>No. Investors do not have cooling-off rights in respect of Units purchased directly from the Unit Registry.</p>
<b>How do I withdraw my investment in the Fund?</b>	<p>You may withdraw from the Fund by selling Units on the ASX through your stockbroker, in which case you do not need to complete a Withdrawal Form.</p> <p>The sale of your Units will be settled through the CHESSE settlement service.</p> <p>There may be circumstances in which trading of the Units on the ASX is suspended (see below).</p>	<p>You will need to hold your Units on the issuer sponsored sub-register to make a withdrawal directly with the Unit Registry. You can make a withdrawal request for some or all of your Units by sending a correctly completed Withdrawal Form to the Unit Registry.</p> <p>There may be circumstances in which direct withdrawals are suspended either under the Constitution (for example if there is a general disruption to financial markets) or because the Fund is not a Liquid Scheme. If that occurs you may not be able to withdraw your investment directly from the Unit Registry in the usual period or at All.</p> <p>For further information on making a withdrawal request directly to the Unit Registry, see section 11.</p>
<b>What if trading of Units on the ASX is suspended?</b>	<p>In some circumstances the ASX may suspend the trading of Units (for example if the Responsible Entity fails to comply with the AQUA Rules in relation to the Fund) or trading may be disrupted generally. If so, Investors would not be able to sell their Units on the ASX whilst the suspension or disruption persists.</p>	<p>Even if the trading of Units on the ASX has been suspended or disrupted, Investors may be able to withdraw directly from the Fund by giving the Unit Registry a Withdrawal Form, unless direct withdrawals have been suspended.</p>
<b>What if direct withdrawals are suspended or the Fund ceases to be a Liquid Scheme?</b>	<p>If the Units remain quoted and trading in them is not suspended, then, subject to the AQUA Rules, it may be possible to sell Units on-market even though direct withdrawals from the Fund are not available.</p>	<p>Investors will be unable to seek to withdraw directly from the Fund unless the Responsible Entity makes a special withdrawal offer to all Investors in accordance with the Corporations Act.</p>



Questions	Buying and selling Units on the ASX	Applying for and withdrawing Units directly from the Unit Registry
<b>For what price can I sell my Units in the Fund?</b>	Your sale price will be the Market Price at which you sold your Units on the ASX. You may also have to pay brokerage costs.	The Withdrawal Price you receive will be the NAV per Unit less an allowance for the Sell Spread incurred by the Fund (as at the date of this PDS the allowance was 0.25%). The Withdrawal Price will be calculated as at the Business Day on which the Unit Registry receives your correctly completed Withdrawal Form, provided this is before 2.00pm (Sydney time). If the Withdrawal Form is received on a day that is not a Business Day or after 2.00pm on a Business Day, it will be treated as a request for withdrawal received on the next Business Day and your Withdrawal Price will be calculated as at the next Business Day.
<b>Is there a minimum withdrawal amount for the Fund?</b>	There is no minimum number of Units that Investors can sell on the ASX, provided that only a whole number of Units may be sold (and not any fraction).	There is no minimum number of Units that Investors may withdraw by a request made directly to the Unit Registry.

## 4. About Ellerston Capital

Ellerston Capital Limited (**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, its clients' objectives are its objectives.

Its clients include sovereign wealth, industry and corporate superannuation funds, international funds, family offices and high net worth investors. Ellerston Capital has 20 years' experience in growing and protecting clients' wealth through investing and creating value for clients by identifying outstanding investment ideas and designing portfolios that perform over the long term.

Ellerston Capital holds an Australian Financial Services Licence (number 283 000).

Ellerston Capital has been appointed as the Responsible Entity and the Investment Manager for the Fund.

As the Responsible Entity, Ellerston Capital is bound by the Constitution, the Corporations Act and the AQUA Rules. The Responsible Entity has lodged a compliance plan with ASIC which sets out the key measures which the Responsible Entity applies to comply with the Constitution, the Corporations Act and the AQUA Rules.

The Responsible Entity has the power to delegate certain aspects of its duties.

Investment in the Fund is not a deposit with, or liability of, the Responsible Entity. An investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of Ellerston Capital or their related entities, shareholders, directors or officers guarantees the performance of the Fund, the return of an Investor's capital or any specific rate of return.

### Key Personnel

Fredy Hoh joined Ellerston Capital in April 2017 and has over 17 years of financial markets experience.

Prior to Ellerston Capital, Fredy held Senior Financial Analyst roles with Bank of America Merrill Lynch, Macquarie Capital and E&Y. Fredy is fluent in Mandarin and holds a Masters of Accounting from UNSW and a Bachelor of Economics from the University of Sydney.

There have been no adverse regulatory findings against Mr. Hoh or the Responsible Entity.

More information on Ellerston Capital and the investment team are available via [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

## 5. Key service providers

There are a number of parties, in addition to the Responsible Entity, involved in the operation and administration of the Fund or who otherwise provide services in connection with the Fund.

Key service providers are shown in the table below.

Key service provider (role)	Description	Jurisdiction
<b>Automic Group (Unit Registry)</b>	Automic provides registry services for the Fund. It is responsible for processing Application and Withdrawal Forms given directly to it.	<b>Australia</b>
<b>Nine Mile Financial Pty Limited (Market Marker)</b>	Nine Mile Financial Pty Limited has been appointed to undertake market-making activities for the Fund under a market maker deed entered into between the Responsible Entity and Nine Mile Financial Pty Limited. The role of the market maker is to maintain continuous liquidity to the market by acting as a buyer and seller of Units in the AQUA Market.	<b>Australia</b>
<b>State Street Australia Limited (Administrator and Custodian)</b>	State Street Australia Limited ( <b>Administrator and Custodian</b> ) provides administration and fund accounting services for the Fund's investments. The Administrator also calculates the Fund's NAV.  The Custodian also provides custody services for the Fund's investments, including by taking custody of title documentation and holding Securities as the Responsible Entity's custodian. The Custodian may appoint sub-custodians.	<b>Australia</b>
<b>ICE Data Indices, LLC (ICE Data) (iNAV provider)</b>	The Responsible Entity has appointed ICE Data to provide iNAV calculation services for the Fund.	<b>United States of America</b>
<b>Ernst &amp; Young Sydney (Auditor)</b>	Ernst & Young has been appointed as the independent auditor of the Fund's financial statements and the Fund's Compliance Plan.	<b>Australia</b>

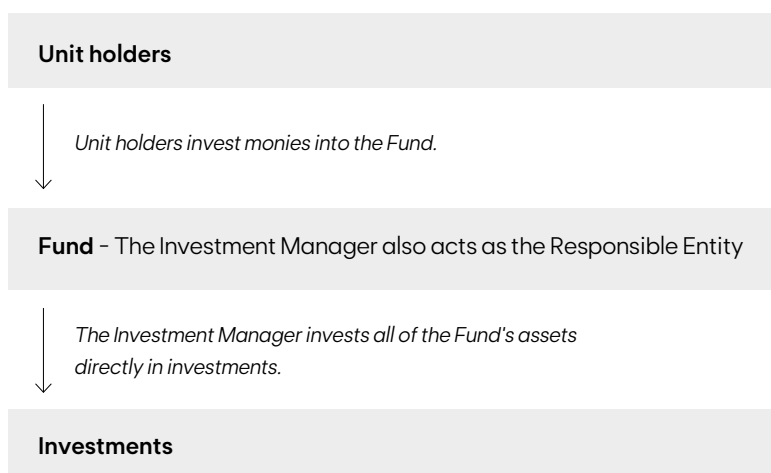
## 6. About the Fund

### Overview

The Fund is an Australian registered managed investment scheme and unit trust, in which investment money from Investors is pooled.

### Investment Structure

The diagram below indicates how the Fund invests in assets:



Each Unit represents an equal share in the net assets of the Fund, however no Investor is entitled to a specific asset or part of a specific asset of the Fund. The rights of Investors are set out in the Constitution and the Corporations Act.

An application was made to the ASX for Units to be quoted under the AQUA Rules (ASX code: **EAF**).

Investors can trade Units on the ASX in the same way as trading other ASX listed securities, subject to liquidity. Investors should note that there are some important differences between the AQUA Rules which will apply to Units and the ASX Listing Rules that apply to other securities quoted on the ASX market. Those differences are outlined in section 14, together with other information regarding the AQUA Rules.

### **Minimum suggested investment horizon**

Five years or more.

### **Investment return objective**

The investment objective of the Fund is to outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection. There is no guarantee that this objective will be achieved.

Investing in the Fund exposes you to certain risks. You should weigh up the potential benefits against the risks of investing (see section 8 (*Risks of investing in the Fund*) for further information).

### **Investment strategy**

The Fund is an Australian registered managed investment scheme, with a portfolio that includes Securities, Derivatives including Exchange Traded Derivatives and OTC Derivatives, and Cash and Cash-Like investments.

Ellerston Capital primarily employs a distinctive high conviction and benchmark-independent investment approach. The strategy leverages Ellerston's broader experience investing in global markets to identify companies with superior growth characteristics, sustainable earnings and quality management. Ellerston Capital aims to generate positive returns by investing in the Asian Companies in which there is the highest conviction. Ellerston Capital identifies those Asian Companies by filtering the investment universe to identify those that are likely to offer an attractive risk/reward profile.

This "conviction scorecard analysis" comprises a set of progressive hurdles of earnings growth, upside/ downside analysis, industry structure, thematic fit, management quality and an ESG screen before undergoing a "deep dive" analysis to build conviction.

These Asian Companies are also evaluated against a comprehensive macroeconomic framework that helps the Responsible Entity identify the market drivers of each country, region and Asia as a whole. The Responsible Entity also evaluates how Asian Companies will be impacted by a set of structural, long-term themes.

The Responsible Entity may change the investment objective and strategy at any time 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](http://www.ellerstoncapital.com). Otherwise Unit holders will be given 30 days' prior notice.

### **Leverage**

The total maximum level of total notional derivatives exposure (when including exchanged traded and OTC Derivatives) is 200%.

The anticipated actual level of total notional derivatives exposure (when including exchange traded and OTC Derivatives) is likely to be much lower and as at launch the value of derivatives in the portfolio is likely to be approximately 8% of NAV of the Fund (gross).

### **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 8 for more detail regarding the risks associated with the above.

### **Derivatives**

The investment strategy involves the use of Derivatives including but not limited to increase/decrease overall portfolio and country exposures, hedge foreign currency exposures or the downside risk for part or all of the Fund's portfolio, and for 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 currency Derivative, including Exchange Traded Derivatives such as Futures and Options and OTC Derivatives, such as swaps and forward contracts.

The Fund may enter OTC positions with International Swaps and Derivatives Association Inc. counterparties. Typically, OTC transactions are swaps, equity basket swaps, or contracts for difference on listed equities and foreign currency positions.

The Responsible Entity will ensure that before entering into the OTC position, the counterparty meets the requirements of the AQUA Rules. The Responsible Entity will monitor and manage the counterparty risk associated with these transactions.

The aggregate exposure of the Fund to all counterparties to OTC Derivative (excluding OTC Derivatives for currency hedging), including assets held by the Fund as collateral under such an OTC Derivative, is managed so that it does not exceed a maximum of 10% of the NAV of the Fund. The assets that the Fund holds as collateral under such an OTC Derivative are cash or assets which are permitted by the AQUA Rules and are consistent with the investment objectives of the Fund.

In respect of OTC Derivatives (other than those entered for currency hedging) the Responsible Entity must disclose on a monthly basis:

- the aggregate exposure of the Fund to all OTC Derivative counterparties as a percentage of the NAV of the Fund;
- the value of the assets held by the Fund (excluding the value of the OTC Derivatives but including any collateral obtained under the OTC Derivatives) as a percentage of the NAV of the Fund; and
- the swap costs it has incurred or will incur in relation to the OTC Derivatives in the Fund and a breakdown of the collateral under an OTC Derivative held by the Fund by security type, country, sector, currency and credit-rating.

This information relating to OTC Derivatives will be available on the Responsible Entity's website at <https://ellerstoncapital.com/funds/asia-growth-fund/> within 5 Business Days after the end of each month.

Where the NAV of the Fund has been reduced to reflect a discount in the value of an OTC Derivative, the Responsible Entity will disclose on its website how such discounting has affected the relevant percentages relating to the aggregate exposure of the Fund to all OTC Derivative counterparties or value of the assets held by the Fund.

The Fund may also occasionally use Exchange Traded Derivatives contracts. Derivatives exchanges create a visible and transparent marketplace for buying and selling Exchange Traded Derivatives. The Exchange Traded Derivatives contracts used by the Fund are standardised and subject to the rules and regulations of the exchange and regulatory authorities in the relevant jurisdictions where the Fund buys assets. The types of Exchange Traded Derivatives used may include equity options, Futures contracts and Options, and foreign currency Futures and swaps.

Where applicable, the Responsible Entity will provide relevant information with respect to derivatives in the monthly updates for the Fund, which will be available at <https://ellerstoncapital.com/funds/asia-growth-fund/>.

Only clearing houses with international capability and strong global reputations will be appointed to clear the Fund's exchange traded Futures and swaps and Options transactions.

Please refer to 'Derivatives risk', and 'Counterparty risk' in Section 8 for more details on the risks associated with the use of derivatives by Fund. Also see "Collateral" above for information regarding the risk of providing collateral.

### **Liquidity**

The Responsible Entity reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days.

### **Key Dependencies**

The key dependency underpinning the investment strategy is the research, analysis, skill and experience of the Responsible Entity. 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 Responsible Entity.

### **Risk management**

The Responsible Entity has a risk management framework in accordance with its AFSL licence conditions. 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 Responsible Entity'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 Responsible Entity will ensure compliance with both the Corporations Act and the Constitution. The Compliance Committee comprises a majority of independent members with appropriate expertise. It monitors the Fund's adherence with the Compliance Plan. The independent members of the Compliance Committee are highly experienced and qualified individuals and are responsible for monitoring all of the Responsible Entity's registered schemes.

The Compliance Plan is audited externally on an annual basis. The Responsible Entity has a compliance team, the head of which reports directly to the Board. The Responsible Entity also segregates the Responsible Entity's staff that make investment decisions from those that are responsible for administering the Fund.

The Responsible Entity 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.

For more details on risks see section 8 (*Risks of investing in the Fund*).

## Valuation

The Administrator calculates the NAV each Business Day as at the close of trading on the previous Business Day. The NAV is calculated as the value of all assets of the Fund less all liabilities of the Fund (including unpaid distributions and accrued but unpaid fees but excluding application money in respect of applications that have not been accepted by the Responsible Entity).

The NAV per Unit is calculated by dividing the NAV by the number of Units on issue. The NAV per Unit is published each Business Day on the Fund's website at <https://ellerstoncapital.com/funds/asia-growth-fund/>, except where the calculation of the NAV of the Fund is suspended (refer Section 11 for further details). It will fluctuate each day as the market value of the Fund's assets rises and falls.

The iNAV Provider calculates an iNAV per Unit throughout each ASX Trading. The iNAV will be updated for securities that have live Market Prices during the ASX Trading Day. No assurance can be given that the iNAV will be published continuously or that it will be up to date or free from error. To the extent permitted by law, neither the Responsible Entity nor the iNAV Provider shall be liable to any person who relies on the iNAV.

The price at which Units trade on the ASX may not reflect either the NAV or the iNAV per Unit. See section 10 (*ASX liquidity*) for more details.

The Responsible Entity 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 Responsible Entity.

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 investments for the Fund will be valued using market data sourced from independent third party vendors. If information is not available from an independent third party vendor, the Responsible Entity will determine an appropriate alternative method of valuation.
- Currencies: Any non-Australian dollar value will be converted into AUD at the rate reasonably determined by the Responsible Entity.

The Responsible Entity 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.

## Market making

The Responsible Entity has appointed Nine Mile Financial Pty Limited to act as its Market Maker with respect to the Fund. The Market Maker's role is to maintain continuous liquidity to the market by acting as a buyer and seller of Units in the AQUA Market.

The Fund's full portfolio holdings will be published on a daily basis on <https://ellerstoncapital.com/funds/asia-growth-fund/> at the same time that the Market Maker is provided with the Fund's full portfolio holdings. The Market Maker uses information such as NAV to determine the price of the Units and places a bid/ask spread around this value before sending these prices to the AQUA Market as bid and ask orders.

We understand the importance of the role of the Market Maker and seek to ensure that any market maker(s) appointed by us:

- have experience in making markets in exchange quoted products and other types of listed securities both in Australia and overseas;
- are trading participants of the AQUA Market or are able to access the AQUA Market through a trading participant and have agreements with the AQUA Market to act as a market maker (if applicable); and
- have the necessary skill and expertise to perform a market making function. A market maker will generally retain for its own account any trading profit and bear any loss generated by its market making activities.

The risks of market making are explained in Section 8.

## Distributions

Generally the Fund will make a cash distribution half yearly where there is distributable income. Distributions can be made more or less frequently at the Responsible Entity's discretion. You can choose to reinvest your distribution into the Fund under the distribution reinvestment plan operated by the Responsible Entity (refer to the *Distribution reinvestment plan* section below) or have it paid directly to your bank account. No fees or transaction costs will be payable in respect of distributions that are reinvested under the distribution reinvestment plan.

When the total Fund distribution for a period has been determined, the distribution amount per Unit is calculated by dividing the total distribution by the number of Units on issue at the distribution date.

We will send you a tax statement after the end of each financial year detailing the amounts attributed to you to assist in the preparation of your tax return.

An attribution of taxable income by the Fund to an Investor generally forms part of an Investor's assessable income and you will be liable to pay tax on that income. At the time of distribution, the value of each Unit will be reduced by the distribution amount. Please refer to Section 12 for details regarding the tax treatment of your investment in the Fund.

The Responsible Entity intends to announce the cash distribution per Unit on the market announcements platform half yearly after 30 June and 31 December.

## Distribution reinvestment plan

The Responsible Entity offers a distribution reinvestment plan in respect of distributions made by the Fund. Investors can elect to have all or part of their cash distribution reinvested as additional Units, subject to the terms and conditions of the Fund's distribution reinvestment plan.

The Responsible Entity will only issue whole Units under the distribution reinvestment plan and will not issue fractional Units. Investors who opt-in for the Fund's distribution reinvestment plan will have their distributions applied to acquire whole Units and the Registrar will record each investor's entitlement to any unused balance of any distribution. That balance will be applied for the benefit of those investors towards the acquisition of whole Units in subsequent periods of distribution reinvestment.

Identification documentation may be needed before Units are issued following a conversion of a Unit holding from a CHESS to an SRN holding on the issuer sponsored sub-register or before an Investor is permitted to participate in distribution reinvestment.

Information about the Fund's distribution reinvestment plan will be made available on the Fund's website at <https://ellerstoncapital.com/funds/asia-growth-fund/> shortly following commencement of trading of the Units on the ASX. The distribution reinvestment plan may be subject to change from time to time.

## Regular reporting

The Responsible Entity provides periodic reports on certain key information relating to the Fund on a monthly and annual basis, as set out in Section 2 under "Benchmark 2: Periodic Reporting".

Additionally, audited financial statements of the Fund are issued annually for each year and reviewed financial statements for each half year, ending 30 June and 31 December respectively. They will be prepared in accordance with accounting standards applicable to general financial statements in Australia to the extent that the Fund is required to comply with those standards by the Corporations Act or under the Constitution. The audited financial statements are made available to Investors online at <https://ellerstoncapital.com/funds/asia-growth-fund/>.

Investors buying or selling Units on the ASX will receive transaction confirmations from the stockbroker.

## Labour standards, environmental, social and ethical considerations

The Responsible Entity integrates consideration of labour standards or social, environmental or ethical considerations through a unique, proprietary and multi-step approach to ESG embedded throughout the investment process in the selection, retention or realisation of investments.

Significant harm sectors include:

- Development and production of controversial weapons including nuclear-weapons; and
- Production of tobacco, manufacture of nicotine alternatives and tobacco-based products.

Other negatively screened sectors are nuclear energy, coal, palm oil production, gambling and pornography.

A 0% revenue threshold is used for significant harm sectors and a 5% revenue threshold is used for the other negatively screened sectors. 'Revenue' in this context refers to the gross revenue as reported by an investee company in its audited financial statements. If the Responsible Entity determines that an investment has been made which breaches these thresholds, the Responsible Entity will take steps to dispose of or reduce that investment in an orderly manner.

Such issues may affect the financial performance of an investment and any such financial effect would influence the Fund's investments. Ellerston Capital's Responsible Investment Policy is available on its website (<https://ellerstoncapital.com/about/>) and provides further details of the Fund's approach to responsible investment.

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## 7. Benefits of investing in the Fund

Investing in the Fund offers a range of benefits, including:

### **Market access:**

- The Fund provides exposure to primarily large cap Asian Companies using the Responsible Entity's distinctive high growth, high conviction and benchmark-independent investment approach;
- The strategy leverages Ellerston Capital's broader experience investing in global markets to identify companies with superior growth characteristics, sustainable earnings and quality management; and
- Investors will have access to an investment strategy that would ordinarily be difficult for individual investors to employ.

### **Responsible Entity's expertise:**

- Ellerston Capital has been successfully using its trading strategies since its establishment (although past performance is not an indicator of future performance); and
- it employs highly experienced investment management professionals with deep expertise investing in Asia.

### **Independent oversight:**

- Ellerston Capital is an experienced provider of financial services;
- it conducts annual reviews of service providers; and
- as required by law, the Fund will be subject to annual independent financial and compliance audits.

### **Liquidity with ASX trading and CHESS settlement:**

- Investors can trade the Units on the AQUA Market and benefit from CHESS settlement and reporting; and
- the Responsible Entity has appointed the Market Maker to undertake market making activities to facilitate an orderly and liquid market in Units.

### **Well-resourced and professional service providers:**

- Administrator and Custodian – State Street Australia Limited;
- Market Maker – Nine Mile Financial Pty Limited; and
- Unit Registry – Automic Group.

### **Distributions:**

- Generally distributions of income will be made to investors half yearly each 30 June and 31 December where there is distributable income.

## 8. Risks of investing in the Fund

All investments carry some level of risk including possible delays in repayment and loss of income and principal invested. In investment terms, risk is the variability of returns over time and the potential loss of capital. Risk means it is not possible to predict the returns that an investment will achieve. Investment returns are not guaranteed and past performance is not an indicator of future performance.

Generally, the higher expected return of an investment, the higher the expected risk. Traditionally, quoted shares have generally been considered to be more volatile (will experience greater fluctuations in value) than fixed income, while fixed income has generally been more volatile than cash.

However, higher risk asset sectors such as shares have historically produced higher long term returns than fixed income.

The value of your investment will rise and fall in line with the changing value of the underlying investments. The table does not purport to cover or explain all the risks of investing in the Fund. Each investor has their own particular investment objectives, financial situation and particular needs. You should consult with your financial adviser before investing and from time to time, to ensure your investment is, and remains, appropriate to your needs.

The following table outlines the key risks of investing in the Fund:

Type of risk	Risk explained
<b>AQUA Market risk</b>	The liquidity of trading in the Units on the AQUA Market could be limited, which may impact an investor's ability to buy or sell Units. Investors will not be able to buy or sell Units during any period that ASX suspends trading of the Fund's Units. It is also possible that the price at which Units trade on the AQUA Market is materially different to the NAV per Unit or iNAV.
<b>Market making risk</b>	<p>Under the AQUA Rules, the Responsible Entity has an obligation to facilitate an orderly and liquid market in the Fund's Units and has appointed a Market Maker to assist it in doing so.</p> <p>While the Responsible Entity will monitor the Market Maker's ability to maintain continuous liquidity in the market, there is no guarantee of liquidity, particularly if there is a failure by the Market Maker to make a market.</p>
<b>iNAV risk</b>	The iNAV is indicative only and may not accurately reflect the true value of the underlying assets of the Fund. The price at which the Units on the AQUA Market may also not reflect accurately the NAV of each Unit. The adoption of a robust pricing methodology for the iNAV is intended to minimise this differential, as is the role of the Market Maker, but will not be able to eliminate it entirely. The market price and iNAV price may also deviate because the market price of the Units is a function of supply and demand amongst investors wishing to buy and sell such units and the bid offer spread the Market Maker is willing to quote for those units.
<b>Differences in entry and exit prices</b>	<p>Investors may have different entry and exit prices depending on whether they transact on the ASX or make an application or withdrawal request directly to the Responsible Entity.</p> <p>The Market Price of a Unit traded on the ASX is determined in the secondary market by market participants. The difference, or spread, from the prevailing iNAV may represent a cost, or possible benefit, of an investment in the Fund. Where Units are bought and sold on the ASX, the price at which an investor buys or sells Units will generally include an allowance to cover transaction costs but will also reflect market conditions and supply and demand for Units during the ASX Trading Day. As such, the cost of the spread on the ASX may be different to the Buy Spread/Sell Spread taken into account for Investors who apply for, or withdraw, Units directly with the Responsible Entity.</p>
<b>Market risk</b>	Certain events may have a general negative effect on the price of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment, the causes of which may include changes in governments or government policies, political unrest, wars, terrorism, pandemics and natural, nuclear and environmental disasters. The duration and potential impacts of such events can be highly unpredictable, which may give rise to increased and/or prolonged market volatility and changes in the value of investment markets can affect the value of the investments in the Fund.
<b>Termination of the Fund or cessation of Unit quotation by ASX</b>	To allow for continued quotation of Securities under the AQUA Rules certain requirements are imposed. There is a risk that the Fund will not be able to continue to meet these requirements in the future or that ASX may change the quotation requirements for Units. The Responsible Entity may also elect to terminate the Fund in the future, for example, if the Fund's objectives can no longer be achieved.



Type of risk	Risk explained
<b>Investment specific risk</b>	<p>The Fund's investments involve a high degree of financial risk. Markets in which the Fund is anticipated to invest are subject to a high degree of volatility. There can be no assurance that the Fund's investment objectives will be realised or that Investors in the Fund will receive their capital back when exiting the Fund or any return on their investment.</p> <p>Certain investments by the Fund may be regarded as speculative in nature and involve increased levels of investment risk. An inherent part of a strategy is to identify Securities which are undervalued (or, in the case of short positions, overvalued). Success in such a strategy necessarily depends upon the market eventually recognising the mispricing, which may not necessarily occur.</p>
<b>Foreign investment risk</b>	<p>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.</p>
<b>Counterparty risk</b>	<p>This is the risk that another party to a financial transaction (the counterparty) fails to meet its obligations. Counterparty risk arises primarily from transactions involving lending arrangements entered into by the Fund, and substantial losses can be incurred. The Responsible Entity will seek to manage such risk by evaluating the creditworthiness of its counterparties and dealing within approved credit limits.</p>
<b>Derivatives risk</b>	<p>From time to time, the Fund may also borrow cash or use Exchange Traded Derivatives to amplify the exposure to a certain asset or asset class. If the Fund does this, it will only do it within the limits outlined in the investment guidelines.</p>
<b>Responsible Entity risk</b>	<p>The success of the Fund depends upon the ability of the Responsible Entity 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 Responsible Entity. The Responsible Entity may lose key personnel which could impact on its ability to continue to implement the Fund's investment strategy. There is also a risk with any managed fund that the Responsible Entity will not perform as expected.</p>
<b>Leverage risk</b>	<p>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 6 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.</p>
<b>Cyber Risk</b>	<p>There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to investors' personal information as a result of a threat or failure to protect the information or personal data stored within the IT systems and networks of Ellerston Capital or other service providers.</p>
<b>Security Specific Risk</b>	<p>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), their profits, earnings and cash flows.</p>
<b>Country Risk</b>	<p>Compared with securities in more developed markets and economies, securities exposed to Asia have unique country specific risks. These risks include (by way of example): (i) the risk of a reduction in Asian growth rates; (ii) the risk of significant macroeconomic or geopolitical events around the world, regionally or locally; (iii) the risk of restrictions on foreign investment by local country authorities; (iv) regulatory, taxation and/or political risks that, for example, slow economic and market reform; (v) risk associated with less liquid and more volatile securities (greater price fluctuations).</p>
<b>Currency Risk</b>	<p>The Fund will have foreign currency exposure that is primarily unhedged. 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.</p>

Type of risk	Risk explained
<b>Concentration Risk</b>	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.
<b>Regulation</b>	Regulation of the Responsible Entity, 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.
<b>Tax</b>	The taxation of the Responsible Entity, 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, including retrospectively. Such changes may impact on the investment returns and their character. See Section 12 for further details.
<b>Redemption and Liquidity Risk</b>	Redemptions from the Fund may be limited in the situations described in Section 11. 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.
<b>Distributions Risk</b>	The Fund is not designed for Unit holders seeking regular income payments. While the Fund must pay its distributable income each year, there is no guarantee that any income will be generated. In certain circumstances, Unit holders may be liable for tax on distributions even if they have not received any distribution in cash.
<b>Pandemic Risk</b>	The impact of pandemics such as the COVID-19 pandemic, and policies introduced by governments around the world in particular those jurisdictions in which the Fund holds investments, may have adverse implications on the Fund's ability to achieve its investment objectives.

## 9. Fees and other costs

### Did you know?

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

**For example, total annual fees and costs of 2% of your investment 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 fees. 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)** Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### Fees and other costs

This section 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 managed investment scheme as a whole.

Taxes are set out in another part of this document. Please refer to section 12 for tax information.

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

If you are an Indirect Investor (for example because you are investing through an IDPS), any additional fees that you may be charged by your service operator for investing in the Fund via their service will be set out in your service operator's disclosure document.

## Fees and costs summary

Ellerston Asia Growth Fund (Hedge Fund)		
Type of Fee or Cost	Amount	How and When Paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs</b> The fee and costs for managing your investment <sup>1</sup>	Management fees and costs comprise the following: <b>Management fee</b> 0.75% per annum of NAV <sup>2</sup> <b>Expenses</b> Estimated to be 0.20% p.a. <b>Indirect costs</b> Estimated to be 0.02% p.a.	Calculated and accrued daily and paid from the assets of the Fund monthly in arrears. This fee is reflected in the Unit price. You may be able to negotiate the management fee with us. The Responsible Entity is waiving the management fee for the first year following quotation of Units on the AQUA Market.
<b>Performance fees</b> Amounts deducted from your investment in relation to the performance of the product	10% of the investment return over the Benchmark return, after recovering any underperformance in past periods. Estimated at 0.06% p.a. of the NAV of each Unit <sup>3</sup>	Calculated and accrued daily and deducted from the assets of the Fund after 30 June in each year in arrears. This fee is reflected in the Unit price.
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets.	Estimated at 0.56% p.a. of NAV	Paid out of the Fund's assets when the costs are incurred and reflected in the Unit price. The amount shown is net of any transaction costs recovered from investors via the Buy/Sell Spread.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<b>Establishment fee</b> The fee to open your investment.	Nil	Not applicable.
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil	Not applicable.
<b>Buy/Sell Spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme.	0.25% upon entry and 0.25% upon exit when buying and selling Units directly with the Responsible Entity.	The Buy/Sell Spread is deducted from the application amount received from, or the redemption amount to be paid to, applicants and withdrawing Unit holders respectively at the time of the relevant application or redemption.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment.	Nil	Not applicable.
<b>Exit fee</b> The fee to close your investment.	Nil	Not applicable.
<b>Switching fee</b> The fee for changing investment options.	Nil	Not applicable.

<sup>1</sup> Management fees and costs reduce the NAV of the Fund and are reflected in the Unit price. Management costs and expenses are comprised of costs for administering and investing in the assets of the Fund and other expenses and reimbursement in relation to the Fund which are variable. For more information on the management fee and costs, please refer to "Management fees and costs" in the "Additional Explanation of Fees and Costs" section below.

<sup>2</sup> Inclusive of Goods and Services Tax (GST) net of any input tax credits and any reduced input tax credits (if available).

<sup>3</sup> Inclusive of Goods and Services Tax (GST) net of any input tax credits and any reduced input tax credits (if available). This is an estimate only, for more information on how the performance fee is calculated, please refer to "Performance fees" in the "Additional Explanation of Fees and Costs" section below.

## Example of annual fees and costs for the Fund

This table gives an example of how the ongoing annual fees and costs in the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

Example for an investment in Ellerston Asia Growth Fund (Hedge Fund)		Balance of \$50,000* <sup>4</sup> with a contribution of \$5,000 during the year
<b>Contribution Fees</b>	Nil	For every additional \$5,000 you put in, you will be charged \$0.00
<b>PLUS Management fees and costs</b>	<b>Management fee</b> 0.75% p.a. of NAV <sup>5</sup> <b>Estimated expenses</b> 0.20% p.a. <b>Estimated indirect costs</b> 0.02% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <b>\$485</b> each year.
<b>PLUS Performance fees</b>	0.06% p.a. of NAV <sup>6</sup>	<b>And</b> , you will be charged or have deducted from your investment <b>\$30</b> in performance fees each year.
<b>PLUS Transaction costs</b>	0.56% p.a.	<b>And</b> , you will be charged or have deducted from your investment <b>\$280</b> in transaction costs.
<b>EQUALS Cost of Fund</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of:  <b>\$795</b>  <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

<sup>4</sup> We have assumed a constant value of \$50,000 for the whole year.

<sup>5</sup> The figure used for the management fees and costs in the example above reflects the Responsible Entity's reasonable estimate at the time of this PDS of the typical ongoing amounts. Note the Responsible Entity is waiving the management fee for the first year following quotation of Units on the AQUA Market.

<sup>6</sup> This is an estimate only, please refer to "Performance fees" in the "Additional Explanation of Fees and Costs" section below for more detail. Past performance is not a reliable indicator of future performance. In particular, the performance fee payable (if any) will depend on the performance of the Fund and any estimated or past performance fee is not a reliable indicator of future performance fees of the Fund. All fees and costs in the table above include Goods and Services Tax (GST) net of any input tax credits and any reduced input tax credits (if available).

## Additional Explanation of Fees and Costs

### Management fees

The Fund pays a management fee of 0.75% per annum (p.a.) of the Fund's NAV (before fees) to the Responsible Entity. The management fee is calculated daily and is payable monthly in arrears. You will not be charged directly for the management fee as this will be paid out the Fund and reflected in the value of the Unit price. The Responsible Entity is waiving the management fee for the first year following quotation of Units on the AQUA Market.

### Differential fees

We may negotiate a rebate of all or part of our management fee with wholesale clients (as defined by the Corporations Act). The payment and terms of rebates or waivers are negotiated with wholesale clients but are ultimately at our discretion, subject to the Corporations Act and ASIC policy.

### Management costs

In addition to the management fee, management costs include:

- any operating expenses which are not paid out of our management fees (see 'Operating expenses' below); and
- other indirect costs.

### Operating expenses

We are entitled to charge to the Fund or be reimbursed from the Fund for any expenses incurred in the proper performance of our duties and obligations relating to the management and administration of the Fund. These costs may include items such as legal, audit, tax, registry, ASIC, ASX, administration (including iNAV), service provider fees, custody, market making and expenses for publishing this PDS.

There is no limit in the Constitution on the amount that can be recovered for expenses that are reasonably and properly incurred.

### *Abnormal operating expenses*

Abnormal operating expenses are not generally incurred during the day-to-day operation of a Fund and are not necessarily incurred in any given year. They are due to abnormal events like the cost of running an Investor meeting, or legal costs incurred by changes in the Constitution. The Constitution allows the Responsible Entity to charge these abnormal operating expenses as a cost that is additional to our management fees for the relevant year.

We may charge these abnormal operating expenses incurred in any year without notice to Investors.

### *Other indirect costs*

Indirect costs are certain costs which we reasonably estimate will reduce, directly or indirectly, the Fund's return. Indirect costs may include underlying Investment Manager fees and costs and certain derivative costs. If any indirect costs are incurred, they would be reflected in the Unit price of the Fund and would not be charged to you as a fee nor retained by us.

Based on the information available to us as at the date of the PDS and having regard to the past financial year, the Manager estimates the indirect costs of the Fund to be 0.02% p.a.

### **Transaction Costs**

Transaction costs are costs of buying and selling the Fund's assets. Transaction costs such as brokerage, settlement costs and clearing costs may be incurred when dealing with assets of the Fund and as a result of changes in a Fund's investment portfolio. Transaction costs may vary year to year as the turnover in the underlying assets may change substantially as investment and market conditions change. Transaction costs are deducted from the assets of the Fund as they are incurred and reflected in the Unit price. They are not charged to Investors as an additional fee.

Based on the past financial year, the Responsible Entity estimates the total transaction costs for the Fund to be 0.60% p.a. of the NAV of the Units. The Responsible Entity estimates that 0.04% to be recouped via the Buy/Sell Spread. The Responsible Entity estimates the transaction costs, net of amounts recovered by the Buy/Sell Spread, to be 0.56% p.a. of the NAV of the Units which is an additional cost to Investors deducted from the assets of the Fund. The transaction costs set out in this section of the PDS are net of any amount recovered by the Buy/Sell Spread.

### **Investor activity related fees and costs**

#### *Buy/Sell Spread*

An amount equal to 0.25% is effectively deducted from the Unit holder's application and redemption monies. This amount is paid to the Fund on account of the Responsible Entity's estimate of costs associated with buying and selling assets represented by the relevant application or redemption and is not paid to the Responsible Entity.

Such costs are, however, an additional cost to an Investor and will impact on the return on an Investor's 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 Unit holders. No Buy Spread is payable on the initial issue of Units. Management fees and costs do not include the Buy/Sell Spread. The Responsible Entity may vary the Buy/Sell Spread from time to time and prior notice will not ordinarily be provided. Any changes to the Buy/Sell Spread will be posted on our website [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

### **Performance fee**

The Responsible Entity is entitled to a performance fee for outperforming the Benchmark. The performance fee is a way of providing an incentive for the Responsible Entity to strive to continually produce returns above the Benchmark.

The performance fee is equal to 10% of the amount by which the accumulated investment return of the Fund exceeds the accumulated return of the Benchmark during each year to 30 June (**Calculation Period**). 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 commence to accrue or be paid.

Based on the Fund's average performance fee for the past five financial years, the Responsible Entity estimates the performance fee to be 0.06% p.a. (\$60 per \$100,000) of the NAV of the Units.

The performance fee is accrued in the Unit price. The performance fee is payable at the end of each Calculation Period. The Responsible Entity may alter the Calculation Period. We will notify you of any change to the Calculation Period.

The investment return is based on the positive or negative change in the NAV of the Fund. The investment return is calculated after deducting management fees but before any accrued performance fees and income or capital distributions. 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 Responsible Entity 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 us. If we are 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 Fund 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 in the Units may be affected by the timing of that person's applications and redemptions or by Unit holders as a whole.

The performance fee can be individually negotiated if you are a 'wholesale client' under the Corporations Act by contacting Ellerston Capital (see section 16 for contact details) or your financial adviser.

### **Differences between the Buy/Sell Spread (when dealing with the Responsible Entity off-market) and Transaction Costs when trading on-market**

The price at which Investors buy and sell Units on the ASX may vary from the prevailing iNAV. The Market Price of a Unit traded on the ASX is determined in the secondary market by market participants. The difference, or spread, from the prevailing iNAV may represent a cost, or possible benefit, of an investment in the Fund. Where Units in the Fund are bought and sold on the ASX, the price at which an Investor buys or sells Units will generally include an allowance to cover Transaction Costs but will also reflect market conditions and supply and demand for Units during the ASX Trading Day. As such, the cost of the spread on the ASX may be different to the cost of the 'Buy Spread' or 'Sell Spread' for Investors who apply or withdraw directly with the Responsible Entity.

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## **Further information about fees and costs**

### **Miscellaneous fees**

If we incur a fee because a direct debit for your investment in the Fund is dishonoured by your financial institution, the amount will be charged to your investment.

### **Maximum fees and charges**

The Constitution of the Fund permits higher fees to be charged as well as other fees which are not currently levied. The maximum management fee that may be paid by the Fund under the Constitution is 2.00% of the gross asset value of the Fund per annum and the maximum performance fee is 20.0%. We will not charge these maximums and instead will charge the fees shown in section 9. We may, within the bounds of the Constitution, elect to change these fees without the Unit holder's consent and Unit holders will be provided at least 30 days' written notice of any change in fees and costs charged by the Fund.

Management costs and transaction costs may vary each year without notice. All estimates of fees in this section are based on information available as at the date of this PDS.

### **Fees for Indirect Investors**

For Indirect Investors accessing the Fund through an IDPS, additional fees and costs may apply. These fees and costs are stated in the offer document provided by the relevant IDPS operator.

### **Tax**

Tax information, including GST, is set out in section 12. Unless otherwise stated, all fees and other costs disclosed in this PDS are inclusive of the net effect of GST.

### **Market maker cost**

Nine Mile Financial Pty Limited has been appointed as the Market Maker by the Responsible Entity to execute market making activities. The role of the Market Maker is to maintain continuous liquidity to the market by acting as a buyer and seller of Units on the AQUA Market. Nine Mile Financial Pty Limited will earn a fee as a result of these activities. This fee will be payable out of the Fund assets and will be subject to GST.

### **Brokerage fees for Investors**

Investors are likely to incur brokerage fees and charges from their stockbroker when buying and selling Units in the Fund via the AQUA Market. Investors should consult their stockbroker for more information in relation to their fees and charges.

### **Commissions and soft dollar payments**

Ellerston Capital does not pay any fees or commissions to your financial adviser. However, your adviser may charge you certain fees for the services they provide to you. No commissions are paid to any intermediaries.

### **Other benefits**

As a result of your investment in the Fund your intermediary may receive other non-monetary benefits (where allowed by law), which are not an additional cost to you.

### **Platform administration payments**

We may make payments to platform providers for administrative services associated with distributing our Fund on their investment menu (where allowed by law). These payments may help them recover their costs incurred in establishing our Fund on their menu and certain other marketing and distribution costs. If these payments are made, they are not paid by you or the Fund, but rather they are paid by the Responsible Entity.

### **Benefits received**

As a result of brokerage paid by the Fund, we may receive benefits such as investment research, which we may use for any investment purpose, including for the Fund.

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## **10. Buying and selling Units on the ASX**

### **Buying Units on the ASX**

Investors can invest in the Fund by purchasing Units via their stockbroker. Investors do not need to complete an Application Form and they will settle the purchase of their Units in the same way they would settle purchases of listed securities via the CHESSE settlement service. Trading occurs between the hours of 10.00am and 4.00pm on ASX Trading Days. Settlement of the purchase will occur 2 Business Days after the on-market purchase (T+2).

The minimum number of Units applicable to Investors who buy Units on the ASX will depend upon your stockbroker. It is common for stockbrokers to require that an initial purchase of any particular securities must be for least \$500, known as a "minimum marketable parcel of securities" and to allow further acquisitions provided that no fractions may be acquired. An investor's entry price into the Fund will be the price at which they have purchased Units on the ASX.

Consistent with securities quoted on the ASX, Investors do not have cooling-off rights in respect of Units purchased on the ASX under the AQUA Rules.

### **Selling your Units on the ASX**

Investors who have bought their Units on the ASX can withdraw from the Fund by selling Units on the ASX via their stockbroker. Investors who sell Units on the ASX do not need to complete a Withdrawal Form and they will receive the proceeds from the sale of their Units in the same way they would receive proceeds from the sale of listed securities via the CHESSE settlement service. Settlement of the sale will occur 2 Business Days after the on-market sale (T+2).

There is no minimum number of Units Investors can sell on the ASX. An Investor's exit price will be the price at which they have sold Units on the ASX.

### **ASX liquidity**

Investors can buy Units from other investors in the secondary market in the same way as ASX listed securities. Investors who have bought Units on the ASX can sell these Units to other investors in the secondary market.

The Responsible Entity has appointed Nine Mile Financial Pty Limited to act as the Market Maker to provide continuous liquidity to the market by acting as a buyer and seller of Units on the AQUA Market.

The risks of providing liquidity on the AQUA Market are explained in Section 8.

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## 11. Investing in the Fund directly with the Responsible Entity

Investors can invest in the Fund by buying Units on the ASX or by applying for Units directly to the Responsible Entity by completing an Application Form.

The method by which you invest in the Fund does not affect the method by which you can exit the Fund. If you invest in the Fund by buying Units on the ASX, you can exit the Fund by selling Units on the ASX or by making a withdrawal request directly with the Responsible Entity. If you invest in the Fund by applying for Units directly with the Responsible Entity you can exit the Fund by selling Units on the ASX or by making a withdrawal request directly with the Responsible Entity. There are differences between buying and selling Units on the ASX and applying for Units or making a withdrawal request to the Responsible Entity. The Summary comparison - transacting on the ASX or directly with the Responsible Entity table in section 3 sets out these key differences. For more information on buying and selling Units on the ASX see sections 10 and 11.

### Applying directly to the Responsible Entity

You can make an investment in the Fund by sending a correctly completed Application Form together with the required supporting identification documentation to the Unit Registry. Once accepted, the entry price for an Investor who applies directly to the Responsible Entity for Units in the Fund will be calculated using the NAV per Unit, which will include an allowance for transactions costs incurred by the Fund. The minimum initial investment is \$10,000. Additional investments can be made into an existing account at any time and no minimum applies to those additional investments.

We may accept initial investment applications for smaller amounts at our discretion. The processing of applications for lower amounts may be delayed while approval is sought for the lower application amount. We may also reject applications at our discretion.

If you invest into the Fund indirectly through an IDPS, the minimum amount will be determined by the operator of the IDPS and may be higher or lower than if you invest in the Fund directly.

### How we process transactions

We will process your application when we have received:

- your completed Application Form, including any required identification documentation; and
- your cleared application monies into the Fund's application bank account.

If we accept your application and receive your correctly completed Application Form by 2.00pm (Sydney time) on a Business Day, identification documents (if required) and your cleared funds by close of business on the same Business Day, your entry price will be the Unit price calculated on that Business Day. We will generally issue Units to you the following Business Day. Otherwise we will issue Units to you using the entry price applicable to the Business Day on which we receive your completed documentation and cleared monies, subject to the applicable cut-off times.

If you request us to process a direct debit, it may take up to up to four Business Days (in the case of a direct debit) for your application monies to clear from the date we issue a direct debit request to your bank. If we receive your direct debit request before 2.00pm (Sydney time) on a Business Day we will action these on the day we receive them. If they are received after 2.00pm (Sydney time) on a Business Day we will action them the following Business Day. We will not issue Units until your application monies have cleared.

If your EFT is dishonoured by your financial institution, we will not process your application. We will not represent a dishonoured payment unless you first contact us to discuss your application. We may deduct any fees incurred as a result of the dishonoured payment from your application amount before we issue you with Units.

### Completing the Application Form

The Application Form is available from the Fund's website at <https://ellerstoncapital.com/funds/asia-growth-fund/>.

The Application Form details the identification documentation that we are required by law to collect from you before we can issue Units to you.

Please mail the completed original of the Application Form, together with certified copies of the requested identification documentation, to our Unit Registry. The Unit Registry's postal address appears on the front of this PDS and on the Application Form.

Please note that legislative requirements mean that we may not be able to accept an Application Form for an initial investment by fax or email. However, we may accept applications by other electronic means.



## Payment of your application monies

We can accept payment of your application monies in Australian dollars by direct debit (initial applications only) or EFT.

EFT payments can be made directly to the Fund's application bank account. The Fund's bank account details are as follows:

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<b>BSB</b>	036 051
<b>Account Number</b>	565 727
<b>Account Name</b>	Ellerston Asia Growth - App
<b>Reference*</b>	EAGF [Investor Name] <b>E.g. EAGF John Citizen</b>

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\* We will use this reference on our transaction statement and to identify who the payment is from.

## Withdrawing directly from the Fund

If you hold your Units on the Fund's issuer sponsored sub-register then, subject to the Constitution, the Corporations Act and the AQUA Rules, you can apply directly to the Responsible Entity to withdraw some or all of your investment at any time. No minimums apply to withdrawal requests and there is no minimum account balance. To withdraw some or all of your investment, please send a correctly completed Withdrawal Form to our Unit Registry. You can request a specified dollar amount to be withdrawn, a specified number of Units to be withdrawn, or a full redemption of your investment in the Fund. The exit price for an investor who withdraws directly from the Fund will be the NAV per Unit less an allowance for transaction costs incurred by the Fund. On the Withdrawal Form you will be required to provide your SRN or your investor number.

If you hold your Units via a stockbroker (and your Units are associated with a HIN), then you hold your Units on the CHESS sponsored sub-register. If you want to withdraw directly from the Fund, you will first need to submit a request to your stockbroker to have your Units converted to an issuer-sponsored holding so that an SRN can be allocated to you by the Unit Registry. The process of converting your broker-sponsored holding to an issuer-sponsored holding is managed by your stockbroker and is subject to their standard processing times. Please contact your stockbroker for further information.

We will accept withdrawal requests via email or mail, except if you are required to provide identification documentation in connection with your Withdrawal Form, in which case we will only accept your request via mail. If you purchased your Units on the ASX, you will be required to supply certain identification documentation as part of your correctly completed Withdrawal Form. All instructions to withdraw should be signed by the nominated authorised signatory or signatories. Under some circumstances, we may need to contact you to request further documentation to confirm the validity of your instruction. This may delay processing of the withdrawal request.

If we receive your correctly completed Withdrawal Form before 2.00pm (Sydney time) on a Business Day on which your Units are held on the Fund's issuer-sponsored sub-register, we will calculate the amount of your withdrawal using the exit price applicable to that Business Day. If we receive your withdrawal request after 2.00pm (Sydney time) on a Business Day on which your Units are held on the Fund's issuer sponsored sub-register, we will use the following Business Day's exit price.

## Payment of your redemption proceeds

You can usually expect to receive payment into your nominated bank account within 5 Business Days after our receipt and acceptance of your Withdrawal Form. However the 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. There may be other circumstances, such as a freeze on withdrawals or where the Fund is not a Liquid Scheme (as defined under the Corporations Act), where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can withdraw some or all of your investment.

We can only pay redemption proceeds to an Australian bank account held in the name of the Investor. We are unable to pay redemption proceeds to a third party bank account. Normally we will pay redemption proceeds to the bank account you nominated on your Application Form when you opened your investment, or if you purchased your Units on the ASX and submit a withdrawal request to the Responsible Entity, the bank account nominated on your Withdrawal Form, or if you have subsequently written to us to change your nominated account, we will pay proceeds to that account.

We will send you a confirmation of your redemption once it has been processed and paid.

## Indirect Investors

We authorise the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an IDPS.

Indirect Investors do not become registered Investors in the Fund, nor do they acquire the rights of a registered Investor. Instead, as the IDPS operator is investing on your behalf, it acquires the rights of Investors. In most cases, references to 'you' or 'your' in this PDS (for example, receiving distribution income, reinvestment distribution income and redemptions) is a reference to the IDPS operator and accordingly their arrangements with you will set out your rights. We do not keep personal information about Indirect Investors.

Further, some provisions of the Constitution will not be relevant to you. For example, you will generally not be able to attend meetings, or withdraw investments directly. You will receive reports from the IDPS operator, not us. The IDPS operator can exercise (or decline to exercise) those rights in accordance with the arrangements governing the operation of the IDPS.

Enquiries about the Fund should be directed to your licensed financial adviser or IDPS operator. Contact details: Mail: Ellerston Capital Limited Unit Registry C/O GPO Box 5193 Sydney NSW 2001 Email: Ellerstonfunds@automicgroup.com.au Phone: 1300 101 595 or +61 2 9068 1928 from outside Australia.

## Suspension of withdrawals

Subject to the Corporations Act and the AQUA Rules, 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:

- 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 Fund property to be disposed of or as a result of which any such disposal would be prejudicial to Investors;
- when a breakdown occurs in any of the means normally employed in ascertaining the value of investments that comprise part of the Fund property or when for any other reason the value of any such investments or other assets of the Fund 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);
- when the Responsible Entity is relying on third parties for valuations of assets or liabilities of the Fund, 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;
- during which the withdrawal or realisation of the Fund'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;
- 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
- where the Responsible Entity otherwise believes it is in the interests of Investors to instigate such a suspension.

The Responsible Entity must notify all Investors of any such suspension as soon as practicable of any such suspension and will be promptly notified upon termination of such suspension.

## Withdrawal procedures if the Fund is not a Liquid Scheme

The withdrawal process, including the calculation of the NAV per Unit, applies only when the Fund is a Liquid Scheme (within the meaning given to that term in the Corporations Act). Where the Fund ceases to be a Liquid Scheme, Units may only be withdrawn pursuant to a withdrawal offer made by the Responsible Entity to all Investors in the Fund in accordance with the Constitution and the Corporations Act. We are not obliged to make such offers. If the Fund ceases to be a Liquid Scheme and there is no withdrawal offer open, an Investor has no right to redeem Units.

## Transfer of Units

Your stockbroker will initiate the conversion or transfer of Units in the following scenarios:

- You hold Units directly with the Fund (SRN holding on the issuer sponsored sub-register) and wish to convert or transfer your Units to an account with a stockbroker (HIN holding on the CHESS sub-register). You will need to provide your stockbroker with your SRN. You can only convert or transfer whole Units.
- You hold Units in an account with your stockbroker (HIN holding on the CHESS sub-register) and wish to transfer your Units to another HIN or to transfer or convert your Units to an account directly with the Fund (SRN holding on the issuer sponsored sub-register).

The Unit Registry handles transfers of Units for Investors who hold Units directly with the Fund (SRN holding on the issuer sponsored sub-register) and wish to transfer to another existing account or a new account directly with the Fund. We require original copies of standard transfer forms to be mailed to us. We are unable to process transfer forms that are faxed, emailed or photocopied.

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## 12. Taxation

There are tax implications when investing in the Fund. The Responsible Entity cannot give tax advice and we recommend that you consult your professional tax adviser as the tax implications for the Fund can impact Investors differently. Below is a general outline of some key tax considerations for Australian resident individual Investors who hold their Units in the Fund on capital account and these considerations are provided on the basis that the Fund is an Attribution Managed Investment Trust (**AMIT**).

This information is based on our current interpretation of the relevant taxation laws as at the date of this PDS and these laws may be subject to change. The ultimate interpretation of the tax law rests with the Australian courts. The law, and the way the Australian Taxation Office (**ATO**) administers the law may change over time. Investors should not place reliance on this as a basis for making their decision as to whether to invest.

Income earned by the Fund, whether distributed or reinvested, can form part of the assessable income of Investors in the year the Fund earns the income or a different year.

After the end of the Fund's tax year we will send to you the details of assessable income (including capital gains), tax offsets, and cost base adjustments in relation to your Units and any other relevant tax information to include in your tax return.

### Tax position of the Fund

The Fund has made an irrevocable election to operate as an AMIT. The Responsible Entity intends to attribute all of the Fund's taxable income to Investors each year. As such, the Fund should not be subject to income tax. The Fund does not pay tax on behalf of Investors. Rather, Investors should be subject to tax on the share of the Fund's taxable income which has been attributed to them by the Responsible Entity on a fair and reasonable basis. Investors may also be subject to Capital Gains Tax (**CGT**) on the disposal of your investment in the Fund.

### Capital gains

Your assessable income for each year may include net capital gains (i.e. capital gains after offsetting capital losses and after applying the CGT discount (if eligible)). These capital gains may include:

- Capital gains attributed by the Fund (this will include capital gains derived by the Fund and may include capital gains streamed to you in the event of a redemption); and
- Capital gains on withdrawing Units from the Fund or selling Units in the Fund.

Resident individuals, trusts (conditions apply) and complying superannuation entities may be eligible to discount capital gains relating to the disposal of Units where they have held the Units for at least twelve (12) months.

If you have a net capital gain, this should be included in your assessable income. A net capital loss may be carried forward to offset against future capital gains (subject to certain conditions) but may not be offset against other assessable income.

### Goods and services tax (GST)

The application for, and withdrawal or disposal of, Units in the Fund and the receipt of distributions will not be subject to GST. However, GST is payable on our fees and certain reimbursement of expenses. The Fund may be entitled to claim reduced input tax credits (**RITCs**) for GST paid in respect to some of these expenses. The benefit to Investors of any RITCs will be reflected in the Unit price.

An Investor may not be entitled to full input tax credits for GST paid on the acquisition of goods and services (for example, financial advisory services) relating to the issue of the Units and acquisition and/or subsequent sale of Units. Investors should obtain their own advice as to whether an input tax credit or reduced input tax credit is available for any GST amounts, as this will depend on the Investor's personal circumstances.

All amounts in this PDS are in Australian dollars. All fees are inclusive of GST and take into account RITCs, if applicable.

### Eligible Managed Investment Trusts

#### *Capital Account Election*

Current tax legislation allows the Responsible Entity to make an irrevocable election to apply the CGT provisions as the primary regime for taxation of gains and losses from the realisation certain assets, where the Fund is an eligible MIT. The Responsible Entity has made this election for the Fund.

## *AMIT regime*

The Fund is a Managed Investment Trust and has elected to be an AMIT.

Under the AMIT tax regime, you are taxed on the taxable income that is attributed to you by the Responsible Entity on a fair and reasonable basis and in accordance with the Constitution. You may be entitled to tax offsets, which reduce the tax payable by you where these are attributed to you by the Responsible Entity.

Australian resident individuals are liable to pay tax at their marginal rates on the taxable income attributed to them from the Fund. Generally, tax is not paid on behalf of Investors. If you are not an Australian resident for income tax purposes, withholding tax may be payable on the taxable income of the Fund attributed to you at prescribed rates (even if not distributed in cash). Any withholding tax payable must be deducted from cash distributions or redemption proceeds with any unrecovered withholding tax being a debt owing from you to the Fund.

Please note that at the time of your initial or additional investment, there may be unrealised capital gains or accrued income in the Fund. If later realised, these capital gains and income may form part of the taxable income attributed to you. In addition, there may be realised but undistributed capital gains or income in the Fund, which may form part of the taxable income attributed to you.

Any losses generated by the Fund cannot be passed onto Investors. However, where specific requirements are satisfied, the Fund should be eligible to offset losses to reduce later year income or capital gains.

You may also be liable to pay capital gains tax on any capital gains in respect of your investment, such as from disposing of your investment. You may realise a capital loss in respect of your investment, which may be used to reduce capital gains in the same or later years. The cost base of your investment, which is relevant when calculating any such capital gains or losses, may change over the duration of holding your investment. The cost base of your interest in the Fund may increase or decrease if the taxable income attributed to you differs to the amounts you have received as a cash distribution.

Each year we will send you an AMIT Member Annual Statement (AMMA Statement), which will contain details of the taxable income and tax offsets attributed to you for the year, together with any net cost base adjustment amount by which the cost base of your interest in the Fund should be increased or decreased.

Taxation laws and administrative practices change from time to time. Such changes may impact the taxation of the Fund and you as an investor. It is your responsibility to consider and monitor the impact of any taxation reforms impacting your investment.

### **Tax file number (TFN) and Australian business number (ABN)**

It is not compulsory for Investors to provide their TFN or ABN, and it is not an offence if they decline to provide them. However, unless exempted, if they are not provided, tax will be deducted from income distributions at the highest personal marginal rate plus the Medicare levy. The ABN, TFN or an appropriate exemption can be provided on the Application Form when making an initial investment.

### **US Tax Withholding and Reporting under the Foreign Account Tax Compliance Act (FATCA)**

The United States of America (US) and Australia have entered into an intergovernmental agreement to implement the US Foreign Account Tax Compliance Act (**FATCA**) which is designed to detect US taxpayers who use accounts with offshore financial institutions to conceal income and assets from the Internal Revenue.

Broadly, the rules may require the Fund to report details of all US persons and suspected US persons in the Fund to the ATO, which may then be passed on to the US tax authorities (the US Internal Revenue Service, also known as the IRS), to prevent a 30% FATCA withholding tax on certain income and proceeds of the Fund.

In order to comply with the requirements, the Responsible Entity may therefore request that Investors and prospective Investors provide certain information and undertake certain due diligence procedures to verify the investor's FATCA status and provide certain information to the ATO in relation to their financial information as required by the ATO (if any) in respect of any investment in the Fund.

You should consult with your tax advisers on how our due diligence and reporting obligations under FATCA may affect you.

### **Common Reporting Standards**

The Australian government has implemented the OECD Common Reporting Standards Automatic Exchange of Financial Account Information (CRS) from 1 July 2017. CRS, like the FATCA regime, requires banks and other financial institutions to collect and report certain information about account holders to the ATO.

CRS requires certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is expected to be a 'Financial Institution' under the CRS and intends to comply with its CRS obligations by obtaining and reporting information on relevant accounts (which may include your personal information and your Units in the Fund) to the ATO. If you do not provide this information, we will not be able to process your application.

For the Fund to comply with their obligations, we will request that you provide certain information, documentation and certifications to us. We will determine whether the Fund is required to report your details to the ATO based on our assessment of the relevant information received. The ATO may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement, the multilateral framework agreement that provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS.

By applying to become an Investor in the Fund, you agree to provide us with the information which we reasonably require to comply with the FATCA and CRS regimes, including to notify us promptly of any change in circumstances of your tax residency information during the period in which you are an Investor in the Fund.

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## 13. Additional information

### **Additional disclosure information**

The Fund is subject to regular reporting and continuous disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. Investors can also contact Ellerston Capital to obtain copies free of charge. Copies of the documents will be provided as soon as practicable after receiving the request.

### **Fund Constitution**

The Constitution, along with the Corporations Act and other relevant laws, governs the way in which the Fund operates and the rights and responsibilities and duties of the Responsible Entity and Investors.

#### *Liability of Investors*

The Constitution states that the liability of an Investor is limited to the amount subscribed, or agreed to be subscribed, by the Investor for Units.

While the Constitution limits the liability of the Investors in the manner described above, this position has not been fully tested in the courts of law.

#### *Amendments*

The Responsible Entity may by supplemental deed modify, add to or delete from the Constitution. While the Fund is a registered scheme, any such modification, addition or deletion must first be approved by the Unit holders if the Corporations Act requires.

#### *Retirement of the Responsible Entity*

The Responsible Entity:

- must retire or be required to retire as Responsible Entity when directed to retire by a special resolution of Investors or required to do so by law;
- may retire as responsible entity of the Fund, effective on the appointment of a replacement responsible entity, by giving notice to the Investors; or
- must retire as responsible entity of the Fund when required by the Corporations Act or law.

#### *Termination*

The Fund ends 80 years (less one day) after the date of this deed or at an earlier time provided by this deed or by law.

Subject to the Corporations Act (where the Fund is registered), the Responsible Entity at any time may terminate the Fund by written notice to the Investors with effect from the termination date specified in the notice.

From the termination date, the Responsible Entity must realise all Fund property, pay, discharge or provide for all Fund liabilities and expenses of termination and winding up, and distribute the net proceeds among Unit holders pro rata to the number of Units held on the termination date.

#### *Rights of Investors*

A Unit confers on its holder an undivided beneficial interest in the Fund property as a whole, subject to Fund 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.

### *Meetings and voting*

A meeting may be convened and conducted in accordance with the Constitution and the relevant provisions of the Corporations Act, reading those provisions as if the Fund is registered. A proxy may attend, speak and vote for an Investor even if the Investor is present at the meeting.

### *Powers of the Responsible Entity*

The Responsible Entity has within and outside Australia all the powers in relation to the Fund, its Fund property and Fund 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 Fund 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 Fund property.

If 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, it is not liable in contract, tort or otherwise to Investors for any loss suffered in any way relating to the Fund or to any future responsible entity, any Investor or any other person.

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, are payable or reimbursable out of Fund property.

The Responsible Entity is entitled to be reimbursed out of the assets of the Fund for, or paid from the assets of the Fund, all losses incurred or sustained by it in relation to the proper performance of its duties and exercise of its powers in relation to the operation, administration and management of the Fund and provided that the Responsible Entity has not engaged in any wilful misconduct, gross negligence or fraud in relation to that relevant liability.

If the Responsible Entity is liable for GST on any supply made under or in connection with this deed, it is entitled to be reimbursed or indemnified for the amount out of the Fund property. The Responsible Entity must issue a tax invoice in respect of the supply before it is entitled to be reimbursed or indemnified.

A copy of the Constitution is available at no charge from the Responsible Entity on request.

The information set out in this PDS about the content of the Constitution is a summary only.

### **Requirements under the AQUA Rules**

As part of the Fund's admission to the ASX under the AQUA Rules, the Responsible Entity will:

- disclose the Fund's portfolio holdings on a daily basis;
- the Fund will comply with Rule 10A.3.3(c) of the AQUA Rules as the capital value or distributions of Units in the Fund are linked to underlying instruments which are Securities, Derivatives, debentures, bonds or other financial products that comply with the requirements of that provision; and
- make available half year and annual financial reports, distribution information and other required disclosures on the ASX announcements platform.

### **Periodic statements relief**

ASIC Class Order 13/1200 exempts the Responsible Entity from certain periodic statement requirements. In particular, the Responsible Entity is not required (and does not propose) to include in periodic statements details of the price at which an investor transacts in Units on the ASX, or information on the return on an investment in Units acquired on the ASX (for the year in which the Units are acquired) if the Responsible Entity is not able to calculate this and the periodic statement explains why the information was not included and how it can be obtained.

### **Complaints Resolution**

The Responsible Entity has established procedures for dealing with complaints. If an Investor has a complaint, they can contact the Responsible Entity during business hours using the contact details provided in the PDS. We will acknowledge the complaint within 24 hours (or one Business Day) of receiving it, or as soon as practicable. We will endeavour to resolve your complaint fairly and as quickly as we can. We will respond to your complaint within the maximum response timeframe of 30 days. If we are not able to respond to your complaint within the maximum response timeframe of 30 days, we will write to you to let you know of the reasons for the delay.

If an Investor is not satisfied with the final outcome of the complaint, any aspect of the complaints handling process or a delay in responding by the maximum response timeframe, the complaint can be referred to the Australian Financial Complaints Authority (**AFCA**). AFCA operates the external complaints resolution scheme of which the Responsible Entity is a member, and provides a fair and independent financial services complaint resolution service that is free to consumers.

You can contact AFCA by the following means:

Website: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Telephone: 1800 931 678

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Time limits may apply to complain to AFCA, so you should act promptly or otherwise consult the AFCA website to find out if or when the time limit relevant to your circumstances expire.

### **Conflicts of Interest**

Ellerston Capital may be subject to conflicts of interest when performing its duties in relation to the Fund.

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 it considers that a particular conflict of interest is likely to have a materially adverse effect on Investors, it will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Investors. In certain cases, it may disclose the conflict of interest to Investors and obtain their consent for Ellerston Capital (and other persons if relevant) to proceed in the context of that conflict of interest.

### **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.

### **Group Activities**

Subject to the Corporations Act and the Responsible Entity's compliance policies, each of the Responsible Entity and other members of the Responsible Entity's group and their associates may from time to time:

- hold Units;
- represent or act for, or contract with, individual Investors;
- deal in any capacity with the Responsible Entity (in whatever capacity) or with any of its associates or with any trust;
- invest in and deal in any capacity, with the same investments as that of the Fund, on similar or different terms;
- 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;
- deal in any investment regardless of whether that dealing is inconsistent with the dealing of the Fund;
- act in any capacity in relation to any other trusts, including subscribing for units in other trusts on behalf of Investors or the Fund;
- acquire or dispose of Fund property to associates of the Responsible Entity at the price in the manner contemplated by a disclosure document or in the Constitution; or
- receive and retain profits or benefits of any nature, in connection with the Fund or otherwise, including buying or selling Fund property from or to itself in another capacity.

### **Commission Sharing**

The Responsible Entity 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 Responsible Entity in the provision of investment services to the Fund.

Specifically, the Responsible Entity 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 Responsible Entity 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 Responsible Entity in connection with the Fund and its other activities and clients.

### **Compliance Committee and Compliance Plan**

The Fund has a Compliance Plan which has been lodged with ASIC. It sets out measures that Ellerston Capital is to apply in operating the Fund to ensure compliance with the Constitution and the Corporations Act. A Compliance Committee has been appointed to monitor compliance by the Responsible Entity with the Constitution and Compliance Plan. A copy of the Compliance Plan is available free of charge on request by contacting the Responsible Entity.

## Anti-Money Laundering (AML) / Counter Terrorism Financing (CTF)

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**AML Act**) and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to Ellerston Capital (**AML Requirements**), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is enforced by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**). In order to comply with the AML Requirements, the Responsible Entity is required to, amongst other things:

- verify your identity and the source of your application monies before providing services to you, and to re-identify you if they consider it necessary to do so; and
- where you supply documentation relating to the verification of your identity, keep a record of this documentation for 7 years.

The Responsible Entity and the Unit Registry as its agent (collectively the **Entities**) reserve the right to request such information as is necessary to verify your identity and the source of the payment. In the event of delay or failure by you to produce this information, the Entities may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither the Entities nor their delegates shall be liable to you for any loss suffered by you because of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Entities have implemented several measures and controls to ensure they comply with their obligations under the AML Requirements, including carefully identifying and monitoring Investors. Because of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements;
- where transactions are delayed, blocked, frozen or refused the Entities are not liable for any loss you suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or because of their compliance with the AML Requirements as they apply to the Fund; and
- the Responsible Entity or the Administrator may from time to time require additional information from you to assist it in this process.

The Entities have certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. The Entities are not liable for any loss you may suffer because of them compliance with the AML Requirements.

## Privacy Statement

The Responsible Entity and any of its agents may collect personal information from you in the application and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide the Responsible Entity with your relevant personal information, we will not be able to do so.

Privacy laws apply to our handling of personal information and the Responsible Entity will collect, use and disclose your personal information in accordance with its privacy policy, which includes details about the following matters:

- the kinds of personal information the Responsible Entity collects and holds;
- how the Responsible Entity collects and holds personal information;
- the purposes for which the Responsible Entity collects, holds, uses and discloses personal information;
- how you may access personal information that the Responsible Entity holds about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles (APP), or a registered APP code (if any) that binds the Responsible Entity, and how the Responsible Entity will deal with such a complaint; and
- whether the Responsible Entity is likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity to specify those countries.

The privacy policy of Ellerston Capital is publicly available at <https://ellerstoncapital.com/> or you can obtain a copy free of charge by contacting the Responsible Entity.



## Consents

Each of the Administrator and Custodian, Unit Registry, Auditor and the Market Maker:

- has made no statement included in this PDS or on which a statement made in this PDS is based, other than the details about it, and the other sentences in this PDS that refer to it;
- has consented to those statements being included in this PDS in the form and context in which they appear and has not withdrawn this consent before the date of this PDS;
- specifically disclaims responsibility for, and liability to any person in the event of, any omission from, or any false or misleading statement included in, any other part of this PDS; and
- has not authorised or caused the issue of any part of this PDS.

## 14. AQUA Rules

This PDS is required to set out the key differences between the ASX Listing Rules and the AQUA Rules. These differences are set out below and generally relate to the level of control and influence that the issuer of a product has over the underlying instrument. The AQUA Rules are accessible at [www.asx.com.au](http://www.asx.com.au).

Requirements	ASX Listing Rule	AQUA Rule
<b>Continuous Disclosure</b>	Issuers of products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	<p>Issuers of products under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>The Responsible Entity will comply with the disclosure requirements in section 675 of the Corporations Act. This means that the Responsible Entity will disclose to ASIC information which is not generally available and that a reasonable person would expect, if the information were generally available, to have a material effect on the price or value of the Units, provided that such information has not already been included in this PDS (as supplemented or amended). The Responsible Entity will publish such information on the ASX market announcements platform and its website at the same time as it is disclosed to ASIC.</p> <p>Under AQUA Rule 10A.4, the Responsible Entity must also disclose:</p> <ul style="list-style-type: none"><li>• information about the NAV of each Fund daily;</li><li>• information about withdrawals from the Funds;</li><li>• information about distributions paid in relation to the Funds;</li><li>• any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and</li><li>• any other information that would be required to be disclosed to the ASX under section 323DA of the Corporations Act if the Units were admitted under the ASX Listing Rules.</li></ul> <p>In addition, under the AQUA Rules the Responsible Entity must immediately notify the ASX of any information the non-disclosure of which may lead to the establishment of a false market in the Units or which would be likely to materially affect the price of the Units.</p>
<b>Periodic Disclosure</b>	Issuers of products under the ASX Listing Rules are required to disclose half-yearly and annual information or annual reports under Chapter 4 of the ASX Listing Rules.	Issuers of products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or reports. However, the Responsible Entity is still required to lodge ASIC financial reports required under Chapter 2M of the Corporations Act. The Responsible Entity will also lodge these reports with ASX at the time they submit them to ASIC.

<b>Corporate Control</b>	Listed companies and listed managed investment schemes are subject to requirements in the Corporations Act and the ASX Listing Rules relating to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	As products quoted under the AQUA Rules are not shares in companies, the issuers of such products are not subject to the corporate governance requirements referred to under the Corporations Act and the ASX Listing Rules. However, the Responsible Entity, as an issuer of a product quoted under the AQUA Rules, is subject to the general requirement to provide ASX with information concerning itself that may otherwise lead to the establishment of a false market or materially affect the price of its products. Section 601FM of the Corporations Act will continue to apply to the Responsible Entity in relation to the removal of a Responsible Entity of a registered managed investment scheme by members.
<b>Related party transactions</b>	Chapter 10 of the ASX Listing Rules specifies controls over related party transactions (which relate to transactions between an entity and other people in a position to influence the entity).	Chapter 10 of the ASX Listing Rules does not apply to AQUA products such as the Fund's Units. However, as the Fund is a registered managed investment scheme it is still subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
<b>Auditor Rotation</b>	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	The specific auditor rotation requirements under Division 5 of Part 2M.4 of the Corporations Act do not apply to AQUA product issuers. However the Responsible Entity will continue to be required to undertake independent audit of its compliance with the Fund's Compliance Plan in accordance with section 601HG of the Corporations Act.

## 15. Glossary

Term	Means
<b>\$ or AUD</b>	Australian dollars, unless otherwise specified.
<b>Administrator or Custodian</b>	State Street Australia Limited as a provider of administration and custody services to the Fund.
<b>AFSL</b>	An Australian Financial Services Licence issued by ASIC.
<b>Alpha</b>	The excess return of the Fund relative to the return of the Benchmark.
<b>Application Form</b>	The application form that accompanies this PDS.
<b>Application Price</b>	Has the meaning given in section 3 ( <i>What is my entry price when I make an investment in the Fund?</i> ).
<b>AQUA Market</b>	The market for AQUA products operated by the ASX.
<b>AQUA Rules</b>	The rules issued by the ASX which apply to AQUA products, as supplemented, amended, varied, or replaced from time to time.
<b>Asian Companies</b>	Any company listed on an Asian exchange (including exchanges in Hong Kong, China, Taiwan, Korea, India, Singapore, Malaysia, Thailand, Philippines, Indonesia, Japan, Vietnam, Pakistan and Sri Lanka) or included in the Benchmark or that in the Responsible Entity's opinion are likely to be included in the Benchmark and any Asian domiciled companies that trade as American depositary receipts or global depositary receipts who trade on non-Asian exchanges.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691.
<b>ASX Listing Rules</b>	The listing rules published by the ASX, as supplemented, amended, varied, or replaced from time to time.
<b>ASX Operating Rules</b>	The operating rules published by the ASX, as supplemented, amended, varied, or replaced from time to time.
<b>ASX Trading Day</b>	A day during which securities are able to be traded on the AQUA Market, weekends, and most (but not all) public holidays are not ASX Trading Days.
<b>Benchmark</b>	MSCI Asia Ex Japan (non-accumulation) (AUD) Index.
<b>Board</b>	The Board of the Responsible Entity.

<b>Business Day</b>	A day (other than a Saturday, a Sunday or a public holiday) on which banks are open for general banking business in Sydney.
<b>Buy Spread</b>	The estimated transaction costs associated with buying the assets of the Fund, when Investors invest in the Fund.
<b>Cash and Cash-Like Investments</b>	Investments in deposits, cash management trusts, bonds, fixed interest, debentures or similar investments as determined by the Responsible Entity.
<b>CHESS</b>	The Clearing House Electronic Sub-register System, the Australian settlement system for equities and other issued products traded on the ASX and other exchanges. CHESS is owned by ASX.
<b>Constitution</b>	The constitution establishing the Fund dated 23 September 2016, as amended from time to time.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Derivative</b>	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).
<b>EFT</b>	Electronic Funds Transfer.
<b>ESG</b>	Environmental, social and governance.
<b>Exchange Traded Derivative</b>	A Derivative that is traded through a public exchange or market. Exchange Traded Derivatives are characterised by standard terms and conditions.
<b>Fund</b>	Ellerston Asia Growth Fund (Hedge Fund) ARSN 626 690 686.
<b>Fundamental</b>	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).
<b>Futures</b>	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.
<b>HIN</b>	Holder Identification Number.
<b>IDPS</b>	Investor Directed Portfolio Service. References to IDPS includes IDPS-like facilities like master funds and wrap services.
<b>iNAV</b>	The indicative NAV per Unit that will be published during an ASX Trading Day to take into account any changes in the market prices of Securities held in the Fund during that trading day.
<b>iNAV Provider</b>	ICE Data Indices, LLC.
<b>Indirect Investor(s)</b>	Has the meaning provided in section 11.
<b>Investment Manager, Ellerston Capital or Responsible Entity</b>	Ellerston Capital Limited ABN 34 110 397 674 AFSL 283000.
<b>Investment Manager's Group</b>	The Investment Manager and each of its related bodies corporate, and each of their associates.
<b>Investor</b>	A person indicated in a Register as a holder of a Unit and where required by the Corporations Act, a person determined under the Corporations Act for the time being as a member of the Fund.
<b>Leverage</b>	Borrowing money or Securities to invest or investing through Derivatives in order to increase the monies available for investment.
<b>Liquid Scheme</b>	In respect to the Fund, means that the Fund is a liquid scheme for the purposes of the Corporations Act as 80% of the Fund's are liquid assets.
<b>Market Maker</b>	Nine Mile Financial Pty Limited, a market participant appointed by the Responsible Entity to act as its agent to execute market making activities.
<b>Market Price</b>	The market price at which Units are bought and sold on-market on the ASX.
<b>NAV</b>	Net asset value.
<b>Net Trust Value</b>	Has the meaning provided in the Constitution.
<b>Net Unit Value</b>	Has the meaning provided in the Constitution.

<b>Option</b>	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.
<b>OTC Derivative</b>	A Derivative that is not an Exchange Traded Derivative or an OTC Derivative for hedging currency risks.
<b>PDS</b>	This product disclosure statement.
<b>Register</b>	The register of Unit holders.
<b>Securities</b>	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.
<b>Sell Spread</b>	The estimated transaction costs associated with selling the assets of the Fund, when Investors withdraw from the Fund.
<b>Short Selling</b>	Selling an investment (which has been borrowed from another party) with the intention of buying it back at a later date.
<b>SRN</b>	Securityholder Reference Number.
<b>Transaction Costs</b>	Includes any of the following: brokerage; Buy/Sell Spread; settlement costs (including custody costs); clearing costs; stamp duty on an investment transaction; the costs in relation to derivative financial products; but does not include: excluded transactional and operational costs (such as borrowing costs and property operating costs); performance fees; and costs that are otherwise charged as administration fees and costs, investment fees and costs or management fees and costs.
<b>Unit</b>	A unit in the Fund.
<b>Unit Registry</b>	Automic Group ABN 27 152 260 814 as the provider of registry services to the Fund.
<b>Withdrawal Form</b>	The form for an Investor to use if the Investor wishes to have Units redeemed by the Responsible Entity which is available from the Unit Registry.
<b>Withdrawal Price</b>	Has the meaning given in section 3 ( <i>For what price can I sell my Units in the Fund?</i> ).
<b>You, your</b>	Investors (and, when the context requires, potential Investors).
<b>We, our, us</b>	Ellerston Capital Limited ABN 34 110 397 674 AFSL 283000.

## 16. Contact details

### Ellerston Asia Growth Fund (Hedge Fund) (ASX: EAF)

#### Responsible Entity and Investment Manager

##### **Ellerston Capital Limited**

Level 11  
179 Elizabeth Street  
Sydney NSW 2000  
T: +61 2 9021 7701  
W: [www.ellerstoncapital.com](http://www.ellerstoncapital.com)

#### Unit Registry

##### **Ellerston Capital Limited Unit Registry**

C/O Automic Group  
GPO Box 5193  
T: 1300 101 595 (or +61 2 9068 1928 from  
outside Australia)  
E: [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au)

#### Administrator and Custodian

##### **State Street Australia Limited**

420 George Street  
Sydney NSW 2000

#### Auditor


##### **Ernst & Young**

200 George Street  
Sydney NSW 2000

# ELLERSTON ASIAN INVESTMENTS LIMITED


ACN 606 683 729


## LODGE YOUR VOTE

 **ONLINE**  
<https://investorcentre.linkgroup.com>

 **BY MAIL**  
 Ellerston Asian Investments Limited  
 C/- Link Market Services Limited  
 Locked Bag A14  
 Sydney South NSW 1235 Australia

 **BY FAX**  
 +61 2 9287 0309

 **BY HAND**  
 Link Market Services Limited  
 Parramatta Square, Level 22, Tower 6,  
 10 Darcy Street, Parramatta NSW 2150

 **ALL ENQUIRIES TO**  
 Telephone: +61 1300 551 627



X99999999999

This Proxy Form may be used to appoint a proxy to attend the General Meeting and Special Meeting (the **Meetings**). This Proxy Form (and any power of attorney under which it is signed) must be received at an address above by **10:00am (Sydney time) on Tuesday, 16 May 2023**. Any Proxy Form received after that time will not be valid for the scheduled Meetings.

## PROXY FORM

I/We being a member(s) of Ellerston Asian Investments Limited (the **Company**) and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

**the Chair of the Meetings (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meetings as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meetings, 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 **10:00am (Sydney time) on Thursday, 18 May 2023 at Phillip Room on Level 2, Sheraton Grand Sydney Hyde Park, 161 Elizabeth St, Sydney NSW 2000** and the Special Meeting of the Company to be held at the same venue as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever is earlier) and at any postponement or adjournment of the Meetings.

**The Chair of the Meetings intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meetings. Please read the voting instructions overleaf before marking any boxes with an**


#### General Meeting Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Amendment to the Company Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4 Admission of EAGF Units to AQUA Trading Status	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to undertake the Capital Reduction Distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of the Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Removal from the Official List of the ASX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

#### Special Meeting Resolution

1 Approval to undertake the Capital Reduction Distribution\*\*

<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 poll and your votes will not be counted in computing the required majority on a poll.

\*\* The Ellerston Shareholder is excluded from voting on this resolution and the Company will disregard any votes cast on this resolution by the Ellerston Shareholder and its associates.

### 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, either shareholder may 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).

EAI PRX2301N



## 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 Chair of the Meetings as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meetings as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIR

Any directed proxies that are not voted on a poll at the Meetings will default to the Chair, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair will be voted according to the instructions set out in this Proxy Form.

### 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 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 Meetings 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 both forms 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 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, either shareholder may 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 participate in the Meetings 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](http://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 **10:00am (Sydney time) on Tuesday, 16 May 2023**, being not later than 48 hours before the commencement of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meetings.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

<https://investorcentre.linkgroup.com>

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 MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Ellerston Asian Investments Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Parramatta Square  
Level 22, Tower 6  
10 Darcy Street  
Parramatta NSW 2150

\*during business hours Monday to Friday (9:00am - 5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING AND SPECIAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**