

FORT STREET REAL ESTATE CAPITAL FUND I  
(FORMERLY KNOWN AS AUSTRALIAN PROPERTY OPPORTUNITIES FUND)  
ARSN 163 688 346

# UNITHOLDER BOOKLET EXPLANATORY MEMORANDUM

A NOTICE OF MEETING IS INCLUDED AS APPENDIX 1 TO THIS BOOKLET.  
A PROXY FORM FOR THE MEETING ACCOMPANIES THIS BOOKLET.

## GENERAL MEETING 31 OCTOBER 2017 AT 3:00PM (SYDNEY TIME)

**This is an important document and requires your urgent attention.**

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

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

## IMPORTANT NOTICES

### General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the Meeting. The notice convening the Meeting is contained in Appendix 1. A proxy form for the meeting is enclosed.

### Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 6 of this Booklet or where the relevant term is first used.

References to dollars or \$ are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding.

### Purpose of this Booklet

The purpose of this Booklet is to:

- state the nature of the business to be conducted at the Meeting; and
- provide such information as is prescribed by the Corporations Act.

### ASIC

A copy of this Booklet has been lodged with the ASIC. The ASIC and its officers take no responsibility for the contents of this Booklet.

### Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Units. It is important that you read the entire Booklet before making any voting or investment decision.

### Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The assumptions on which prospective financial information is based may prove to be incorrect or may be affected by matters not currently known to, or considered material by, the Responsible Entity.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of the Responsible Entity, the officers of the Responsible Entity or any person named in this Booklet makes any representation or warranty (either expressed 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. You are cautioned not to place undue reliance on those statements. Notwithstanding the uncertainty outlined above, there are reasonable grounds for including all forward looking statements set out in this Booklet.

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

## IMPORTANT DATES AND TIMES

Date of this Booklet	6 October 2017
Last time and date by which the proxy form for the Meeting can be lodged	3:00pm, 29 October 2017
Time and date for determining eligibility to vote at the Meeting	7.00 pm, 29 October 2017
Meeting* to vote on the Proposal	3:00pm, 31 October 2017

\* The Meeting will be held at Level 15, 100 Pacific Highway, North Sydney NSW 2060.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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## RESPONSIBLE ENTITY LETTER

6 October 2017

Dear Unitholder

It is our pleasure to present you with this Notice of Meeting for the Fort Street Real Estate Capital Fund I (the **Fund**) (formerly Australian Property Opportunities Fund).

The Fund was established in 2013 with the objective of providing investors with strong income yield as well as long-term capital growth through investments in high quality commercial property assets in Australia.

In this regard, I am pleased to announce we have been successful.

Our portfolio today comprises five commercial properties across New South Wales, Victoria, and Queensland that currently generate distributions of 6.2% on invested capital. In addition, the value of the current portfolio has grown by 32% since acquisition through active portfolio management, including refurbishing properties and enhancing tenancy.

In setting up this fund, we were mindful of the fact that commercial property investments are generally illiquid and require a medium-to-long-term investment horizon. Our strategy was to target investments over a five-to-seven-year term, after which we would begin the process of realising our investments and returning capital and profits to investors.

However, our strong performance means that we are ahead of schedule.

We have recently completed the successful sale of one of the Fund's assets, 390 St Kilda Road in Melbourne, realising a profit of 45% on invested capital. We have also received unsolicited inquiries for several of the Fund's other properties. Current market conditions may justify bringing forward the realisation process of divesting properties and returning capital.

Counterbalancing these circumstances are the broader challenges facing investors in finding long-term, high quality investment returns. Since inception of the Fund, generating income in portfolios has become increasingly more difficult as interest rates have declined throughout the world. The official cash rate in Australia today is now the lowest on record at just 1.5%. Winding up the Fund would deprive investors of a pleasing, long-term source of income in a world where high-quality income is difficult to find.

As a result of these countervailing considerations we find ourselves at a critical juncture. Accordingly, we are asking you to vote on the future course of the Fund.

### Summary of the Resolutions

At this Meeting, you are asked to vote on 4 interdependent Resolutions. Each must be passed as an ordinary resolution and all must be passed to give effect to the proposed changes to the Fund.

Vote Yes if you would like to remain an investor in the Fund, which will continue for a longer term than originally envisaged. If you vote "Yes", the investment management agreement with Fort Street Real Estate Capital (**Investment Manager**) will be restructured and extended beyond the initial target investment term of seven-to-10 years to position the Fund as a long-term income and capital growth investment opportunity. There will be no change to the

aggregate annual fees and costs of managing the Fund, however, the investment management agreement will be restructured and extended which will precipitate the accrued performance fee of \$9,846,465 becoming payable. There are also some consequential changes to the fund management agreement. Please see Section 3 for details of the proposed changes.

Vote No if you do not want the Fund to become a long-term investment vehicle. If you vote "No", the Investment Manager will continue the realisation of the Fund's investments and wind up the Fund in accordance with the current investment term. Voting "No" will not result in any changes to the investment management agreement terms or in the near-term strategy of the Fund.

Walsh & Company Investments Limited as the Responsible Entity, believes this portfolio is of high quality and would be difficult to replicate. However, as the Responsible Entity and management entities in which it has an interest will receive a benefit from implementation, it does not consider it appropriate to make a recommendation to Unitholders.

Regardless of the outcome of the Resolutions, the Fund will pay a special distribution of \$50 million representing approximately \$0.50 per Unit to all investors recognising the strong performance and capital growth achieved by the Fund.

This Explanatory Memorandum contains detailed information about the Notice of Meeting. In considering how to vote, Unitholders should consider the contents of this Booklet including the reasons to vote for and against the Resolutions set out in Sections 1.6 and 1.7 and the alternatives available to the Fund set out in Section 2.3.

We encourage you to read this document carefully and look forward to receiving your vote on the future of the Fund.

Yours sincerely



**Alex MacLachlan**  
Chairman  
Walsh & Company Investments Limited

## 1. OVERVIEW

### 1.1. Introduction

Unitholders are asked to consider the Resolutions which approve the extension of the term of the Fund, the payment of an accrued performance fee to the Investment Manager and associated amendments to the Management Agreements (**Proposal**). The change in the investment horizon for the Fund will be effected by making certain amendments to the key management agreements for the Fund and Australian Property Opportunities Trust, the sub-trust through which the Fund presently holds all its interests in property (**Trust**). The terms of these proposed amendments are set out in detail in Section 3.

### 1.2. Unitholder approvals for Resolutions

Unitholder approval is sought for the Resolutions for the purposes of section 208 of the Corporations Act, which deals with the ability of a responsible entity for a registered managed investment scheme to give a financial benefit to related parties and certain other parties. As a result of the extension of the term of the Management Agreements, the relevant managers as well as the Responsible Entity and the Trustee may receive a financial benefit as they may continue to receive fees over the extended term of the Management Agreements. In addition, the Investment Manager will receive early payment of an accrued performance fee.

### 1.3. Resolutions interdependent

The Resolutions are interdependent, which means that if any of the Resolutions is not passed by Unitholders, the Proposal will not proceed.

### 1.4. Voting

The Resolutions require approval by a simple majority of votes cast by eligible Unitholders at the Meeting. Section 5.5 and the Notice of Meeting each set out the voting restrictions that apply to the Resolutions.

### 1.5. No recommendation

If implemented, the Proposal will result in the life of the Fund extending beyond the existing maximum investment term of 10 years. While the Proposal will not result in any change to the total annual fees paid to the Responsible Entity, the Investment Manager or the Fund Manager, an extension of the life in the Fund may result in an increase in the aggregate fees that the Responsible Entity and the Trustee, a related body corporate of the Responsible Entity, will receive over the life of the Fund. In addition, the Proposal will result in the payment of the Accrued Performance Fee to the Investment Manager and an extension to the period within which the Investment Manager, an entity in which the holding company of the Responsible Entity holds an indirect 50% interest and the Fund Manager may receive fees under the Management Agreements.

In these circumstances, the Responsible Entity does not consider it appropriate to make a recommendation regarding the Resolutions.

### 1.6. Why Unitholders may vote in favour of the Resolutions

Reasons why Unitholders may choose to vote in favour of the Resolutions include the following:

- The Fund has assembled a portfolio of high quality assets that the Responsible Entity believes would be difficult to replicate in the current environment;
- The portfolio of assets presently generates a rental yield well in excess of prevailing interest rates. Unitholders may consider

that retention of this portfolio through the Fund is preferable to realising these investments;

- Unitholders wishing to maintain an exposure to the Australian commercial property market may consider that retention of the Fund's high quality portfolio is preferable to realisation of that portfolio and the risk of reinvestment in other properties that may not be of comparable quality;
- A sale of the assets of the Fund may derive capital gains which may be taxed in the hands of Unitholders. Depending on individual tax rates, this may result in Unitholders having fewer proceeds to reinvest in the market than in the case of the Proposal;
- The Proposal removes a mandatory sale process which may not be correlated to the market and provides flexibility for the Investment Manager in dealing in assets;
- Removal of the investment time horizon provides the Responsible Entity with the opportunity and certainty necessary to commit to undertake capital expenditure on existing investments, improving the prospects of generating a stable, attractive rental yield and potential capital gain on realisation; and
- Removal of the investment time horizon provides the Responsible Entity with the opportunity and certainty necessary to take advantage of the current low-interest environment to lock in long term funding support for capital expenditure.

### 1.7. Why Unitholders might vote against the Resolutions

Reasons why Unitholders may choose to vote against the Resolutions include the following:

- Investors may wish to realise their investment within the anticipated realisation period rather than await a potential future liquidity event;
- Unitholders may consider that the current strong property market will not be sustained over the medium term and so wish to realise their investment in properties through the Fund at current market prices;
- Some Unitholders may consider it preferable to receive returns from the Fund by distribution of capital gains rather than distributions of income sourced from rent due to the differing tax treatment of such distributions. See Section 4.5 for details;
- Early payment of the performance fee may result in the Investment Manager being paid a higher performance fee over the life of the Fund if the outperformance of the Fund to date is not sustained at the same level for the remaining term of the Fund; and
- Unitholders do not presently have a right to withdraw from the Fund and so may prefer to exit their investment in the Fund through the sale of assets and winding up the Fund rather than retaining their investment without a ready liquidity opportunity.

### 1.8. Consequences if the Resolutions are not passed

If the Resolutions are not passed:

- the IMA will not be amended and the Accrued Performance Fee will not be paid at this time;

- the performance fee to which the Investment Manager is entitled will continue to accrue and will be paid to the Investment Manager in accordance with the existing terms of the IMA being after the Fund receives all initial invested capital in the Trust and after the investment return for the Fund (through distribution of income and capital) equals the Hurdle Rate;
- the Investment Manager will proceed to continue to manage the portfolio of investments of the Fund with a view to undertaking a review of the portfolio in 2018. Based on the outcome of that review, the Responsible Entity will progress towards realisation of the portfolio; and
- the Responsible Entity will limit capital expenditure on properties in the portfolio to essential expenditure necessary to maintain current rental yields for the balance of the investment term of the Fund.

### 1.9. What to do next

#### (a) *Read the remainder of this Booklet*

You should read and consider the remainder of this Booklet in full before making any decision on the how to vote on the Resolutions.

#### (b) *Consider your options*

Unitholders should refer to Section 2 to Section 5 (inclusive) of this Booklet for further guidance on the Proposal. However, this Booklet does not take into account the financial situation, investment objectives and particular needs of any particular Unitholder.

#### (c) *Vote at the Meeting*

The Responsible Entity encourages all Unitholders to vote on the Resolutions at the Meeting.

## 2. RATIONALE FOR THE PROPOSAL

### 2.1. Background

The Fund was established in 2013 to provide investors with the objective of achieving a strong income yield as well as long-term capital growth through investments in high quality commercial property assets in Australia.

The portfolio today comprises five commercial properties across New South Wales, Victoria, and Queensland that currently generate distributions of 6.2% on invested capital. The value of the current portfolio has grown by 32% since acquisition through active portfolio management, including refurbishing properties and enhancing tenancy. In addition, the Fund recently completed the successful sale of 390 St Kilda Road in Melbourne, realising a profit of 45% on invested capital.

The original strategy of the Fund was to target investments over a five-to-seven-year term, after which the Fund would begin the process of realising its investments and returning capital and profits to Unitholders.

However, given the strong performance of the Fund, the high-quality, difficult to replicate nature of the portfolio, and current low interest rate market conditions which potentially makes reinvestment of proceeds in similar quality assets difficult, the Responsible Entity is now confronted with the need to make decisions for the balance of the portfolio. Specifically, decisions as

to whether to extend the term of the Fund to a longer time horizon to allow the Fund to continue to provide investors with attractive distributions and potential for capital growth or take a short-term approach and liquidate the portfolio and return proceeds from 2020, or earlier if approved by Unitholders.

### 2.2. Long-term investment vehicle

Converting the Fund to a long-term investment vehicle under the terms of the Proposal positions the Investment Manager to be able to achieve several objectives which may be in the best interests of Unitholders:

- Invest for the future growth in income and capital: extending the life of the Fund will allow the Investment Manager to invest in value-accretive capital expenditure beyond basic maintenance. This, in turn, should better position the Fund to continue to maintain current distribution levels, grow distributions in the medium term, and create longer-term capital growth for Unitholders;
- Optimise capital structure: the Fund currently has a borrowing facility with the National Australia Bank. If the Proposal proceeds, the Investment Manager will have greater flexibility to optimise the terms of the existing funding arrangements, reflecting the longer-term nature of the Fund;
- Align management incentives: the IMA was designed with the original seven to 10 year profile of the Fund. As such, it did not incentivise the Investment Manager to manage the portfolio for growth beyond the original term. The Proposal better aligns incentives of the Investment Manager and the Fund; and
- Liquidity: the Proposal provides greater flexibility to the Investment Manager to achieve enhanced liquidity for Unitholders in the future beyond simply disposing of properties individually and returning proceeds as contemplated under the current arrangements. While there is no current intention to list the Fund on ASX, the Responsible Entity will consider opportunities to do so in the future, and in the interim any trading amongst Unitholders will continue to be facilitated through off-market transfers.

### 2.3. Alternatives available to the Fund

The Responsible Entity considers that there are three options available to the Fund, being to maintain the existing investment term, to extend the investment term indefinitely as proposed by the Resolutions, or to bring forward realisation of the Fund's portfolio of investments.

The Responsible Entity considers that allowing the Fund to continue to maintain its portfolio of high-quality assets and thereby continue to provide strong current income as well as income and capital growth potential going forward is preferable to liquidating the portfolio, either under the existing investment term or earlier, and depriving Unitholders of this source of long-term income in an investment climate where high-quality income is difficult to source.

### 2.4. Special distribution

As announced on 1 August 2017, the Fund has concluded the sale of 390 St Kilda Road, Melbourne to a fund managed by Rockworth Capital Partners for \$97.85 million. The building was purchased for \$56 million in February 2014, and, after allowing for capital expenditure and other costs, has delivered a profit on sale of 45%.

The Responsible Entity has determined to pay a special distribution to Unitholders of \$50 million representing approximately \$0.50 per Unit from the net proceeds of sale of this property. Payment of this special distribution is not conditional on the Proposal proceeding and is not impacted by payment of the Accrued Performance Fee if the Resolutions are passed.

### 3. IMPLEMENTATION OF THE PROPOSAL

#### 3.1. Investment Management Agreement

The Investment Manager acts as investment manager of the Trust under an investment management agreement dated 7 June 2013 (IMA).

Under the IMA, the Investment Manager provides investment management services to the Trust in return for payment of a management fee (which incorporates an acquisition fee and a disposal fee) and a performance fee.

Under this agreement, the Investment Manager is generally responsible for sourcing, assessing and recommending property acquisitions and disposals to the Investment Committee of the Trust, which includes:

- (a) undertaking due diligence investigations and providing information necessary for the Investment Committee to make an informed investment decision relating to property acquisitions and disposals;
- (b) managing the execution of approved property investment strategies;
- (c) providing recommendations to the Investment Committee on procuring debt for property acquisitions and managing the day-to-day execution of the Trustee's debt strategy for the Trust;
- (d) making recommendations to the Investment Committee on investment property exit strategies; and
- (e) providing all reasonable assistance requested by the Investment Committee to enable it to fulfil its obligations under the Investment Committee Charter.

The Investment Committee is established under this agreement and its charter is included in the agreement as a schedule to it. The Investment Committee has the responsibility of reviewing recommendations received from the Investment Manager, monitoring the performance of the Investment Manager and providing recommendations to the Trustee on:

- asset due diligence proposals and asset acquisition proposals prepared by Investment Manager;
- debt financing proposals procured by the Investment Manager in connection with asset acquisitions;
- asset disposal proposals prepared by Investment Manager; and
- realisation strategies.

Since the establishment of the Fund and the Trust, the Investment Manager has increased both its internal resources and experience through its management of the Trust and the sub-trusts of Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III. In recognition of this and the long term nature of the proposed new investment time horizon, it is proposed that

the Investment Committee will be disbanded and responsibility for management of the Trust be allocated to the Investment Manager.

Under this new framework, the Investment Manager will be generally responsible for sourcing, assessing and approving or directing property acquisitions and disposals to the Trustee. The Trustee may not acquire or dispose of a property interest without the consent of the Investment Manager and must acquire or dispose of a property interest if directed to do so by the Investment Manager.

The IMA presently provides that, subject to market conditions, it is the intention of the Trustee to realise the assets of the Trust within seven to 10 years of the commencement of the Trust (**Realisation Period**). The Trustee may extend the commencement of the Realisation Period or bring forward the commencement of the Realisation Period as it sees fit after obtaining the approval of Unitholders by ordinary resolution. However, the Trustee must not bring forward the commencement of the Realisation Period to a date earlier than the fifth anniversary of the Trust without the prior written consent of the Investment Manager (which must not be unreasonably withheld or delayed).

If the Resolutions are passed, these realisation restrictions will be removed from the IMA.

The following fees are payable by the Trustee to the Investment Manager out of the assets of the Trust in return for the investment management services:

- (a) an acquisition fee calculated at the rate of 1.25% plus GST of the purchase price of each property, exclusive of acquisition costs, payable within 10 business days of the completion of the acquisition;
- (b) a disposal fee calculated at the rate of 1.0% plus GST of the net proceeds of:
  - (i) the sale of any property of the Trust;
  - (ii) the sale of any units in the Trust or redemption of units by the transfer of assets other than cash; or
  - (iii) the distribution in specie of the capital of the Trust,payable within 10 business days of the completion of each of the above events. The disposal fee is only payable by the Trustee to the Investment Manager if the net proceeds exceed the aggregate of the acquisition costs and capital costs for the relevant asset less in the case of units in the Trust, any capital distributed in respect of that asset; and
- (c) a performance fee. See Section 3.2 for details.

No acquisition, disposal or performance fees were paid or payable to the Investment Manager in respect of the financial year ended 30 June 2017.

If the Resolutions are passed, the following changes will be made to the fees payable to the Investment Manager:

- (a) the Investment Manager will receive an investment management fee of 0.54% of the gross assets of the Trust. This fee will be payable monthly in arrears. This fee reflects the increased commitment required by the Investment Manager to manage the portfolio for the long term rather than to prepare for the prompt sale of the portfolio. In recognition of this, the fund management fee payable to the Fund Manager will be reduced by the corresponding amount being a reduction from

0.69% to 0.15% of the gross assets of the Fund. As a result, there is no change to the aggregate annual fees payable to the Investment Manager and the Fund Manager;

- (b) the accrued performance fee up to 30 June 2017 of \$9,846,465 will be paid. See Section 3.2 for details; and
- (c) the performance fee payable from 1 July 2017 will be amended as follows:

The Investment Manager will receive a performance fee equal to 10% plus GST of the Fund's outperformance against the AREIT Accumulation Index. The Fund's outperformance will be calculated as:

- (i) the total return of the Fund (being accumulated distributions plus the increase in the net asset value of the Fund, divided by the starting net assets (based on the audited financial statements for the Fund)); less
- (ii) the increase in the AREIT Accumulation Index over the corresponding calculation period.

The performance fee will equal the Fund's outperformance, multiplied by the net assets of the Fund (based on the audited financial statements for the Fund), multiplied by 10% (plus GST).

The performance fee will be calculated annually, and paid following the release of the audited financial statements of the Fund. The initial period will be from the date of the meeting until 30 June 2018.

Payment of a performance fee for a calculation period is subject to the following:

- (i) no performance fee will be payable in respect of a calculation period in which the Fund has not achieved a positive total return (being accumulated distributions plus the increase in the net asset value of the Fund, divided by the starting net assets (as adjusted for issues, buybacks and distributions)). However, any outperformance achieved in such a calculation period may be carried forward for up to 3 years; and
- (ii) in the event of underperformance by the Fund in any period, the measurement of the performance of the Fund against the AREIT Accumulation Index in subsequent years will require a comparison of the performance against the prior years' indicies (for both the Fund and the AREIT Accumulation Index) for up to three years (including the current year) to determine if a fee is payable. This has the effect of requiring the Fund to recoup any underperformance in the prior two years before any performance fee is payable.

In calculating the performance fee any changes in the value of the portfolio as a result of the issue of securities, buybacks of securities and distributions of income and capital for the relevant calculation period will be adjusted for in a manner determined by the Fund's auditor at the conclusion of that calculation period with, to the extent necessary, a corresponding adjustment being made to the AREIT Accumulation Index benchmark for that period to ensure direct comparability of performance of the Fund.

The Investment Manager may, but is not obliged to, require the Responsible Entity to issue Units in satisfaction of the

performance fee. The issue price for such Units will be the net asset backing per Unit used to determine the relevant performance fee. The issue of such Units will be subject to receipt of all necessary approvals including required approvals from holders of Units (if any).

The agreement has an initial term of 10 years, which runs from the date it was signed, with a rolling one year extension thereafter at the option of the parties. The Trustee may terminate the agreement after the initial 10 year term on three months written notice to the Investment Manager without cause.

To reflect the proposed change in investment horizon for the Fund, it is proposed that the term of the IMA be reset to a period of 20 years from passage of the Resolutions. If the Fund is Listed during this period, the term of the IMA will be fixed at 10 years from the date the Fund is Listed. In each instance, this initial reset term will be extended by rolling one year extension thereafter at the option of the parties.

The effect of this change is to extend the term of the IMA and therefore the period over which the Investment Manager will receive property management fees.

The Trustee may remove the Investment Manager and terminate the agreement with immediate effect if:

- (a) an insolvency event occurs with respect to the Investment Manager;
- (b) the Investment Manager commits a material unrectifiable breach of the agreement, or, if the breach is rectifiable, the Investment Manager fails to do so within 30 days of being notified of the breach; or
- (c) the PMA is terminated for any reason.

There are no proposed changes to these termination provisions.

An amendment agreement to give effect to the above amendments to the IMA will be executed within 5 Business Days of passage of the Resolutions.

### 3.2. Accrued Performance Fee

Under the IMA, the Investment Manager is entitled to receive a performance fee equal to 20% plus GST of the outperformance of the entire property portfolio of the Trust over an equity pre-tax IRR hurdle of 10% of the Trust (**Hurdle Rate**) to the Fund.

The performance fee is only paid to the Investment manager following receipt by the Fund of all invested capital and achievement of an investment return equal to the Hurdle Rate, through distribution of income and capital from the Trust. The calculation of the performance fee will occur prior to each distribution date.

As at 30 June 2017 as a result of the strong performance of the Fund to date, including achieving the current distribution rate of 6.2% per annum plus significant capital gains since inception, the Trustee had accrued a performance fee of \$9,846,465. Resolution 2 approves the payment of an accrued performance fee up to 30 June 2017 of \$9,846,465 to the Investment Manager.

Under the current formulation of the performance fee, no performance fee is payable until all initial invested capital is returned and the Hurdle Rate is achieved. Therefore, in the absence of the Proposal, any accrued performance fee, whether higher or lower than the current Accrued Performance Fee, would only be paid following the liquidation of the Fund's portfolio as originally contemplated.

### 3.3. Property Management Agreement

The Investment Manager provides property management services to the Trustee in return for the payment of a property management fee under a property management agreement dated 7 June 2013 (PMA).

Under the PMA, the Investment Manager is generally responsible for managing the property portfolio of the Trust, which includes:

- (a) optimising the tenancy profile;
- (b) arranging leases and tenancies as agent for the Trustee;
- (c) collecting all rents, bonds and other payments due from tenants;
- (d) managing any construction and redevelopment as well as repairs and general maintenance; and
- (e) effecting and maintaining appropriate insurances over the properties.

The Trustee must pay the Investment Manager out of the assets of the Trust a monthly property management fee equivalent to 3.0% plus GST of the gross income of the Trust. In respect of the financial year ended 30 June 2017, the Investment Manager received or was entitled to receive property management fees of \$882,553 (exclusive of GST).

The agreement has an initial term of 10 years, which runs from 7 June 2013, with a rolling one year extension thereafter at the option of the parties. The Trustee may terminate the agreement after the initial 10 year term on 3 months written notice to the Investment Manager without cause.

To reflect the proposed change in investment horizon for the Fund and consistent with the proposed changes to the IMA, it is proposed that the term of the PMA be reset to a period of 20 years from passage of the Resolutions. If the Fund is Listed during this period, the term of the PMA will be fixed at 10 years from the date the Fund is Listed. In each instance, this initial reset term will be extended by rolling one year extension thereafter at the option of the parties.

The effect of this change is to extend the term of the PMA and therefore the period over which the Investment Manager will receive property management fees.

The Trustee may remove the Investment Manager and terminate the agreement with immediate effect if:

- (a) an insolvency event occurs with respect to the Investment Manager;
- (b) the Investment Manager commits a material unrectifiable breach of the agreement, or, if the breach is rectifiable, the Investment Manager fails to do so within 30 days of being notified of the breach; or
- (c) the IMA is terminated for any reason.

There are no proposed changes to these termination provisions.

An amendment agreement to give effect to the above amendments to the PMA will be executed within 5 Business Days of passage of the Resolutions.

### 3.4. Fund Management Agreement

Walsh & Company Asset Management Pty Limited (**Fund Manager**), a related party of the Trustee and the Responsible Entity, provides fund management services to the Fund under a fund management agreement dated 7 June 2013 (FMA).

The Fund Manager is responsible for:

- (a) the daily administration of the Fund, which includes providing or procuring the provision of services including:
  - (i) company secretarial functions;
  - (ii) maintaining the management and statutory accounts;
  - (iii) administrative support services; and
- (b) providing investor relations services to the Fund.

Under the FMA, the Responsible Entity must pay to the Fund Manager, out of the assets of the Fund, a monthly fee for the Fund Manager's services equivalent to 0.69% per annum plus GST of the gross value of the Fund. In respect of the financial year ended 30 June 2017, the Fund Manager received a fee of \$2,072,622 (exclusive of GST).

In recognition of the increase in the investment management fee payable to the Investment Manager, the Fund Manager has agreed to reduce the fund management fee from 0.69% to 0.15% per annum plus GST of the gross assets of the Fund. As a result, there is no change to the aggregate annual fees payable to the Investment Manager and the Fund Manager. See Section 3.1 for details.

The Responsible Entity is liable for and must pay out of the Fund all the fees, costs and expenses properly incurred by the Fund Manager in providing the above services.

The agreement has an initial term of 10 years, which runs from the date it was signed (with rolling one year extensions thereafter at the option of the parties).

To reflect the proposed change in investment horizon for the Fund and consistent with the proposed changes to the IMA, it is proposed that the term of the FMA be reset to a period of 20 years from passage of the Resolutions. If the Fund is Listed during this period, the term of the FMA will be fixed at 10 years from the date the Fund is Listed. In each instance, this initial reset term will be extended by rolling one year extension thereafter at the option of the parties.

The effect of this change is to extend the term of the FMA and therefore the period over which the Fund Manager will receive fund management fees.

The Responsible Entity may remove the Fund Manager and terminate the FMA with immediate effect if an insolvency event occurs with respect to the Fund Manager or if the Fund Manager commits a material unrectifiable breach of the FMA, or, if the default is capable of remedy, fails to do so within 30 days of being notified of the breach.

There are no proposed changes to these termination provisions.

An amendment agreement to give effect to the above amendments to the FMA will be executed within 5 Business Days of passage of the Resolutions.

## 4. IMPACT OF THE PROPOSAL ON THE FUND

### 4.1. Impact on financial position

The unaudited summary pro-forma statements of financial position set out below represents the audited statement of financial position of the Fund as at 30 June 2017 released by the Responsible Entity on 15 September 2017 in summary form, adjusted to take account of post-balance date transactions and implementation of the Proposal. They are intended to be illustrative only and they neither reflect the actual position of the Fund as at the date of this Booklet nor on implementation of the Proposal. In particular, they do not reflect actual expenditure of funds since 30 June 2017.

References to 'pro-forma' information are non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in June 2016. Non-IFRS financial information has not been subject to audit or review.

#### Unaudited summary proforma statements of financial position

\$m	AUDITED 30 JUNE 2017	SALE OF 390 ST KILDA ROAD AND DISTRIBUTION	PAYMENT OF SPECIAL DISTRIBUTION	PRO FORMA 30 JUNE 2017 – ACCRUED PERFORMANCE FEE PAID
Cash and cash equivalents	3.7	69.4	19.4	9.6
Assets held for sale	95.0	-	-	-
Investment properties	244.3	244.3	244.3	244.3
Other assets	0.8	0.8	0.8	0.8
<b>Total assets</b>	<b>343.8</b>	<b>314.5</b>	<b>264.5</b>	<b>254.7</b>
Borrowings	120.6	93.6	93.6	93.6
Distribution payable	2.5	-	-	-
Accrued Performance Fee	9.8	9.8	9.8	-
Other liabilities	6.3	6.3	6.3	6.3
<b>Total Liabilities</b>	<b>139.2</b>	<b>109.7</b>	<b>109.7</b>	<b>99.9</b>
<b>Net assets</b>	<b>204.6</b>	<b>204.8</b>	<b>154.8</b>	<b>154.8</b>
<b>Total Equity</b>	<b>204.6</b>	<b>204.8</b>	<b>154.8</b>	<b>154.8</b>

Notes:

- The column headed "Audited 30 June 2017" reflects the financial position of the Fund as at 30 June 2017 in summary form as set out in the audited financial statements of the Fund as at that date.
- The column headed "Sale of 390 St Kilda Road and Distribution" reflects the column headed "Audited 30 June 2017" adjusted for:
  - the sale of 390 St Kilda Road for net proceeds (after payment of transaction fees) of \$95 million completed on 31 July 2017;
  - the application of the proceeds of sale of that property to reduce secured debt by \$27 million; and
  - payment of a distribution of \$2.5 million to Unitholders as at 30 June 2017.
- The column headed "Payment of Special Distribution" reflects the column headed "Sale of 390 St Kilda Road and Distribution" adjusted as if the proposed special distribution of \$50 million had been paid as at 30 June 2017.
- The column headed "Proforma 30 June 2017 Accrued Performance Fee paid" reflects the column headed "Special Distribution" adjusted as if the Accrued Performance Fee of \$9,846,465 had been paid to the Investment Manager as at 30 June 2017 and the Management Agreements had been amended as at that date.
- The unaudited summary proforma statements of financial position have been prepared applying the accounting policies applied in preparing the audited financial statements for the financial year ended 30 June 2017.
- Figures have been rounded to the nearest \$100,000. Totals may not sum due to rounding.

#### 4.2. No impact on control

Implementation of the Proposal will have no impact on control of the Fund as the Special Distribution will be paid in cash pro rata to all Unitholders. The number of Units on issue will not change as a result of the Proposal.

#### 4.3. No dilutionary effect on Unitholders

There will be no dilutionary effect on Unitholders, as the Accrued Performance Fee will be paid in cash.

#### 4.4. No impact on liquidity

The Fund is presently an unlisted registered managed investment scheme. While the Responsible Entity may consider opportunities for Unitholders to obtain liquidity through a listing on ASX or another financial market, the Responsible Entity does not presently intend to seek admission to the Official List of ASX.

Unitholders do not presently have a right to withdraw from the Fund. As a result, Unitholders may determine to vote against the Proposal if they prefer to exit their investment in the Fund through the sale of assets and winding up the Fund rather than retaining their investment without a ready liquidity opportunity.

Unitholders will continue to have the ability to sell Units by way of off-market transfers and the Responsible Entity, to the extent permitted by law, may assist Unitholders wishing to buy or sell Units to effect such transfers.

#### 4.5. Taxation implications

Given the minimal changes to the nature of the Fund, voting in support of the Proposal should not result in a resettlement of the Fund. As such, there should be no capital gains tax or stamp duty implications from voting for the Proposal.

In relation to the special distribution, investors should be subject to tax on their relevant share of the net capital gain. Given the Fund has made an irrevocable Managed Investment Trust capital election, the capital gains tax (CGT) rules should be the primary code for the taxation of gains and losses on land for the Fund. Given the St Kilda Road property sold was acquired in 2014 and thus held for more than 12 months, the Fund should only include 50% of the net capital gain in the distributable taxable income of the Fund.

Investors should then be required to gross up the amount of the capital gains included in their assessable income. Investors may apply any available capital losses to this grossed up gain and any remaining discounted capital gain may be eligible for the CGT discount, being one half in the case of an individual or trust investor, or one third in the case of a complying superannuation investor. Companies are generally not entitled to discount CGT treatment.

Should Unitholders not support the Proposal, investors may similarly be taxed on their share of any capital gains subsequently distributed. Depending on the applicable tax rate, this may result in there being less funds invested in the market.

It is important to note that Australian investors generally pay tax at different rates on distributions funded by rent compared to distributions funded by capital gains on assets held for more than 12 months. That is, distributions sourced from rent (less allowable tax deductions) are generally taxed at the investor's marginal tax rate. In contrast, net capital gains distributed on assets held by the Fund for more than 12 months may be subject to the discounted capital gains tax treatment in the hands of Australian investors

(see above). As such, there may be different marginal tax rates for some investors associated with distributions from the Fund under the proposal compared to distributions should the Proposal not be implemented.

Finally, it should be noted that as the Accrued Performance Fee has not crystallised for income tax purposes, the accrued fee amount should not yet be tax deductible to the Fund. Consequently, the Fund should be entitled to a tax deduction should the Accrued Performance Fee be paid. This should flow through to investors in the form of reduced taxable income being distributed by the Fund.

## 5. ADDITIONAL INFORMATION

This Section includes additional information that the Responsible Entity considers is material to the decision on how to vote on the Resolutions to be considered at the Meeting. This Section summarises the Corporations Act requirements relevant to the Resolutions.

### 5.1. The Resolutions are ordinary resolutions

The Resolutions are proposed as ordinary resolutions, requiring the approval by a simple majority of votes cast by eligible Unitholders present and voting at the Meeting and who are not subject to a voting exclusion.

### 5.2. Resolutions interdependent

The Resolutions are interdependent on each other, which means that if either of the Resolutions is not passed by Unitholders, the Proposal will not proceed.

### 5.3. Section 208 of the Corporations Act

Section 208 of the Corporations Act, as amended in its application to a registered managed investment scheme, states that for a responsible entity to give a financial benefit to itself or to a related party of the responsible entity and certain other parties out of scheme property or which may otherwise endanger scheme property, either:

- Unitholders' approval is required; or
- the giving of the benefit must fall within an exception set out in the Corporations Act.

Section 208 applies to the Responsible Entity. As the Fund Manager is a member of the same corporate group as the Responsible Entity, it is a related party of the Responsible Entity and so section 208 applies to it.

The ultimate holding company of the Responsible Entity indirectly holds a 50% interest in the Investment Manager. The Investment Manager is not a "related party" of the Responsible Entity for the purposes of section 208 of the Corporations Act; it is not a related body corporate of the Responsible Entity and is not under the control of the Responsible Entity or any of its related bodies corporate. However, as the Investment Manager is an agent of the Responsible Entity, section 208 of the Corporations Act also applies to the Investment Manager.

### 5.4. Financial Benefit

The financial benefits available to the Responsible Entity and its related parties are as follows:

#### *Responsible Entity*

Under the constitution of the Fund, the Responsible Entity is

entitled to receive a responsible entity fee equal to 0.08% per annum plus GST of the gross assets of the Fund. In respect of the financial year ended 30 June 2017, responsible entity fees of \$240,325 (exclusive of GST) were paid or payable to the Responsible Entity. As a result of the deletion of the realisation provisions of the IMA and other amendments to the IMA, the term of the Fund is expected to extend beyond the initial 10 year term of the IMA. In this extended period, it will continue to receive these fees.

#### *Trustee*

Under the constitution of the Trust, the Trustee is entitled to receive a trustee fee equal to 0.1% per annum plus GST of the gross assets of the Trustee. In respect of the financial year ended 30 June 2017, trustee fees of \$302,030 (exclusive of GST) were paid or payable to the Trustee.

As a result of the deletion of the realisation provisions of the IMA and other amendments to the IMA, the term of the Trust is expected to extend beyond the initial 10 year term of the IMA. In this extended period, it will continue to receive these fees.

#### *Fund Manager*

As manager of the Fund, the Fund Manager is entitled to receive a fund manager fee equal to 0.69% per annum plus GST of the gross assets of the Fund. In respect of the financial year ended 30 June 2017, fund management fees of \$2,072,622 (exclusive of GST) were paid or payable to the Fund Manager.

As a result of the deletion of the realisation provisions of the IMA and other amendments to the IMA, the term of the Fund is expected to extend beyond the initial 10 year term of the IMA. In this extended period, it will continue to receive these fees. However, in recognition of the introduction of an investment management fee payable to the Investment Manager of 0.54% of the gross assets of the Trust, the fund management fee is reduced by 0.54%, from 0.69% to 0.15% of the gross assets of the Fund.

#### *Investment Manager*

- For Resolution 1 – the Investment Manager is entitled to receive ongoing acquisition fees, disposal fees and performance fees under the IMA. No acquisition, disposal or performance fees were paid or payable to the Investment Manager in respect of the financial year ended 30 June 2017. It is proposed that the Investment Manager will also receive an investment management fee of 0.54% of the gross assets of the Trust. See Sections 3.1 and 3.2 for details. As a result of the deletion of the realisation provisions of the IMA and other amendments to the IMA, the term of the IMA is expected to extend beyond the initial 10 year term of the IMA. In this extended period, the Investment Manager will continue to receive acquisition and disposal fees for transactions completed in this period and investment management fees from 1 July 2017 and may receive performance fees, subject to performance. As a result, it receives a financial benefit due to these amendments.
- For Resolution 2 – the Investment Manager will receive payment of the Accrued Performance Fee of \$9,846,465 (exclusive of GST). See Section 3.2 for details.
- For Resolution 3 – the Investment Manager is entitled to receive property management fees under the PMA. In respect of the financial year ended 30 June 2017, the Investment Manager received or was entitled to receive property management fees of \$882,553 (exclusive of GST). See Section 3.3 for details. As

a result of the deletion of the realisation provisions of the IMA and other amendments to the IMA, the term of the PMA is expected to extend beyond the initial 10 year term of the PMA. In this extended period, the Investment Manager will continue to receive property management fees. As a result, it receives a financial benefit due to these amendments.

#### **5.5. Voting restrictions**

The Responsible Entity will disregard any votes cast on the Resolutions by the following parties:

- in relation to Resolutions 1-3 – the Responsible Entity, the Trustee, the Investment Manager and each of their Associates; and
- in relation to Resolution 4 – the Responsible Entity, the Fund Manager and each of their Associates,

unless the vote is cast as a proxy for a person who is entitled to vote:

- in accordance with their directions of how to vote on the proxy form; and
- it is not cast on behalf of the relevant related party for that Resolution or its Associates.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolutions as they have an interest in the Resolutions other than as a member of the Fund. The Responsible Entity and its Associates, including its holding company Evans Dixon Pty Limited, hold 625,000 Units representing 0.62% of the issued Units and may not vote on the Resolutions.

#### **5.6. Financial benefit in the best interests of the Fund**

The information in this Section is provided for the purposes of allowing Unitholders to decide whether or not the financial benefit to be given to a related party is in the best interests of the Fund.

#### *Association with the Fund*

The relevant related parties are the Investment Manager (for Resolutions 1 - 3), the Responsible Entity (for all Resolutions), the Trustee (for Resolutions 1- 3) and the Fund Manager (for Resolution 4 only). See Section 5.3 for further details.

#### *Reason for giving the financial benefits*

The financial benefits proposed are outlined in Section 3.

The reason for giving the financial benefits is outlined in Section 2.

#### *Financial Benefit categorisation*

The categorisation of the financial benefit available to the Related Parties is summarised in Section 5.4.

#### **5.7. Unit price History**

Units are not presently traded on ASX.

#### **5.8. Related Party Interests**

None of the Responsible Entity, Trustee, Investment Manager and Fund Manager hold any Units.

Entities associated with Alex MacLachlan and Tristan O'Connell, directors of the Responsible Entity, have a minority shareholding in Evans Dixon Pty Limited, the ultimate holding company of the Responsible Entity, the Trustee and the Fund Manager. Evans Dixon Pty Limited also has an indirect 50% interest in the Investment Manager. Accordingly, each of these directors will

receive an indirect benefit from implementation of the Proposal. None of these interests are considered to be a material personal interest within the meaning of section 195 of the Corporations Act.

### 5.9. No Independent Expert's Report

The Responsible Entity did not obtain an expert's report to provide an opinion on the proposed Proposal:

- given the nature of the proposed related party benefits (cash payment); and
- as the financial benefits are easily quantifiable as set out above.

### 5.10. Independent advice

Unitholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Resolutions; or
- any other aspects of this Booklet.

## 6. GLOSSARY

The following terms used in this Booklet (including the Notice of Meeting in Appendix 1 to this Booklet) have the meanings given to them below, unless the context otherwise requires.

Accrued Performance Fee	has the meaning given in Section 3.2
Associate	has the same meaning as in the Corporations Act
ASIC	Australian Securities & Investments Commission
Board	the board of Directors of the Responsible Entity
Booklet or Explanatory Memorandum	this explanatory memorandum (also referred to as the Unitholder Booklet or Booklet) dated 6 October 2017
Corporations Act	Corporations Act 2001 (Cth)
Directors	the directors of the Responsible Entity
FMA	fund management agreement between the Fund Manager and the Responsible Entity dated 7 June 2013
Fund	Fort Street Real Estate Capital Fund I (formerly known as Australian Property Opportunities Fund) (ARSN 163 688 346)
Fund Manager	Walsh & Company Asset Management Limited (ACN 159 902 708)
IMA	investment management agreement between the Investment Manager and the Trustee dated 7 June 2013
Investment Manager	Fort Street Real Estate Capital Pty Limited (ACN 164 101 731)
Management Agreements	the IMA, PMA and FMA

Meeting	the meeting of Unitholders to be convened on 31 October 2017. The notice convening the Meeting is contained in Appendix 1 of this Booklet
Notice of Meeting	the notice for the Meeting dated 6 October 2017, as set out in Appendix 1 of this Booklet
PMA	property management agreement between the Investment Manager and the Responsible Entity dated 7 June 2013
Proposal	amendment of the Management Agreements in the manner outlined in this Booklet and payment of the Accrued Performance Fee to the Investment Manager
Registry	Boardroom Pty Limited
Resolutions	the resolutions set out in the Notice of Meeting
Responsible Entity	Walsh & Company Investments Limited (ACN 152 367 649) as responsible entity for the Fund
Trust	Australian Property Opportunities Trust
Trustee	Walsh & Company Investment Services Pty Limited (ACN 163 814 346) as trustee of the Trust
Unitholder	a registered holder of Units
Units	ordinary units in the Fund

## NOTICE OF MEETING FOR THE MEETING OF UNITHOLDERS

To be held at 3:00pm (Sydney time) on Tuesday 31 October 2017 at Level 15, 100 Pacific Highway, North Sydney NSW 2060

### IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Unitholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay to:

Address: Level 12, 225 George Street, Sydney NSW 2000

Fax number: +61 2 9290 9655

### BUSINESS

The business of the meeting is to consider the following proposed resolution.

#### Resolution 1: Amendment of IMA

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

*“That, subject to the passage of Resolutions 2 - 4, the amendment of the IMA on the terms set out in the attached Explanatory Memorandum is approved.”*

Without limitation, Section 208 of the Corporations Act applies to this Resolution. The voting exclusion statement for this Resolution is set out below.

#### Resolution 2: Payment of Performance Fee

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

*“That, subject to the passage of Resolution 1, 3 and 4, payment of the Accrued Performance Fee to the Investment Manager on the terms set out in the attached Explanatory Memorandum is approved.”*

Without limitation, Section 208 of the Corporations Act applies to this Resolution. The voting exclusion statement for this Resolution is set out below.

#### Resolution 3: Amendment of PMA

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

*“That, subject to the passage of Resolutions 1, 2 and 4, the amendment of the PMA on the terms set out in the attached Explanatory Memorandum is approved.”*

Without limitation, Section 208 of the Corporations Act applies to this Resolution. The voting exclusion statement for this Resolution is set out below.

#### Resolution 4: Amendment of FMA

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

*“That, subject to the passage of Resolutions 1 - 3, the amendment of the FMA on the terms set out in the attached Explanatory Memorandum is approved.”*

Without limitation, Section 208 of the Corporations Act applies to this Resolution. The voting exclusion statement for this Resolution is set out below.

#### Resolutions interdependent

The Resolutions are interdependent on each other, which means that if either of the Resolutions is not passed by Unitholders, the Proposal will not proceed.

### Explanatory Memorandum

Unitholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

### Entitlement to vote and voting exclusions

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Meeting, Units will be taken to be held by the persons who are the registered holders at 7.00 pm (Sydney time), on 29 October 2017. Accordingly, Unit transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

The Responsible Entity will disregard any votes cast on the Resolutions by the following parties:

- In relation to Resolutions 1 -3 – the Responsible Entity, the Trustee, the Investment Manager and each of their Associates; and
- In relation to Resolution 4 – the Responsible Entity, the Fund Manager and each of their Associates,

unless the vote is cast as a proxy for a person who is entitled to vote:

- in accordance with their directions of how to vote on the proxy form; and
- it is not cast on behalf of the relevant related party for that Resolution or its Associates.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolutions as they have an interest in the Resolutions other than as a member of the Fund. The Responsible Entity and its Associates, including its holding company Evans Dixon Pty Limited, hold 625,000 Units representing 0.62% of the issued Units and may not vote on the Resolutions.

### How to vote

Unitholders entitled to vote at the Meeting may vote:

- by attending the meeting and voting in person;
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate Unitholders or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

### Proxies

Any Unitholder entitled to attend and vote at this General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead.

A proxy need not be a Unitholder of the Fund.

If the Unitholder appoints two proxies, the Unitholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceeds that which the Unitholder is entitled to, each proxy may exercise half of the Unitholders votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

Proxies must be:

- lodged by posting them or delivering them by hand to the address specified below;
- received at the fax number specified below; or
- registered online at [www.votingonline.com.au/fsrecI2017](http://www.votingonline.com.au/fsrecI2017)

not later than 48 hours before the General Meeting i.e. 3:00pm (Sydney time) on 29 October 2017.

Address: Level 12, 225 George Street, Sydney NSW 2000

Fax number: +61 2 9290 9655

A form of proxy is provided with this Notice.

### By order of the Board

**Hannah Chan - Company Secretary**  
**6 October 2017**