

July 27, 2020



## Update

Firstly, we would like to apologise to unitholders for the spam like deluge of communications over the past week or so. When you invested in Australian Enhanced Income Fund ("Fund"), you did so with the expectation that it would provide you with an exposure to a diversified portfolio of hybrid securities and that we, as the manager, would provide you with a better return and risk outcome than you could achieve yourself or with alternative funds. We don't think many of you signed up to be participants in corporate actions. However, there are now certain processes which need to be followed; we will attempt to make the journey as smooth as possible while exercising our fiduciary duty which requires us to act in your best interests.

We continue to believe the best outcome for unitholders is as we advised in the Fund Update of 22 July 2020, whereby we undertake an orderly review of the Fund's prospects and, if appropriate, the best way to wind the Fund down.

## All Unitholder redemptions requests to be accepted

The notice by 360 Capital Group ("360") that they intend to call a unitholder meeting has accelerated and complicated the process and we have reviewed our position. In our update of 22 July 2020 we announced that we would accept unitholder redemption requests for units that have been held for at least 3 years. We have now changed that and will accept redemption requests from all unitholders. Where a unitholder provides a completed redemption form (which is available on our website), we will advise them in writing that we have unconditionally accepted the redemption request and they will receive the Net Asset Value ("NAV") less the 0.2% 'sell spread' as documented in the PDS. We believe this action satisfies our fiduciary duty to unitholders.

## Future actions

Given that unitholders now have an unambiguous right to receive the NAV for their unit holdings, we would advise unitholders not to redeem until details of the 360 proposal are available. We note that 360 proposed a \$0.12c per unit offer, which is an improvement on what had previously been discussed. We also note that there is no detail on any other aspects of the proposal.

We expect that 360 will have to make a better offer. We calculate that the \$0.12 per unit offer is less than the sum of what 360 previously offered us for the management rights.

Should a proposal by 360 be considered acceptable to the Responsible Entity ("RE"), we will allow 360 to undertake due diligence of the Fund. In the absence of what the RE deems to be an acceptable offer, unitholders will have the right to redeem their units at the NAV or vote on 360's proposal to change the RE.

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

Campbell Dawson  
Chairman, Australian Enhanced Income Fund