



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Attribution Managed Investment Trust regime - Modifications to the Maple-Brown Abbott Australian Share Fund (ARSN 087 294 504) Constitution

IMPORTANT NOTICE TO MEMBERS OCTOBER 2017

Purpose of this notice

Maple-Brown Abbott Limited (**MBA**) ABN 73 001 208 564 gives notice that, as responsible entity (**RE**), we have made modifications (**Modifications**) to the Constitution of the Maple-Brown Abbott Australian Share Fund (**Fund**) to facilitate the operation of the Fund under the new Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 and additional supplemental legislation (**AMIT Regime**) for the financial year ending 30 June 2018.

Reasons for the Modification to the Fund Constitution

The AMIT Regime was enacted by the Australian Government in May 2016 to implement new rules for the taxation of eligible managed investment schemes. The Fund is eligible to become an AMIT and the Modifications are necessary or incidental to enable the Fund to operate as an AMIT under the AMIT Regime.

MBA will make an irrevocable election for the Fund to become an AMIT for the financial year ending 30 June 2018. MBA considers that it is in the best interests of members of the Fund to do so. Some of the benefits of the Fund being an AMIT include:

i. Fixed trust status

Deemed "fixed trust" status of the Fund for tax purposes, providing greater certainty as to the application of certain requirements that may be relevant to the Fund, including:

- a. the trust tax loss rules for carrying forward tax losses; and
- b. the franking credit rules, which must be satisfied for the Fund to distribute franking credits.

ii. Flexibility to reconcile under-estimations or over-estimations of net taxable income

Flexibility to reconcile and carry forward under-estimations or over-estimations of net taxable income and tax offsets for the

Fund by allowing adjustments to member distributions in the year of discovery, rather than requiring the re-issue of member tax statements of prior years and amendments to tax returns previously lodged.

iii. Attributing taxable income on a fair and reasonable basis

Taxable income will be allocated to members using the concept of "attribution", replacing the current "present entitlement" model. There is flexibility in attributing the amount and character of the taxable income to each member of the Fund, provided it is done on a fair and reasonable basis. The Fund may, for example, allocate realised capital gains arising from the sale of investments, where the sale proceeds were used to fund a large member withdrawal, to the redeeming member (this is instead of the current approach of a pro-rata distribution of realised capital gain based on unitholdings).

iv. Ability to make cost base adjustments

The ability to reduce the potential for double taxation for members by allowing for an upward cost base adjustment to be made in relation to a member's units where cash distributions are less than the taxable components attributed to members (including double the amount of assessable discounted capital gains). The current system does not provide for such upward cost base adjustments.

v. The ability to accumulate income

Flexibility to distribute an amount less than the taxable income of the Fund, for example, to retain some realised capital gains within the Fund. In that case, the accumulated income should be reflected in the unit price. We note that MBA intends to continue our current practice of distributing an amount reflective of the taxable income of the Fund each year. We will notify you if this changes.

Following election into the AMIT Regime, the Fund will need to comply with the AMIT rules. Administrative penalties for non-compliance may be imposed.

Effect of the Modifications

The Modifications have the following effect:

i. AMIT powers

MBA is given the power to do all things required, in our absolute discretion, including but not limited to executing any documents or exercising any discretion, to enable the Fund to be administered under the AMIT Regime.

ii. Distributions

- a. The existing provisions for determining distributable income and conferring of a present entitlement to that distributable income are retained and will apply for financial years for which the Fund does not qualify as an AMIT.
- b. The new provisions which apply when the Fund is an AMIT would allow the Fund to distribute any amounts including income or capital to a member, and to attribute the taxable income of the Fund to members on a fair and reasonable basis in accordance with its Constitution and MBA's policy relating to attribution.
- c. Where the Fund is an AMIT a member may continue to request distribution reinvestment in accordance with the Fund's Constitution.
- d. MBA may at any time during any period in which the Fund is an AMIT, in its absolute discretion, elect that a portion of any one or more of the amounts paid in that period as redemption proceeds represents a distribution of income.

iii. Outgoings

MBA is entitled to claim any fees, costs, charges and expenses incurred in giving effect to the AMIT Regime out of the Fund's assets. It is not our intention to do so.

iv. Recoveries

Members are currently liable for all fees, taxes and costs in relation to their entitlement to income or capital, or the payment of income or capital to them. Members are now liable for all fees, taxes and costs in relation to any amounts attributed to them under the AMIT Regime.

v. Indemnity

In accordance with our current right to be indemnified out of Fund property for any liability incurred by us in properly performing any of our duties or exercising any of our powers as

responsible entity in relation to the Fund, MBA would be entitled to be indemnified from Fund property in relation to any taxes incurred by us under tax legislation because the Fund is or was an AMIT.

vi. Definitions

Definitional and interpretational amendments are made which are necessary or incidental to give effect to the above modifications.

For income years in which the Fund is an AMIT, Australian resident members will be subject to tax on the taxable income of the Fund that is attributed to them, as advised in an AMIT Member Annual Statement (AMMA Statement). The AMMA Statement will also disclose cost base adjustments and must be given to members no later than 3 months after 30 June each year. A member may challenge the tax component information advised in an AMMA statement where the member believes the components are not determined on a fair and reasonable basis in accordance with the Constitution.

What do members need to do?

Members should note the Modifications and, if necessary, seek tax advice to assess the impact on their circumstances.

You do not need to respond to this notice.

If you have any questions about the Modifications, please contact your tax adviser or contact Client Services at Ironbark Asset Management on **1800 034 402**.
