

Australian Masters Yield Fund No 5 Limited
(ACN 161 255 750)
Notice of General Meeting

Notice is given that the General Meeting of Australian Masters Yield Fund No 5 Limited (**Company**) will be held as follows:

Date: **Friday, 20 September 2019**
Time: **12:30pm (AEST)**
Venue: **Level 15, 100 Pacific Highway**
North Sydney NSW 2060

Business

1) Final Return of Capital

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

“That, for the purposes of Section 256C(1) of the Corporations Act 2001 and for all other purposes, the reduction of the share capital of the Company by an amount of up to \$46,348,202 applied equally against each Share on issue in the Company on the Final Record Date is approved.”

Resolution 1 will be voted on by poll

In accordance with clause 5.7(b)(i) of the Constitution, the Chairman intends to call a poll on Resolution 1 proposed at the Meeting. Voting on Resolution 1 will therefore be conducted by a poll, rather than on a show of hands. The Chairman considers voting by poll to be in the interests of the Shareholders as a whole and ensures the views of as many Shareholders as possible are represented at the Meeting.

Other Information

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Proxies

A Shareholder entitled to attend and vote at this General Meeting is entitled to appoint not more than 2 proxies to attend and vote in his/her stead.

A proxy need not be a Shareholder of the Company.

If the Shareholder appoints 2 proxies, the Shareholder 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 exceed that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder’s votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

On a poll, each proxy or attorney may only exercise votes in respect of those Shares or voting rights the proxy or attorney represents.

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form provided with this Notice of Meeting. If you mark the abstain box for Resolution 1 you are directing your proxy not to vote on your behalf and your Shares will not be counted in computing the required majority on a poll. If you do not mark a voting instructions box in respect of Resolution 1, you are

directing your proxy to vote as he or she decides, subject to any voting exclusions that apply to the proxy.

Proxies must be:

- (a) lodged by posting them or delivering them by hand to the address specified below; or
- (b) received at the fax number specified below; or
- (c) registered online at <https://www.votingonline.com.au/amyf5gm2019>;

not later than 48 hours before the Meeting i.e. 12:30pm (AEST) on Wednesday, 18 September 2019.

Address: Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001, Australia

Fax Number: +61 2 9290 9655

A proxy form is provided with this Notice of Meeting.

Entitlement to Vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Meeting all Shares in the capital of the Company will be taken to be held by the persons who held them as registered holders at 7:00pm (AEST) on Wednesday, 18 September 2019. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

By order of the Board

Hannah Chan
Company Secretary
20 August 2019

Australian Masters Yield Fund No 5 Limited
(ACN 161 255 750)
Explanatory Memorandum

This Explanatory Memorandum relates to the General Meeting of Australian Masters Yield Fund No 5 Limited (**Company**) to be held at **Level 15, 100 Pacific Highway, North Sydney NSW 2060** on **Friday, 20 September 2019 at 12:30pm (AEST)**.

Resolution 1 – Final Return of Capital

Resolution 1 authorises the Company to undertake reductions of capital to return up to a maximum of \$46,348,202 to Shareholders (**Final Capital Return**). Cash to fund the Final Capital Return will be drawn from the sale of debt instruments and any residual capital held within the Company's portfolio (**Debt Instruments**).

Resolution 1

Resolution 1 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for a capital reduction and return to Shareholders of up to a maximum of \$46,348,202. This will represent a return of approximately \$45.84 per Share (based on the capital structure as at the date of this Explanatory Memorandum). This represents the portion of redemption monies received on sale of the Debt Instruments between April and July 2019 that reflects the consideration paid to acquire those Debt Instruments and capital retained by the Company for operating purposes, that are now surplus to forecast requirements.

For the purposes of the Corporations Act, the proposed Final Capital Return will be treated as an "equal" reduction of capital and requires approval by ordinary resolution of Shareholders in general meeting.

Reasons for the Final Capital Return

From 8 April 2019 to 31 July 2019, the Company's remaining debt securities, issued by Lend Lease Finance Limited, Praeco Pty Ltd, Mirvac Group Finance Limited and Sydney Airport Finance Corporation (together **Bonds**) were sold.

The total consideration paid to purchase the Bonds was \$44,730,835. A summary of the Company's Bond positions prior to their sale is set out in the following table:

Issuer	Type	Coupon	Maturity	Consideration Paid
Lend Lease Finance Limited	Senior bond	6.0%	13/5/2020	\$22,477,725
Praeco Pty Ltd	Senior bond	7.13%	28/7/2020	\$4,882,711
Mirvac Group Finance Limited	Senior bond	5.75%	18/9/2020	\$9,912,400
Sydney Airport Finance Corporation	Capital Indexed bond	3.76%	20/11/2020	\$7,457,999
Total				\$44,730,835

The Company has historically held a portion of Shareholders' capital in cash, for working capital purposes. As the Company has completed the sale of the remaining Bonds, the Company's requirement for working capital has declined. As a result, the Board is also seeking approval to return this capital of up to \$1,617,185.

Consistent with disclosures in the Information Memorandum and Prospectus, it is proposed that up to a maximum of \$46,348,202, being the consideration paid to acquire the Bonds (\$44,730,835) and capital retained by the Company for operating purposes (\$1,617,185) will be paid from the proceeds of sale and cash reserves to Shareholders by way of a return of capital.

On a per share basis the Company has made reductions of capital of \$52.86 since the initial public offer. The proposed reduction of capital of \$45.84 per share represents the remaining balance of Shareholder capital that is available to be returned to Shareholders.

The precise amount to be returned to Shareholders under the Final Capital Return cannot be specified at this time as:

1. The Corporations Act provides that a capital return may only be undertaken with the prior approval of Shareholders if the return:
 - (a) is fair and reasonable to Shareholders of the Company as a whole; and
 - (b) the return does not materially prejudice the ability of the Company to pay its creditors.
2. The funds may be required to meet ongoing costs of the Company. These costs may include tax payable on interest or capital gains received in respect of the Debt Instruments as well as ongoing management fees and operating costs. While the Board has estimated the likely funds required to meet the remaining operating costs of the Company and to undertake the wind up of the Company, further costs may subsequently be identified.

Accordingly, the amount set out in Resolution 1 represents the maximum amount that the Company may return to Shareholders under the Final Capital Return. The Company intends to return as much of the cash authorised to be returned under Resolution 1 as possible, having regard to the above constraints.

The Board proposes to announce the amount to be returned to Shareholders under the Final Capital Return no later than 5 business days prior to the Final Record Date.

Payment of dividend

The Directors anticipate that interest income, together with the profit realised on sale of the Debt Instruments, net of taxes and expenses, will be distributed to Shareholders by way of dividend. The Corporations Act states that dividends need not be paid out of profits of the Company. It is anticipated that the dividend payment will be made prior to, or around the time of the anticipated capital return.

Who will participate in the Final Capital Return

Subject to Shareholder approval, the distribution of the Final Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Final Record Date. The ex-Date of this return is 25 September 2019 and it is intended to be paid on or around 2 October 2019.

If the Final Capital Return is not approved, the excess cash will be retained by the Company or utilised as the Board considers appropriate.

Tax treatment of the Final Capital Return

The following is a broad outline of the tax consequences for Shareholders associated with the Final Capital Return. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Shareholder.

All Shareholders should consult their own independent professional tax advisers regarding the tax consequences of the Final Capital Return. There are a number of limitations to the outline including that:

1. it applies only to Shareholders who are Australian residents for income tax purposes. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of the Company who acquired their Shares in respect of their employment;
2. it applies only where Shareholders hold their Shares on capital account. It does not apply where the Shares are held on revenue account (e.g. Shares held by Shareholders who trade in securities or hold Shares as trading stock); and
3. it is based on Australian tax law in effect at the date of this Explanatory Memorandum. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

The Company intends to structure the proposed Final Capital Return so that it is treated as a return of capital, and not as a dividend, for income tax purposes. As discussed above, the proposed Final Capital Return consists of the consideration paid to acquire the Bonds and capital retained by the Company for operating purposes. The Company intends to pay a final dividend distributing retained profits to Shareholders prior to or at the same time as it affects the Final Capital Return.

Shareholders may be liable to pay capital gains tax (**CGT**) in relation to the Final Capital Return, however, this will depend on Shareholders' individual circumstances. An outline of the potential CGT consequences for Shareholders is as follows:

1. if the amount of the Final Capital Return is less than or equal to the Shareholder's CGT cost base of the Shares they hold, the CGT cost base will be reduced by the amount of the Final Capital Return, but it cannot be reduced below nil;
2. if the Final Capital Return is more than the Shareholder's CGT cost base, the CGT cost base will be reduced to nil, and the excess amount of the Final Capital Return will be included in the Shareholder's taxable income calculation as a capital gain; and
3. if applicable, any capital gain can be treated as a discount capital gain where the Shares were purchased by the Shareholder at least 12 months prior to the payment of the Final Capital Return, and the other requirements of the discount capital gains provisions have been satisfied.

The Company and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Final Capital Return or in respect of the taxation consequences themselves.

Effect on the Company

As at the date of this Notice, the Company had 1,011,041 Shares on issue. After the proposed Final Capital Return, the number of Shares on issue will remain the same but the capital of the Company will be reduced by the amount of the Final Capital Return.

The anticipated effect of the Final Capital Return on the Company is illustrated in the unaudited Pro Forma Statement of Financial Position summarised below. The unaudited Pro Forma Statement of Financial Position is based on the auditor-reviewed Statement of Financial Position for the Company as at 31 December 2018.

This table is not a Pro Forma Statement of Financial Position prepared in accordance with the Corporations Act, the Corporations Regulations, Accounting Standards or any other mandatory financial reporting requirements in Australia. It is provided only to illustrate the anticipated impact on the Company's balance sheet at completion of the Final Capital Return. The specific assumptions taken in preparing the tables are set out in the notes below the tables.

Illustrative unaudited Pro Forma Statement of Financial Position

(A\$'000 unless otherwise stated)

	Statement of Financial Position at 31 December 2018	Unaudited Pro Forma Statement of Financial Position - Seventh Capital Return	Unaudited Pro Forma Statement of Financial Position - Final Capital Return
Assets	\$50,646	\$47,646	\$1,298
Liabilities	(\$341)	(\$344)	(\$347)
Net Assets	\$50,305	\$47,302	\$951
NTA per Share	\$49.76	\$46.79	\$0.94

1. The column headed "Statement of Financial Position at 31 December 2018" is based on the auditor-reviewed Statement of Financial Position of the Company as at 31 December 2018.
2. The column headed "Unaudited Pro forma Statement of Financial Position - Seventh Capital Return" is based on column 1 and has been prepared as if the Seventh Capital Return of \$3,000,000, approved by Shareholders at the November 2018 Annual General Meeting and returned in full to Shareholders on 20 May 2019 and had been completed as at 31 December 2018.
3. The column headed "Unaudited Pro forma Statement of Financial Position - Final Capital Return" is based on column 1 and has been prepared as if the Seventh Capital Return of \$3,000,000, approved by Shareholders at the November 2018 Annual General Meeting and paid to Shareholders on 20 May 2019 and the Final Capital Return of \$46,348,202, subject to a Shareholder vote at the September 2019 General Meeting and had been completed as at 31 December 2018.
4. All amounts assume that there are 1,011,041 Shares on issue being the number on issue on 31 December 2018.
5. The above table does not take into account future dividends. Future dividends will distribute the interest paid on the underlying Debt Instruments and any profits made on Debt Instruments purchased at a discount less any expenses and taxes of the Company.
6. The above assumes that the Company had paid transaction costs associated each Capital Return of approximately \$3,000 on 31 December 2018 relating to legal and tax advice, and registry fees.

Under the Management Agreement, the Company pays a management fee of the equivalent of 0.65% (inclusive of GST) per annum of the value of its portfolio. This fee is payable in advance and calculated on the basis of the value of the Company's Portfolio on 30 June each year.

As the management fee for the financial year ending 30 June 2020 is payable in advance, the Final Capital Return will have no effect on the management fee payable by the Company in respect of the financial year ending 30 June 2020.

Trading in Shares

Shares were issued under the Prospectus at an issue price of \$100.00 per Share. Official quotation of the Shares on the ASX commenced on 5 August 2015. The highest and lowest prices at which the Shares have traded on the ASX between 5 August 2015 and 12 August 2019 were \$84.81 (13 August 2015) and \$42.14 (16 May 2019) respectively. A total of 139,566 Shares have traded on the ASX in this period representing turnover of approximately 3.8% of the Company's total Shares outstanding on an annualised basis. The Company publishes net tangible asset backing of the Shares on a monthly basis to assist Shareholders in valuing their investment. Between these dates, approximately \$53.4 million of capital has been returned representing \$52.86 per Share.

Alternative return structures

The Directors consider the use of a capital return to be the most appropriate mechanism to return surplus capital to members for the following reasons:

- (a) the capital return procedure was initially outlined to potential investors in the Prospectus and it was confirmed in the Information Memorandum. The Directors consider that Shareholders will have invested in the Company on the understanding that a series of capital returns would be proposed in the manner outlined in this Notice and Explanatory Memorandum;
- (b) the combination of the Final Capital Return and payment of a dividend provides the Company with the opportunity to make available the benefits of franking credits on dividends generated from the operations of the Company to the extent that they are available without adding to the income tax liability of Australian resident shareholders receiving further cash from the Company.

Why you might vote against the Final Capital Return

The Directors unanimously recommend that Shareholders vote in favour of the Final Capital Return. However, some reasons why a Shareholder may choose to vote against Resolution 1 approving the Final Capital Return include the following:

- (a) a Shareholder may consider that the Company is more likely to generate a better financial return through reinvestment of funds realised on maturity of Debt Instruments than through direct investment by the Shareholder; and
- (b) Shareholders who are not Australian residents for tax purposes may not be able to take advantage of the franking credits to be provided by way of dividend or the benefit in the reduction in the CGT cost base resulting from the Final Capital Return.

Recommendation of Directors

The Directors are of the opinion that the proposed Final Capital Return is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

No Director will receive any payment or benefit of any kind as a consequence of the Final Capital Return other than as a Shareholder of the Company.

Other material information

Other than in this Explanatory Memorandum, there is no other information known to the Company that is material to the decision whether or not to vote in favour of Resolution 1 which has not previously been disclosed to Shareholders.

Pursuant to Section 256C(5) of the Corporations Act, copies of this Notice and Explanatory Memorandum have been lodged with the Australian Securities and Investments Commission.

Glossary

Accounting Standards means Australian Accounting Standards.

ASX means the Australian Securities Exchange Limited (ACN 008 624 691).

Board means the board of Directors.

Bonds means the debt securities issued by Lend Lease Finance Limited, Praeco Pty Ltd, Mirvac Group Finance Limited and Sydney Airport Finance Corporation which were held by the Company and then sold in the period 8 April 2019 to 31 July 2019.

Chairman means the chairman of the Company.

Company means Australian Masters Yield Fund No 5 Limited (ACN 161 255 750).

Constitution means the constitution of the Company as amended from time to time.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Corporations Regulations means the *Corporations Regulations 2001 (Cth)*.

Debt Instruments means the debt instruments and any residual capital held within the Company's portfolio.

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum to the Notice of General Meeting.

Final Capital Return means the return of capital intended to be undertaken by the Company following the passage of Resolution 1.

Final Record Date 26 September 2019.

Information Memorandum means the information memorandum for the Company dated 22 June 2015.

Listing Rules means the listing rules of the ASX.

Manager means Walsh & Company Asset Management Pty Limited (ACN 159 902 708).

Management Agreement means the management agreement between the Company and the Manager.

Meeting means the general meeting convened under this notice.

Notice means this notice of meeting.

Official List means the official list of the ASX.

Prospectus means the prospectus for the Company dated 27 November 2012.

Seventh Capital Return means the capital return of \$3,000,000, approved by Shareholders at the November 2018 Annual General Meeting and paid to Shareholders on 20 May 2019.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered shareholder of the Company.

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 12:30pm (AEST) on Wednesday, 18 September 2019.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/amyf5gm2019>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities 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.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **12:30pm (AEST) on Wednesday, 18 September 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** <https://www.votingonline.com.au/amyf5gm2019>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Australian Masters Yield Fund No 5 Limited

ACN 161 255 750

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Australian Masters Yield Fund No 5 Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **Level 15, 100 Pacific Highway, North Sydney NSW 2060 on Friday, 20 September 2019 at 12.30pm (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Resolution 1 Final Return of Capital

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019