

July 31, 2020



Australian Enhanced Income Fund – Fund Update

We note 360 Capital's ASX release of 29 July 2020.

Once again, 360 Capital choose to selectively quote our communications. On 27 July 2020, we received an email from 360 Capital where they wrote;

"...we would like to propose an increase to the special payment from 12c to 15c per unit for ALL Unitholders who do not redeem. For this we request you granting us due diligence access and would not oppose the change to the Responsible Entity. For the sake of clarity this does not mean that we expect the Directors of AYF to recommend a change to the Responsible Entity...."

We are unsure if a statement like this is normally considered "a proposal", but we did not consider it sufficiently detailed.

We wrote back on 28 July 2020;

- "In our release of 27 July 2020, we advised that when we received a suitable proposal, we would allow due diligence.

- The email attached does not fit that category. When we receive a proposal that is suitable to be put to unitholders in its entirety, we will be in a position to decide if it is appropriate to allow specifically defined due diligence.

- Now that unitholders have the ability to redeem their unit holding at the Net Asset Value ("NAV"), we believe that we have fulfilled our fiduciary duty and, at the current time, have no duty, or inclination, to engage."

To make it clear; when we receive a proposal, not just a statement about a \$0.15 "special payment", we will consider whether it is suitable to be put before unitholders, whether the Directors should recommend or oppose or remain silent, whether we will allow due diligence or any of the other aspects which may be important in the exercise of our fiduciary duty. At that time, we will decide whether it is appropriate to engage.

We await the 360 Capital's proposal.

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

Campbell Dawson (Chairman, Australian Enhanced Income Fund)