

Australian Enhanced Income Fund
(ARSN 115 632 990)

Product Disclosure Statement (PDS)
Dated 28 February 2013

Responsible Entity

Elstree Investment Management Limited
(ABN 20 079 036 810)
(AFSL No. 225721)

Directory

Fund	Responsible Entity
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Key Dates

Date of PDS

28 February 2013

Benefits of the Offer

In summary, the benefits of the offer include providing investors with the following:

- (1) A diversified exposure to fixed and floating rate investments issued by a diverse range of Australian corporate borrowers.
- (2) A diversified income alternative.
- (3) Enhanced liquidity provisioning;
 - a. On market through the Australian Securities Exchange (ASX) and
 - b. Bi-Monthly Off Market application and Monthly redemption facilities.
- (4) Quarterly distributions in accordance with the Fund's distribution policy.
- (5) Distribution of franking benefits to Unit Holders.
- (6) Risk management procedures that are designed to reduce the risks typically associated with holding Securities individually.
- (7) A distribution reinvestment plan.

Refer to the further detail contained in this PDS about these benefits.

Risks of the Offer

In summary, the key risks, which are detailed in Section 5 ("S5") of this PDS, are;

- (1) **Credit risk:** Credit risk is the risk that the issuer of a security fails to pay interest and principal in a timely manner. The credit risk of an issuer of a Security is commonly determined by an Approved Ratings Agency (ARA) through the provision of a Credit Rating. A Credit Rating is an opinion provided by an ARA about whether an issuer of a credit commitment, debt or debt-like Security is likely to make the timely repayment of its financial obligations generally or a particular financial obligation (Refer S2.3 for more detail).
- (2) **Investment risk:** the Fund may invest in Securities which are below Investment Grade as determined by an ARA. Such Securities may be more susceptible to factors such as default risk or changed market conditions than more highly rated Securities. This means that these Securities may fall below the price the Fund paid for them (Refer S5).
- (3) **Distribution rate:** There is no guarantee that a distribution will be paid (Refer S5).
- (4) **Fund trading:** the Fund's On Market price may be less than the Fund's NAV due to market conditions (Refer S5).
- (5) **Drop in income levels:** income returns may drop from recent levels due to falls in interest rates or a contraction in the Coupon Margin of the Securities in which the Fund invests (Refer S5).
- (6) **Liquidity risk:** should the Fund hold a financial product which is traded on an irregular or infrequent basis or a financial product that is not traded on any financial market, we may not be able to sell it at a fair price at a time that we wish to do so (Refer S5).

Fund suitability

The Fund may be suitable for individual investors, superannuation funds and not for profit organisations. You should consider your own objectives, financial situation or needs when determining whether the Fund is suitable for you, and seek professional advice by consulting an appropriately qualified professional adviser.

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Important Notices

This PDS is dated 28 February 2013 and was lodged with the Australian Securities & Investments Commission (ASIC) on 28 February 2013. ASIC and the ASX or any of their officers do not take any responsibility for the contents of this PDS.

This PDS was prepared and issued by Elstree Investment Management Limited (ABN 20 079 036 810, AFSL No. 225721) (referred to in this PDS as "Elstree", "we", "our" and "us"). Elstree is the Responsible Entity (RE) and investment manager of the Australian Enhanced Income Fund (ARSN 115 632 990) (Fund).

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this PDS. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by us in connection with the Offer.

This PDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this PDS in its entirety before deciding to invest in the Fund and, in particular, in considering the PDS, that you consider the risk factors that could affect the performance (including financial performance) of the Fund and your investment in the Fund. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other appropriately qualified professional adviser before deciding whether to invest.

Information in this PDS that is *not* materially adverse information may change from time to time. Where changes to non-materially adverse information in the PDS occur, information about the changes (**updated information**) will be made available to you on our website at www.eiml.com.au or by contacting us on 03 8689 1348. A paper copy of any updated information is available (free of charge) upon request.

No Guarantee

None of Elstree Investment Management Limited, its representatives, subsidiaries nor the appointed representatives of the Fund nor any other party makes any representation or gives any guarantee or assurance as to the performance or success of the Fund or your investment, the rate of income or capital return from your investment in the Fund, the repayment of the investment in the Fund or that there will be no capital loss or particular taxation consequence of investing in the Fund. An investment in the Fund does not represent a deposit or any other type of liability of the above parties. An investment in the Fund is subject to investment and other risks.

Significant risks are discussed in Section 5 of this PDS.

Restrictions on the distribution of this PDS

This PDS does not constitute an offer of Units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and any person into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions.

Defined terms and abbreviations included in the text of this PDS are set out in the Glossary in Section 11.

Electronic PDS

An electronic version of this PDS is available from Elstree's website at www.eiml.com.au

The Offer to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia. It is not available to persons receiving it in any other jurisdiction.

Indirect Investors

In this PDS, an investor directed portfolio service such as a master trust or wrap account or an administration service is referred to as an "IDPS". The trustee or operator of the IDPS is referred to as the "IDPS operator".

The Responsible Entity has authorised the use of this PDS by IDPS operators as disclosure to clients and prospective clients of an IDPS that includes the Fund on their investment menus. We are not responsible for the operation of any IDPS through which you invest.

Summary of the Offer

	Summary	Details in Section
Offer opens	25 February 2013	
Fund History	The Australian Enhanced Income Fund was listed on the ASX on October 17, 2006 under the ASX code AYF . As at 30 September 2012 the Fund's Ex Distribution Net Asset Value (NAV) of a Unit was \$6,200. The Fund's total return (includes the benefit of franking and is net of fees) over the year to end 30 September 2012 was 7.30%. For updated information about the Fund's NAV and total return, refer to our website: www.eiml.com.au . Please note that past performance is not indicative of future performance.	4.13
Fund Objectives	The Fund intends to provide investors with diversified exposure to listed and unlisted fixed and floating rate Securities.	
Investment Timeframe	3 to 5 years	
Franking Credits	The Fund intends to distribute franking credits.	7.2
Distribution reinvestment	Yes, at the election of the Unit Holder.	
Liquidity	You can liquidate your investment by either by; <ol style="list-style-type: none"> (1) selling your Units on market through the ASX; or (2) redeeming your Units Off Market in accordance with the Fund's Redemption policy. 	
Redeeming Units Off Market (Redemption policy)	The Fund will offer Unit Holders the right to redeem their Units Off Market on a monthly basis at the Net Asset Value per Unit less the Sell Spread of 0.2%. We reserve the right to reject any request for redemption in our absolute discretion.	9
Applying for Units Off Market	We will offer investors the right to apply for Units Off Market on a bi-monthly basis at the higher of the Net Asset Value per Unit plus the Buy Spread of 0.2% or the Average Market Price per Unit plus the Buy Spread of 0.2%. You can only apply for Units Off Market through a Licensed Financial Adviser. An Application for Units must be accompanied by your Holder Identification Number (HIN) or where you do not have an HIN your Security Reference Number (SRN).	8
Minimum investment amount	\$2000 and multiples of \$500 for direct investors. Investors investing through an IDPS should contact their IDPS operator for minimum transaction requirements.	8.1
Investment Management Fee	0.85% p.a. (GST inclusive)	6.1
Administration Fee (estimated)	0.50% p.a. (GST inclusive)	6.1,6.3
Unit Holder communications	Information is lodged with ASIC, ASX and/or on the Responsible Entity's website at www.eiml.com.au . In addition, you will receive or be provided with access to: <ul style="list-style-type: none"> • confirmation of your Unit holding; • a copy of the annual report of the Fund; • a copy of any required tax and distribution statements; and • any other communications that may be required by law. 	10.6
Complaints	The Responsible Entity has established a complaints handling process for Unit Holders. The Responsible Entity is a member of the Financial Ombudsman Service (FOS).	10.5
Performance reporting	NAV will be announced bi-monthly and Fund performance reported on a monthly basis.	4.15
Cooling Off	There is no cooling off period in relation to an investment in the Fund.	8.10

2 Background

2.1 The Hybrid Market

The Australian Securities Exchange (**ASX**) interest rate securities (or hybrid) market is comprised of Securities issued by corporate borrowers from a diverse range of industry types. The Securities issued are typically classified as debt Securities because they make regular periodic interest payments called Coupon payments and usually have a known maturity value.

The types of Securities the Fund can invest in are different to, and are more risky than, traditional bank and corporate debt instruments. Usually the Securities the Fund invests in make regular Coupon payments and have a known maturity value. The Securities may be subordinated to other debt instruments issued by the same issuer. This means that in a liquidation event they rank behind other, usually secured or senior, debt instruments of the issuer.

To compensate investors for the additional risk, Hybrid Securities usually have higher Coupon payment rates than senior debt instruments issued by the same issuer.

2.2 The Fund's Investments

The Fund invests in a range of ASX income and Hybrid Securities and other debt Securities issued by government bodies, companies and specialist financing vehicles.

Securities in which the Fund invests include;

- (1) Floating Rate Notes,
- (2) Convertible Securities/ Convertible Notes,
- (3) Corporate Bonds,
- (4) Government and Semi (State) Government Securities
- (5) Subordinated Debt,
- (6) Convertible/Reset) Preference shares,
- (7) Perpetual Securities,
- (8) Cash
- (9) Other high yielding fixed Income Securities
- (10) Floating Rate Security
- (11) Fixed Rate Security
- (12) Government and semi (State) government Securities
- (13) Income Security

These terms are defined in the Glossary.

2.3 Credit Risk

The diverse range of Securities issued in the Hybrid Market means that there is a wide range of credit risks inherent in the market and in the Securities in which the Fund invests.

Credit risk is the risk that the issuer of a security fails to pay interest and principal in a timely manner. The credit risk of an issuer of a Security is commonly considered by an Approved Ratings Agency (ARA) through the provision of a Credit Rating.

A Credit Rating is an opinion provided by an ARA about whether an issuer of a credit commitment, debt or debt-like Security is likely to make the timely repayment of its financial obligations generally or a particular financial obligation.

A Credit Rating may not reflect all the current information about the ability of an issuer to make the timely repayment of its financial obligations generally or a particular financial obligation. There may be developments that affect the ability of the issuer to meet its financial obligations generally or a particular financial obligation that are disclosed in the issuer's financial reports, ASX announcements or in the general media, which are not reflected in the current Credit Rating of a security.

Securities the Fund owns will be of varying credit quality and of various credit ratings. Securities the Fund owns may be of Investment Grade credit quality, Sub-investment Grade credit quality and Unrated.

A Security or debt obligation that is rated Investment Grade by an ARA is considered by that ARA to have the ability to meet its financial obligations generally or a particular financial obligation in a timely manner. A Security or debt obligation that is rated Sub-investment Grade by an ARA is considered by that ARA to have a greater risk of not being able to meet its financial obligations generally or particular financial obligations in a timely manner.

Where a Security is Unrated we assign our own Credit Rating to that Security using a similar methodology as applied to a Security or debt obligation by an ARA.

Should a Security the Fund owns experience a credit risk event or be perceived to be experiencing a credit risk event by the market at large, the value of that Security is likely to decline. This means that an investment made in the Fund is also likely to be reduced in value.

Refer to Section 5 ("S5") of this PDS for detailed information about the risks associated with making an investment in the Fund.

3 Important details

3.1 Who manages your money?

Elstree Investment Management Limited (**Elstree**) is the Manager of the Fund. The Manager holds an Australian Financial Services (**AFS**) license number 225721.

Established in 2002, Elstree is a boutique funds management business. Elstree specialises in the management of portfolios of ASX listed debt Hybrid Securities and has been managing portfolios of these Securities since May 2003.

The Australian Enhanced Income Fund was listed on the ASX under the code **AYF** on October 17, 2006. Further details about the Fund can be found on the ASX website www.asx.com.au and the Responsible Entity's website www.eiml.com.au

3.2 Who is the Responsible Entity?

Elstree Investment Management Limited is the Responsible Entity of the Fund. As the Responsible Entity of the Fund, Elstree is subject to various duties imposed by the Fund's Constitution and the Corporations Act.

It is a requirement under the Corporations Act that Elstree's Board of Directors be comprised of not less than half external directors, or if the Board of Directors is comprised of less than half external directors to appoint a compliance committee with a majority of external (independent) members.

Elstree complies with the Corporations Act by having a compliance committee with a majority of external members.

4 How we manage your money

4.1 Investment philosophy

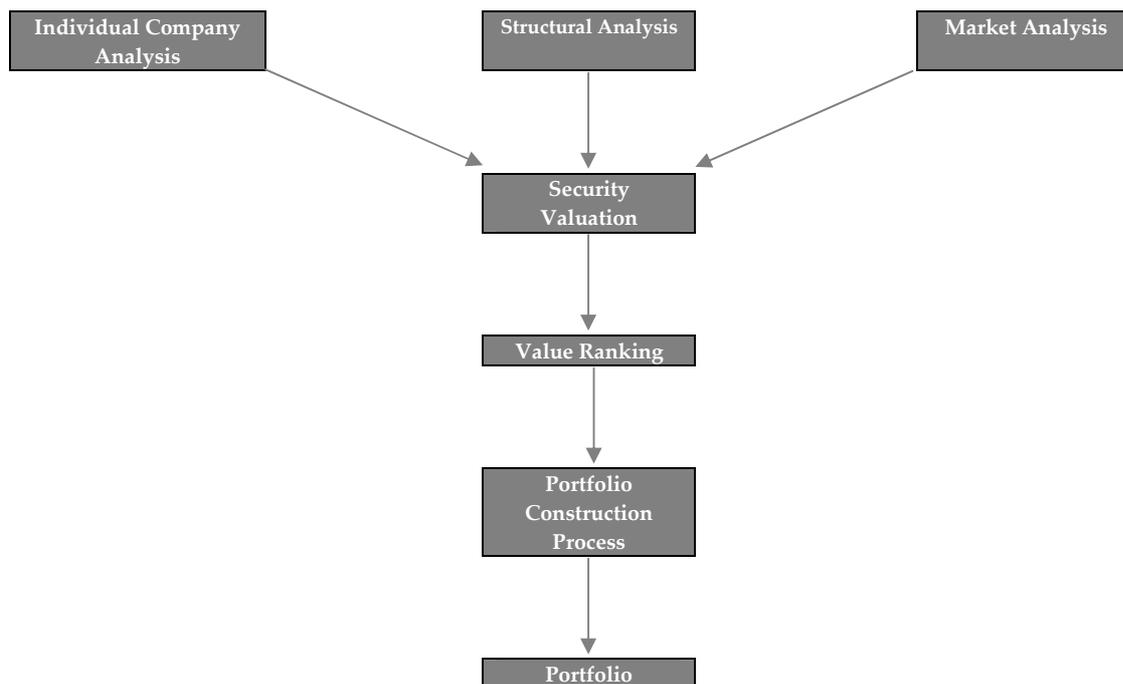
Our investment philosophy is based on the observation that the Australian listed debt equity hybrid market is inefficient. It is inefficient for the following reasons:

- The investor base is comprised largely of retail investors; and
- Security structures are complex and require a comprehensive understanding of the PDS pursuant to which the security is issued.

4.2 The investment process adopted by Elstree

We use a bottom up research process to analyse each Security. We undertake additional analysis which allows us to rank each Security on a risk adjusted basis from most preferred to least preferred. We then construct a diversified portfolio containing our most preferred Securities.

The Fund's Security selection process is detailed in the chart below.



4.3 Company Analysis, Structure Analysis and Market Analysis

We analyse both the issuing company and the structure of each Security. In particular we focus on quantifying the credit risks and understanding any terms in the structure that may change the expected maturity date or maturity value. This step involves analysis of financial statements and offer documents and may also involve company visits. We also consider demand and supply factors that are most likely to influence prices at both the individual Security level and the market in general.

4.4 Security Valuation and Ranking

Following analysis of the company and the structure, we derive a yield to expected maturity for each Security. We then rank each Security from most preferred to least preferred.

4.5 Portfolio Construction

Portfolios are constructed based on the research process which identifies a range of Securities that are trading below what we believe to be their fair value.

The weighting of each Security in the portfolio is dependent on its credit quality and term, its relative value and its liquidity. We have constraints in place to ensure that the portfolio demonstrates an acceptable risk/return profile.

4.6 Risk Management

We construct portfolios which aim to deliver risk and return outcomes within certain parameters. These parameters may change from time to time and include a number of rules which limit the amount and type of risk the portfolio can undertake. These parameters are designed to ensure (as soon as practicable having regard to all the circumstances) that Securities are sold when they exceed specific risk limits or are replaced with other Securities where those Securities demonstrate a more attractive risk and return profile. Specific rules include:

- Each individual Security holding will not exceed 5% of the issue size;
- The Fund's exposure to each Security shall not be greater than its market weighting + 10% or a maximum of 15% of the Fund's gross assets. The Fund may have an exposure to each Security that is less than the market weighting; and
- The Fund will not hold Securities with material exposure to the equity value. This is defined as when the underlying equity price exceeds the strike price of any option embedded in the Security. The Security shall be sold within 3 months of this occurrence.

Variations from these parameters may occur. If you would like additional information, contact us on 03 8689 1348 or speak to your Licensed Financial Adviser.

4.7 Distributions

The Fund aims to pay a cash distribution on a quarterly basis, however this is not guaranteed.

4.8 Leverage

The Fund may use leverage (also referred to as 'gearing') if we consider it appropriate. Leverage or gearing allows the Fund to increase its exposure over and above the underlying assets of the Fund by using derivatives or borrowings. The degree of leverage is set to a maximum of 20% of the Fund's Net Asset Value. The Fund is currently unleveraged.

4.9 Investing in overseas listed securities

The Fund may invest up to 10% of the Fund's Net Asset Value in selected overseas markets where Securities are actively traded. This broadens the Fund's investible universe providing an additional diversification benefit. The Fund currently has no overseas exposure.

4.10 Foreign exchange exposure

All foreign currency exposure will be fully hedged back to Australian Dollars (AUD). Hedging foreign exchange exposure back to Australian Dollars eliminates the risk typically associated with unfavourable movements in foreign currencies. Hedging does not however eliminate the risks typically associated with investing in the underlying asset (refer to Section 5 below).

4.11 Short Selling

The Fund may, at times, short sell Securities. Short Selling means that the Fund sells Securities it does not own. The Fund may do this if we believe that a Security that the Fund does not own is overpriced or expensive. We would sell the Security on behalf of the Fund with a view to buying the Security back at a lower price in the future. The Fund would suffer a decline in value if the Security price did not fall as we predict. The Fund currently has no Short Selling exposure.

4.12 Changes to the investment strategy

We will notify you of any material changes to the investment philosophy and/or investment process at least one month prior to the new strategy being implemented.

4.13 Fund Performance

The performance of the Australian Enhanced Income Fund is summarised in the table below. Performance data is Total Holder Returns for each period ending on 30 September 2012

Performance Table *	1 year	3 years % per annum	5 years % per annum	Since Inception % per annum
Australian Enhanced Income Fund	7.3%	9.6%	2.1%	3.2%

* Returns are net of fees and include the reinvestment of quarterly distributions and the benefit of franking. Past performance is not a reliable indicator of future performance.

For updated information about the Fund's performance, refer to our website, www.eiml.com.au or the ASX website www.asx.com.au

4.14 Distribution History

The table below shows the distributions for each year since the listing of the Fund. The Fund will distribute all income received by the Fund

Financial Year ended 30 June	Cents per unit
2007	54.9
2008	70.0
2009	70.0
2010	50.0
2011	50.0
2012	47.5

Past performance is not a reliable indicator of future performance. There is no guarantee as to the amount of distribution (if any) that will be paid.

4.15 Net Asset Value reporting

The NAV of a Unit will be calculated and reported twice each month. The mid-month NAV of a Unit will be calculated on the 15th day of each month and reported at the close of business on the 20th day of each month. If the 20th day is not a Business Day the NAV will be reported on the Business Day immediately preceding the 20th day. The end of month NAV of a Unit will be calculated on the close of business on the last Business Day of each month and reported by the close of business on the 14th day of each month. If the 14th day is not a Business Day the NAV will be reported on the Business Day immediately preceding the 14th day.

The NAV of a Unit will be reported and published on the ASX website www.asx.com.au and on the Responsible Entity's website www.eiml.com.au.

5 Key Risks

Prior to investing, you should consider the risks involved in investing in the Fund and whether the Fund is appropriate for your objectives, financial circumstances or needs. We recommend that you seek professional advice before making a decision to invest in the Fund. Significant risks are outlined below. There may be other risks which arise from time to time.

5.1 What are the different types of risks?

There are numerous risks which are both internal and external. External factors are outside the control of Elstree and can affect both the value of the investment and the income the investment might produce. These factors include such things as interest rates, inflation, government laws and policies, taxation and other regulatory actions, global market volatility and economic conditions both in Australia and overseas. Internal risk factors include matters which may affect the management and operation of the Fund. When you invest in the Fund you rely in part on the quality of our personnel and our systems. If key personnel leave or systems are disrupted, the Fund's performance may be affected.

The list of significant risks below should be carefully evaluated before making an investment in the Fund. The significant risks listed below cannot be regarded as an exhaustive list of all risks involved in investing in the Fund.

External and internal risk factors cannot be eliminated altogether. You should be aware that certain risks always remain. These include, but are not limited to:

(a) **Investment risk:** the Fund may invest in Securities which are below Investment Grade. Such Securities may be more susceptible to factors such as credit risk or changes in market conditions than more highly rated Securities. This means that these Securities may fall below the price the Fund paid for them.

(b) **ASX listing:** the ASX imposes requirements on the continued listing of the Fund. Investors cannot be assured that the Fund will continue to meet these requirements.

(c) **Distribution rate:** There is no guarantee that a distribution will be paid.

(d) **Return of capital:** if the net earnings or income of the Fund are less than the stated minimum cash distribution rate, the Fund may return capital.

- (e) **Fund trading:** the Fund may trade at less than its NAV due to market conditions.
- (f) **Price of underlying Securities:** prices of the Securities that the Fund is invested in may fall below the price the Fund paid for them.
- (g) **Drop in income levels:** income returns may drop from recent levels due to falls in interest rates or a contraction in the Coupon Margin of the Securities in which the Fund invests.
- (h) **Interest rate risk:** movements in interest rates could adversely affect the value of the Fund's assets. For example, the price of Fixed Rate Securities will generally act in a contrary manner to movements in interest rates. This means, if interest rates rise, the price of Fixed Rate Securities could fall. Conversely, if interest rates fall the price of Fixed Rate Securities could rise. Floating Rate Securities, which have their coupon payments adjusted on a regular periodic basis, are generally less sensitive to interest rate movements.
- (i) **Conversion and equity risk:** at the time of maturity of a Convertible Security, the asset which is converted on conversion may be of reduced value. Equity risk is the risk that a Security which is convertible or converting to equity may fall in value as the worth of the equity falls. These risks are especially of relevance to Hybrid Securities where a Security's price can correlate directly to its equity component or conversion rights.
- (j) **Liquidity risk:** should the Fund hold a financial product which is traded on an irregular or infrequent basis or a financial product that is not traded on any financial market, we may not be able to sell it at a fair price at a time that we wish to do so.
- (k) **Security specific risk:** the Fund may make an investment in a particular company's Securities that performs poorly.
- (l) **Re-investment risk:** there may be a lack of suitable Securities in which the Fund can invest given the Fund's investment strategy and objectives. The risk is affected by factors such as the size of the Fund and issuers being able to continue to suitable Hybrid Securities.
- (m) **Credit risk:** See Section 2.3 of this PDS.
- (n) **Currency:** currency movements can adversely affect the value of investments denominated in foreign currency.
- (o) **Leverage risk:** there is the risk that should the price of the Fund's assets decline in value and the Fund is leveraged, the performance of the Fund may be adversely affected.
- (p) **Fund Risk:** risks to the Fund includes the possibility of termination or replacement of the Responsible Entity or change in investment professionals or the risk of the Responsible Entity being unable to operate as a result of a regulatory impediment such as the Responsible Entity ceasing to hold an Australian financial services licence or the Responsible Entity ceasing to exist.

5.2 How do we manage risk?

Although investment risk cannot be totally eliminated, it can be mitigated. We seek to do this in a number of ways including:

- (a) diversifying the Fund's investments across a range of issuers and/or Securities in accordance with the Fund's investment objectives and risk management principles;
- (b) adhering to pre-determined investment processes and protocols; and
- (c) regularly monitoring the Hybrid Securities market.

Risks relating to the management and operation of the Fund are also mitigated by the maintenance of a risk management and compliance framework.

6 Fees and other costs

Consumer Advisory Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

The section that follows shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxes are set out in Section 7 of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

6.1 Fees and other costs Table

Fees and costs in the table are shown inclusive of GST less reduced input tax credits and stamp duty (where applicable).

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Not Applicable	Not Applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Not Applicable	Not Applicable
<i>Withdrawal fee¹</i> The fee on each amount you take out of your investment	Not Applicable	Not Applicable
<i>Termination Fee</i> The fee to close your investment	Not applicable	Not applicable.
Management Costs		
The fees and costs for managing your investment	<p>Administration fee: estimated 0.50% of Fund assets per annum² or \$5 for every \$1,000 invested.</p> <p style="text-align: center;"><i>Plus</i></p> <p>Investment Management Fee³: 0.85% of fund assets per annum or \$8.50 for every \$1,000 invested.</p>	<p>Administration Fees are incurred in the management of the Fund and are included in the calculation of the NAV of the Fund. Administration Fees accrue monthly and are payable quarterly out of the Fund.</p> <p>The Investment Management Fee is included in the calculation of the NAV of the Fund. The Investment Management Fee accrues monthly and is payable quarterly by the Fund to the Manager.</p>
Service fees		
<i>Investment Switching fees</i> The fee for changing investment options	Not Applicable	Not Applicable

¹ A buy/sell spread will apply. See "Buy/Sell Costs" in Section 6.3 for details.

² Estimate based on the Responsible Entity's recovery expenses for the year ended 30 June 2012, including administration costs, accounting fees, legal fees etc.

³ For sophisticated and professional investors (Wholesale Investors) this fee may be negotiated. See "Negotiation of Fees" in section 6.3.

6.2 Example of annual fees and costs

This table gives an example of how the fees and costs for this product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$50,000 AND WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR
Management Costs	1.35%*	For every \$50,000 you have in the fund you will be charged approximately \$675 each year.
EQUALS Cost of Fund ⁴		<p>If you had an investment of \$50,000 at the beginning of the year you will be charged fees of \$675.</p> <p>If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 during that year, depending on the timing of your additional investment, you could be charged fees of up to \$742.50.</p> <p>What it costs you will depend on the fees you negotiate with us⁵.</p>

* Estimate based on the Responsible Entity's recovery expenses for the year ended 30 June 2012, including administration costs, accounting fees, legal fees etc.

Additional Fees may apply.

If you are investing through an IDPS, there will be additional fees and costs charged by the IDPS operator. Please refer to the offer document of your IDPS operator for the fees applicable to your investment.

This example is based on the experience of the Fund for the year ending 30 June 2012. Fees may vary from year to year. A further illustration of the various components of the Fund's fees and costs is shown in sections 6.3 and 6.4 below.

6.3 Additional Explanation of Fees and Costs

Changes to Fees and Costs

Elstree may not change the amount of fees without your consent. There may be changes in regulations or economic conditions which necessitate a change in fees. Fees are only changeable with 3 months prior written notice of the proposed changes.

Negotiation of Fees

We may negotiate fees with sophisticated, professional or wholesale investors, including IDPS operators, on an individual basis in accordance with ASIC's Class Order relief.

⁴ The amount calculated assumes you had invested the \$5,000 for a full 12 months. The amount you pay depends on the proportion of the year during which any such contributions are invested.

⁵ Only sophisticated and professional investors may negotiate fees. See "Negotiation of Fees" in section 6.3

Buy/sell Costs

Buy Spread	A Buy Spread of 0.2% will be added to the NAV of a Unit or the Average Market Price of a Unit in calculating the Application Unit Price when you apply for new Units in the Fund Off Market.	Paid on Off Market applications.
Sell Spread	A Sell Spread of 0.2% will be deducted from the NAV of a Unit when you redeem Units in the Fund Off Market.	Paid on Off Market redemptions.

Buy/sell spreads are retained by the Fund to cover the cost of such things as brokerage and other associated costs incurred in the buying and selling of Securities in the Fund and ensures that existing Unit Holders are not disadvantaged when you buy or sell Units in the Fund Off Market. Buy/sell costs are an additional cost to investors who buy/sell Units Off Market in the Fund. Buy/sell spreads are retained by the Fund and not paid to the Manager of the Fund.

Service fees - Abnormal or other expenses

If you ask us to do something outside our normal administration function, we might charge you a fee. The fees vary depending on what you ask us to do. A fee of up to \$10 applies to a request for a copy of the Fund's Constitution.

Recovery of expenses and Indirect Cost Ratio (ICR)

We may recover from the Fund all expenses (management costs) incurred in relation to the proper performance of administrative duties associated with the Fund including, promotion and printing of promotional material, preparation of Product Disclosure Statements, custody, registry, preparation of accounts, audit, taxation advice, external consultants, compliance, stationary, communications and postage. Transaction costs are not included as management costs. These expenses are shown as an estimated amount in this PDS because they vary from year to year depending on the expenses incurred and the size of the Fund.

The ICR is the ratio of the Fund's management costs that are not deducted directly from a Unit Holder's account to the Fund's total average net assets expressed as a percentage.

The ICR for the Fund for the financial year ending 30 June 2012 was zero (0.00%).

6.4 Adviser Commission

We do not pay any commissions to your financial adviser. However your IDPS operator may receive certain payments or other non-monetary benefits from us. These payments and benefits are not an additional cost to you.

You may incur a fee for the advice provided to you by your adviser, but this does not represent a fee that we have charged you for investing in the Fund and is not an amount paid out of the assets of the Fund. We recommend that you check with your adviser if you will be charged a fee for the provision of their advice. Financial advisers are obliged to disclose commission arrangements to you in their financial services guide.

6.5 Historical fees and costs of the Fund

The table below shows Management fees and Administration costs for the Fund since inception on a percentage (%) per annum basis for each full year of operation of the Fund. The fees for 2007 have been annualised to take into account that the Fund was in existence for less than the full year.

Financial year ended 30 June	Management Fees	Administration costs
2007	0.78%	0.23%
2008	0.81%	0.45%
2009	0.80%	0.64%
2010	0.79%	0.57%
2011	0.79%	0.51%
2012	0.81%	0.50%

6.6 Benefits to Elstree

Elstree is the Responsible Entity and Manager and will receive management fees of 0.85% per annum.

Except for the interest, fees and remuneration disclosed in this PDS, Elstree and its directors and employees have not received and are not entitled to any benefit in relation to this offer.

Subject to law, directors may receive a salary as employees of the Elstree group, consulting fees, directors fees, distributions and may from time to time hold interests (directly or indirectly) in the Units in the Fund or shares in Elstree.

6.7 Taxation

For information about tax, refer to section 7 of this PDS.

6.8 Investing through Master Trusts or Wrap Accounts

Investors investing through an Investor Directed Portfolio Service (IDPS) or IDPS like scheme (often called a master trust or wrap account) should also take into account the fees and charges associated with investing via a master trust or wrap account. We are not responsible for the operation of any master trust or wrap account through which you invest. In addition to reading this PDS, investors investing via a master trust or wrap account should read the disclosure document from the operator of that service which explains the master trust or wrap service, and seek their own financial advice.

6.9 Minimum Fund size

The Fund may be wound up at any time if it is considered to be in the best interest of Unit Holders. If the net assets of the Fund fall below \$15,000,000 we may consider winding up the Fund. Should this occur the assets of the Fund will be sold and the proceeds, after all costs have been deducted, distributed proportionally to Unit Holders based on the number of Units held.

7 Taxation

This PDS cannot address all the taxations that may be relevant to a particular Unit Holder. It contains general information only about significant taxation implications of an investment in the Fund. As the taxation implications for each Unit Holder may be different, prospective Unit Holders should obtain their own independent taxation advice on the implications of holding or disposing of Units in the Fund.

7.1 Taxation of the Fund

The Fund will generally not pay tax on income or capital gains made by it, provided Unit Holders are presently entitled to all of the Fund's taxable income.

7.2 Franking Credits

It is our intention to distribute any franking credits attaching to franked dividends. These amounts are not cash receipts but will generally be included in the calculation of your taxable income.

7.3 Annual income statement

To assist in the preparation of your income tax return we will provide you with an annual income statement. This statement will contain details of income, franking credits, foreign tax credits, capital returns and capital gains on disposal of investments paid to you by way of distribution from the Fund.

7.4 Tax File Number (TFN), Exemption and Australian Business Number (ABN)

It is not compulsory to quote your TFN or claim an exemption, but if you don't, we may be required to deduct tax at the highest marginal rate (currently 45%) plus Medicare levy from any income payable to you.

If you have an ABN and are making this investment in the course of a business carried on by you, you may wish to quote your ABN rather than your TFN.

8 Applying for Units Off Market

8.1 Applications

Applications for Units in the Australian Enhanced Income Fund will be accepted Off Market on a bi-monthly basis with a Mid Month Application cut off time and an End of Month Application cut off time. Applications can only be made through a **Licensed Financial Adviser**. Your completed **Application Form** must contain details of your **Holder Identification Number (HIN)** or if you do not have an HIN your **Security Reference Number (SRN)**.

To make an Application as a direct investor you must complete the Application Form attached to this PDS or download and complete the Application Form which is available on the Responsible Entity's website www.eiml.com.au under the heading "Australian Enhanced Income Fund". If you are unable to download the Application Form contact us and we will arrange for a form to be sent to you.

Your completed Application Form, together with your cheque made payable to; **Australian Enhanced Income Fund** should be sent to;

Postal Address

**Advanced Share Registry Limited
PO Box 1156
Nedlands, WA, 6009**

Delivery Address

**Advanced Share Registry Limited
150 Stirling Highway
Nedlands, WA, 6009**

The closing date for Mid-Month Applications is 5.00 pm on the fifth (5th) day of each month. The closing date for End of Month Applications is 5.00pm on the twentieth (20th) day of each month. If your Application for Units is received after 5.00pm on these days your Application will be processed as if it were received in the following application period. Where the 5th or 20th day of the month falls on a weekend or public holiday (designated in Sydney) your Application Form must be received by the close of business on the Business Day immediately preceding the 5th or 20th day of that Month.

The table in 8.8 below details the timetable of deadlines for applications, NAV calculations and unit issuance.

Faxed Applications will not be accepted.

For an Application to be valid your Application Form must contain your HIN or, if you do not have an HIN your SRN. If your Application does not contain your HIN or SRN it will not be accepted. Please note if the name and address details on your Application Form do not match exactly with your registration details held on the Clearing House Electronic Subregister System known as CHESSE, any Units issued as a result of your Application will be held on the Issuer Sponsored Sub-register, **Advanced Share Registry Limited**.

Where your Application is not accepted your cheque (without interest) and Application Form will be returned to you. You may reapply for Units in any following application period.

Applications must be for a minimum of \$2000 and thereafter in multiples of \$500.

Application Amounts which are accepted will be deposited into an interesting bearing trust account. Interest earned on Application Amounts between the date the monies are credited to the account and

the date Units are issued will be credited to the benefit of the Fund and not to individual Unit Holders.

Indirect Investors

If you are investing through an IDPS, the minimum investment amounts may be different and you do not need to complete the Fund Application Form. Instead, complete the forms your IDPS operator requires and if you have any queries, contact your IDPS operator. An Indirect Investor does not become a Unit Holder in the Fund and so does not acquire the rights of a Unit Holder. It is the IDPS operator which is the Unit Holder and can exercise (or decline to exercise) the rights of a Unit Holder on your behalf in accordance with the arrangements between you and your IDPS operator.

In addition to reading this PDS, an indirect investor should carefully read the IDPS offer document, which explains the service and the fees payable by the indirect investor to the IDPS operator.

8.2 Number of Units issued to you

The number of Units issued to you will be calculated by dividing your Application Amount by the Application Unit Price.

8.3 Application Unit Price

The Application Unit Price is the higher of Net Asset Value (**NAV**) of a Unit plus the Buy Spread of 0.2% or the Average Market Price of a Unit plus a Buy Spread of 0.20%. Where the Average Market Price plus the Buy Spread and the NAV of a Unit plus the Buy Spread are equal, units will be issued at the NAV of a Unit plus the Buy Spread. The Buy Spread is retained by the Fund to cover such things as brokerage and other associated costs incurred in the buying of investments in the Fund and ensures that existing Unit Holders are not disadvantaged when you buy Units in the Fund Off Market.

The NAV of a Unit will be determined at the close of business on the 15th day and last day of each month providing they are Business Days. If they are not Business Days the NAV will be calculated on the closest previous Business Day.

The NAV of a Unit is calculated by dividing the Net Asset Value of the Fund by the number of Units

The Average Market Price is determined by calculating the Volume Weighted Average Price (VWAP) for Units including the last ASX trading day prior to each Mid Month and End of Month NAV calculation dates.

The Volume Weighted Average Price (VWAP) is the calculated price for Units traded on the ASX in the ten (10) ASX trading days immediately preceding the relevant date. In calculating the Average Market Price we use the last sale price per Unit as recorded on the ASX, unless we believe that this does not represent a fair reflection of the market price of a Unit on that day, in which case we can use the mid-point of the bid and offer prices per Unit recorded on the ASX at the close of trading on that day (whether or not a sale is recorded). If we believe that this second calculation does not provide a fair reflection of the market price of a Unit on that day, then the market price per Unit will be as determined by an independent expert.

The NAV of a Unit will be published on the ASX website www.asx.com.au by the Fund's Responsible Entity by the close of business on the twentieth (20th) day and fourteenth (14th) day of each month for

the Mid Month and End of Month pricing dates respectively. Where the 14th and 20th are not Business Days on the Business Day immediately preceding the 14th and 20th.

8.4 Whole Units

Only whole Units will be issued to you.

Where your Application Amount and the relevant Application Unit Price do not result in a whole number of Units being issued the number of Units issued to you will be rounded up to the nearest whole Unit.

8.5 Allocation of Units

If you applied for Units prior to the Mid Month Application cut off time, Units will be allocated on the 22nd day of the Month. If you applied for units prior to the End of the Month Application cut off time Units will be allocated on the fifteenth (15th) day of the following Month. Where either of the allocation dates falls on weekend or a public holiday (designated in Sydney), Units will be allocated on the next following Business Day.

An Application constitutes an offer to apply for Units based on the terms and subject to the conditions set out in this PDS.

8.6 Worked example of number of Units issued to you

Assumptions: Investment amount **\$50,000**, NAV of a Unit Plus the Buy Spread is higher than the Average Market Price, the NAV is **\$7.00**.

Buy Spread of 0.2%	$\$7 \times 0.002 = \mathbf{\$0.014}$ provided that the NAV per Unit is higher than the Average Market Price per Unit.
Application Unit price (NAV + Buy Spread)	$\$7 + 0.014 = \mathbf{\$7.014}$ provided that the NAV per Unit is higher than Average Market Price per Unit.
Number of Units d to you	$\$50,000 / 7.014 = \mathbf{7,129}$, (rounded up to the nearest whole Unit).

8.7 Trading of new Units

Trading of new Units on the ASX will be permitted once new Units have been allocated.

8.8 Timeline for applying for Units Off Market.

Timeline for application and allocation and listing of new Units;

Mid-Month Applications

5 th day of month (or closest previous Business Day if the 5 th is not a Business Day)	Application Form and payment must be received before 5.00 pm AEST
15 th day of month (or closest previous Business Day if the 15 th is not a Business Day)	NAV and Average Market Price calculated, Application Unit Price calculated
20 th day of month (or closest previous Business Day if the 20 th is not a Business Day)	NAV and Application Unit Price of a Unit for the Mid-Month application period declared
22 nd day of month (or the next Business Day if the 22 nd is not a Business Day)	Units for Mid-Month application period allocated, Units listed and Unit holding statements dispatched

End of Month Applications

20 th day of month (or closest previous Business Day if the 20 th is not a Business Day)	Application Form and payment must be received before 5.00 pm AEST
Last day of month (or closest previous Business Day if this is not a Business Day)	NAV and Average Market Price calculated, Application Unit Price calculated
14 th day of following Month (or closest previous Business Day if the 14 th is not a Business Day)	NAV and Application Unit Price of a Unit for End of Month application period declared
16 th day of following Month (or the next Business Day if the 16 th is not a Business Day).	Units for End of Month application period allocated, Units listed and Unit holding statements dispatched.

8.9 Buying Units On Market

You may instruct a Licensed Financial Adviser (for example, your Stockbroker) to buy Units in the Fund on the ASX on any trading day of the ASX in which the Units are trading.

8.10 Cooling Off

As the Fund is traded on the ASX, the 14-day cooling off period that applies to retail investors in some managed funds will not apply to the Fund.

8.11 Enquiries

Enquiries concerning the Application Form or relating to this PDS and the Offer should be directed to us by telephone on 03 8689 1348 or facsimile on 03 9655 8492, or by email to info@eiml.com.au

9 Redeeming Units Off Market

9.1 Redemptions

You may apply to redeem your Units Off Market on a monthly basis. To redeem Units Off Market you must complete a **Redemption Request Form**. Your Redemption Request Form must be received by **Advanced Share Registry Limited** no later than **5.00pm AEST on the sixteenth (16th) day of the Month**. Where the 16th day of the Month falls on a weekend or public holiday (designated in Sydney) your Redemption Request Form must be received by the close of business on the Business Day immediately preceding the 16th day of that month.

If a redemption request is received after 5.00pm AEST on the 16th day of the Month, and accepted it will be processed as if it were received on the 16th day of the following Month.

Under the Constitution of the Fund we are not obliged to give effect to a redemption request and we have a discretion, while the Fund is Liquid, to redeem some or all of the Units to which the redemption request relates.

Indirect Investors

If you are investing through an IDPS, you do not need to complete the Redemption Request Form. Instead, complete the forms your IDPS operator requires and if you have any queries, contact your IDPS operator.

To make an Off Market redemption request you must download and complete the Redemption Request Form which is available on our website www.eiml.com.au under the heading "Australian Enhanced Income Fund". If you are unable to download the Redemption Request Form contact us and we will arrange for a copy to be sent to you. Your Redemption Request Form must contain details of your **HIN** number or where you don't have an HIN your **SRN**. Your Redemption Request Form should be sent to:

Postal Address

Advanced Share Registry Limited
PO Box 1156
Nedlands, WA, 6009

Delivery Address

Advanced Share Registry Limited
150 Stirling Highway
Nedlands, WA, 6009

Faxed redemption requests will not be accepted.

If your Redemption Request Form does not contain your HIN or SRN it will not be accepted. We also reserve the right to reject your Redemption Request Form if it is not completed correctly or in our absolute discretion.

Where your Redemption Request Form is not accepted you will be able to resubmit a redemption request in any other Month.

9.2 Value

The proceeds of Units redeemed will be calculated by multiplying the number of Units you apply to be redeemed by the Redemption Unit Price.

9.3 Redemption Unit Price

The Redemption Unit Price is the NAV of a Unit less the Sell Spread of 0.2%. The Sell Spread is retained by the Fund to cover such things as brokerage and other associated costs incurred when selling investments in the Fund. It is designed to ensure that existing Unit Holders are not disadvantaged when you exit the Fund Off Market.

The NAV of a Unit will be published on the ASX website www.asx.com.au by the Fund's Responsible Entity by the close of business on the fourteenth (14th) day of each month and on the 20th day of each month. If the 14th and 20th days are not Business Days, on the closest previous Business Day.

9.4 Worked example of proceeds received following redemption request

Assumptions: 10,000 Units to be redeemed and NAV of a Unit calculated at \$7.00.

Sell spread of 0.2%	$\$7 \times 0.002 = \0.014
Redemption Unit price	$\$7 - 0.014 = \6.986
Proceeds	$10,000 \times \$6.986 = \$69,860$

9.5 Timeline for Off Market redemption of Units

16 th day of Month#	Redemption Request Form to be received by 5.00pm AEST
Last day of Month	NAV of a Unit and Redemption Unit Price calculated. If the last day of the month is not a Business Day, the NAV will be calculated on the closest previous Business Day
15 th day of the next Month	Accepted redemption requests processed. Unit Holder statements dispatched. Funds credited to nominated bank account,

If a redemption request is received after 5.00pm AEST on the 16th day of the month, it will be processed as if it were received on the 16th day of the following month.

9.6 Clearing House Electronic Subregister System (CHES)

Where you have an HIN you will receive confirmation of your Unit Holding and notification of any changes you make to your Unit Holding from the Clearing House Electronic Subregister System known as CHES. Where you do not have an HIN you will be notified of any changes to your Unit holding by the issuer Sponsored Sub Register **Advanced Share Registry Limited**.

9.7 Selling Units On Market

You may instruct your Licensed Financial Adviser (for example, your Stockbroker) to sell all or part of your Units on the ASX on any trading day of the ASX in which the Units are trading.

9.8 Payment of redemptions

The Constitution provides that the payment of redemptions will be made within thirty (30) days of our decision to satisfy your redemption request. This will usually be 30 days from the 16th day of the month

(the day by which your redemption request must be received for processing that month. See section 9.1 above).

Redemptions may be suspended if we have taken all steps to realise sufficient assets to satisfy redemption requests but is unable to do so due to events outside of its control (such as suspended trading in a market for an asset). In such circumstances we can delay satisfying redemption requests for the number of days during which such circumstances apply.

If we delay redemptions for these purposes, the NAV of a Unit will be calculated after the circumstances stops.

9.9 Fund liquidity

In order to protect the interests of Unit Holders, the Corporations Act imposes restrictions on redemptions where a managed investment scheme is not liquid. A fund is liquid if at least 80% of the assets of the fund are liquid (such as cash or near cash assets). We intend to manage the Fund so as to ensure that it is liquid at all times. In the event that the Fund is not liquid, the Responsible Entity must not permit investors to withdraw from the Fund otherwise than in accordance with procedures prescribed in the Corporations Act.

10 Additional Information

10.1 Constitution and compliance plan

The Fund is governed by a Constitution which has been lodged with, and registered by ASIC as a Managed Investment Scheme under Chapter 5C of the Corporations Act. You can inspect a copy of the Constitution at our offices or we will provide you with a copy, for a fee of up to \$10.

The Constitution and the Corporations Act govern the rights and obligations of Unit Holders and us. The Constitution sets out the conditions under which the Fund will operate, terminate, and the rights, obligations and liability of the responsible entity. Unit Holder approval is required where changes to the constitution may adversely affect Unit Holders. A compliance plan has been established.

The compliance plan sets out how we will ensure compliance with both the Corporations Act and the Constitution when operating the Fund. An independent compliance committee monitors our compliance with the compliance plan.

10.2 Distribution policy

It is the Fund's intention to pay to Unit Holders a cash distribution on a quarterly basis.

If you would like additional information about cash distributions, contact us on 03 8689 1348 or speak to your Licensed Financial Adviser.

10.3 Re-investment of Distributions

Your distributions will automatically be re-invested in additional Units unless you otherwise specify in the Application Form.

10.4 ASX Listing

Units issued will rank equally from the time of issue with other Units issued by the Fund.

10.5 Complaints

You may lodge any complaints by writing to us at the address shown in the Directory of this PDS. We will always acknowledge any complaint in writing within 14 days of receipt and provide you with our determination within 45 days.

If you remain unhappy, you can contact the Financial Ombudsman Service (FOS). FOS, which operates independently from us, can be contacted at:

Postal Address: GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

To be considered by the FOS, the complaint must (generally) be made by a person who is a retail client as defined in the Corporations Act and involve a claim of under \$150,000 (unless the parties and FOS agree in writing). Further information about FOS and the complaints it can consider is available from its website. If you are investing through a master trust or wrap account then complaints should be directed to the operator of that service, and not to us.

10.6 Unit Holder communications

You will receive notification of, or be provided with access to:

- your account details and the amount of any application for or redemption of Units;
- any changes in the terms of your investment;
- performance updates and an annual report; and
- any other communications that may be required by law from time to time.

You can choose not to receive information (other than minimum information as required by law) by advising us.

We may use e-mail to contact you unless you advise us to the contrary. Copies of any documents we lodge with the ASIC (such as annual and half yearly financial reports) may be obtained from us or inspected at an ASIC office. See section 10.8 below for more information.

10.7 ASX listing rule waivers

ASX has granted the Fund waivers to the following listing rules on the following conditions:

1. Listing rule 7.1 to the extent necessary to permit the Fund to issue Units without the prior approval of Unit Holders in general meeting.
2. Listing rule 10.11 to the extent necessary to permit the Fund to issue Units without the prior approval of Unit Holders in general meeting.

These waivers are subject to various conditions which are summarised below as follows:

1. The Fund's sole business activity is the investment of quoted fungible financial products and cash,
2. The management fees payable by the Fund do not increase as a proportion of funds under management if the size of the funds under management decreases,
3. The Fund does not redeem Units if the redemption would cause the Fund to cease to comply with Chapter 12 of the Listing Rules,
4. The Units are issued in accordance with a pricing formula contained in a product disclosure statement which is acceptable to ASX and
5. The Units are issued within 7 days of the higher of the NAV or Average Market Price of a Unit being **declared** to the market.

10.8 What documents are disclosed?

The Fund is a disclosing entity for the purposes of Section 111AC of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require the Fund to:

- (a) prepare and lodge with ASIC both half yearly and yearly financial statements accompanied by a Director's statement and report and an audit or review report;
- (b) within 14 days after the end of each month, tell ASX the net tangible asset backing of its Units as at the end of that month; and
- (c) immediately notify ASX of any information concerning the Fund of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Units, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to the Fund may be obtained from or, inspected at, an office of ASX. You can also request a copy of these documents by contacting us on **03 8689 1348** or by visiting our website **www.eiml.com.au**

10.9 Instructions

Subject to the requirements outlined, or as stipulated by us, you, or persons authorised by you, can provide instructions (quoting your Holder Identification Number or Security Reference Number) in writing, by facsimile, or by any other method allowed by us from time to time. By investing in the Fund, you authorise us to accept instructions provided by these methods. However we may require that certain instructions can only be provided using a specified method.

10.10 Privacy and Personal information

We (and the Registry on our behalf) collect personal information from you in order to administer your investment. We may also tell you about other products and services we offer, or distribute which we consider may be of interest to you however you may elect to stop receiving such information at any time.

If you do not want us to use your personal information in this way please contact us anytime using the contact details set out in the Directory.

If you do not provide the information requested of you in the Application Form, we or the Registry will not be able to process your application for Units or administer your Unit Holding appropriately.

If you think that our records are incorrect or out of date – particularly your postal address or email address – please contact us using the contact details set out in the Directory , and we will correct this information immediately. You can always access the personal information that we hold about you or our privacy policy by contacting us at info@eiml.com.au. Advanced Share Registry Limited has a privacy policy available from its website: www.advancedshare.com.au

10.11 Labour standards or environmental, social or ethical considerations

We do not take into account labour standards or environmental, social or ethical considerations in determining the selection, retention or realisation of investments for the Fund.

10.12 Consents

Advanced Share Registry Limited has given, and has not withdrawn before the date of the PDS, their written consent to be named herein, and in regard to the statements made about them in this PDS in the form and context in which they appear prior to the date of this PDS.

Each director of the Responsible Entity has given and not withdrawn as at the date of this PDS, their consent to the issue of the PDS and lodgement with ASIC.

11 Glossary

Application	An application for Units pursuant to this PDS.
Application Amount	An amount for investment (in Australian currency) in the Fund.
Application Form	The application form attached to this PDS to apply for Units in the Fund Off Market.
Application Unit Price	The higher of the NAV of a Unit plus the buy spread of 0.2% or the Average Market Price plus the Buy Spread of 0.2%. Where the Average Market Price of a Unit plus the Buy Spread and the NAV of a Unit plus the Buy Spread are equal, Units will be issued at the NAV of a Unit plus the Buy Spread.
Approved Ratings Agency (ARA)	Means a credit rating agency holding an Australian Financial Services License or AFSL authorising it to give general advice by issuing a credit rating.
ASX	Australian Securities Exchange
Average Market Price	The Volume Weighted Average Price (VWAP) for Units traded on the ASX in the ten (10) ASX trading days immediately preceding the relevant date. In calculating the average price we use the last sale price per Unit as recorded on the ASX, unless we believe that this does not provide a fair reflection of the market price of a Unit on that day, in which case we can use the mid-point of the bid and offer prices per Unit recorded on the ASX at the close of trading on that day (whether or not a sale is recorded). If we believe that this second calculation does not provide a fair reflection of the market price of a Unit on that day, then the market price per Unit will be as determined by an independent expert.
BBSW	Bank Bill Swap Reference Rate is calculated on each Business Day for various bank bill maturities by a panel of 14 banks. It is declared on each Business Day by the Australian Financial Markets Association.
Business Day	A day, other than a Saturday or Sunday or public holiday, on which banks are open for general banking business in Sydney and Melbourne.
Buy Spread	Transaction costs of 0.2% added to the NAV of a Unit or the Average Market Price of a Unit in calculating the Application Unit Price.
Constitution	The constitution of the Australian Enhanced Income Fund which sets out the rules for the way the Fund is managed.
Convertible reset preference shares	Listed or unlisted Securities which often have no fixed maturity date and convert into ordinary shares or units at the end of the set period, when general terms and conditions may be varied, including the dividend date. The dividend may be partially or fully franked and may be fixed or floating. These Securities rank ahead of ordinary shareholders for the payment of dividends and for the payment and principal of creditors.
Convertible Securities/Convertible Notes	Listed or unlisted Securities which pay a fixed or floating Coupon payment on pre determined dates. They convert into ordinary shares or units according to a preset formula on a set maturity date. Convertible Securities/notes usually rank ahead of convertible preference shares for payment of coupons and repayment of principal but rank behind other creditors of the issuer.
Corporate Bonds	Usually unlisted debt securities which have a fixed or floating interest rate component, a defined maturity date for repayment of principal and form part of the debt obligations of the issuer.

Corporations Act	Corporations Act 2001 (Cth.)
Coupon Margin	Margin over BBSW that the Fund receives from its investments.
Coupon component	Periodic interest payment.
Credit Rating	An opinion provided by an ARA about whether an issuer of a credit commitment, debt or debt-like Security is likely to make the timely repayment of its financial obligations generally or a particular financial obligation.
End of Month Application cut off time	Application Form and payment must be received before 5.00 pm AEST on the 20 th day of the Month. Where the 20 th day of the month is not a Business Day, Application Forms and payment must be received by the close of business on the Business Day immediately preceding the 20 th day of that Month.
End of Month NAV calculation date	The NAV calculated on the last Business Day of the Month. Where the last day of the month is not a Business Day on the closest previous Business Day.
Fixed Rate Security	Listed or unlisted debt Security issued by the government, corporate or special purpose company with a fixed maturity date that pays a pre-determined fixed rate of interest.
Floating Rate Notes	Listed or unlisted debt Securities which have a Credit Rating and are issued by the government, corporate or special purpose company with a fixed maturity date that pays a rate of interest at a fixed margin above and inclusive of a variable reference rate such as the 90 day or 180 day bank bill swap reference rate or BBSW.
Floating Rate Security	Listed or unlisted debt Security issued by the government, corporate or special purpose company with a fixed or variable maturity date that pays a rate of interest at a fixed margin above and inclusive of a variable reference rate such as the 90 day or 180 day bank bill rate or BBSW.
Fund	Australian Enhanced Income Fund (ARSN 115 632 990).
Government and semi (State) government Securities	Usually unlisted debt Securities which are issued by government and semi (State) government authorities that carry a fixed or floating interest rate and have a defined maturity date for repayment of the principal.
Hybrid Security	Security that displays debt and equity characteristics.
IDPS	An investor directed portfolio service such as a master trust or wrap account or an administration service.
IDPS operator	The trustee or operator of the IDPS.
Income Securities	Securities issued by banks and companies that pay a floating rate of interest. They may or may not be rated and usually have a fixed maturity date (although terms and conditions can be periodically reset).
Indirect Investors	Investors investing in the Fund through an IDPS.
Licensed Financial Adviser	A financial adviser which is licensed or authorised to provide you with financial services under the Corporations Act, as nominated by you.
Listing Rules	The listing rules of the ASX.

Mid-Month Application cut off time	Application Form and payment must be received before 5.00 pm AEST on the 5 th day of the Month. Where the 5 th day of the month is not a Business Day your Application Form and payment must be received by the close of business on the Business Day immediately preceding the 5 th day of that Month.
Mid-Month NAV calculation date	The NAV calculated at the close of business on the 15 th day of the Month. Where the 15 th day is not a Business Day on the closest previous Business Day.
Mid-Month Pricing Period	The Unit pricing period for applications received before the 5 th day of each Month.
Net Asset Value (NAV) of a Unit	NAV of a Unit. Calculated as the assets of the Fund minus the liabilities of the Fund divided by the number of Units on issue.
Off Market	Transaction completed between us and a Unit Holder not on the ASX.
Offer	The offer of Units in the Fund pursuant to and in accordance with this PDS.
On Market	A transaction completed on the ASX.
PDS	This Product Disclosure Statement dated 28 February 2013 as modified or varied by any supplementary product disclosure statement made by the Responsible Entity and lodged with the ASIC from time to time.
Perpetual Securities	Securities which have no fixed maturity date. They may be converted into ordinary shares or units at certain specified times when general terms and conditions may be varied including the dividend or distribution rate. Perpetual Securities rank ahead of ordinary shareholders for the payment of dividends and distributions and principal but rank behind creditors.
Redemption Unit Price	The Net Asset Value of a Unit less the Sell Spread of 0.2% calculated on the last Business Day of each Month.
Registry	Advanced Share Registry Limited.
Responsible Entity	Elstree Investment Management Limited (ABN 20 079 036 810 AFSL No. 225721).
Security	Has the meaning given by section 92 of the Corporations Act.
Sell Spread	Transaction costs of 0.2% deducted from the NAV of a Unit to determine the Redemption Unit Price.
Subordinated Debt	Debt that ranks behind secured and unsecured creditors in payment priority and bankruptcy.
Unit	An un-divided share in the beneficial interest in the Fund.
Unit Holder	A holder of Units in the Fund.
Unrated	A Security that is not rated by an ARA.

YOU SHOULD READ THE PDS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. Enter the *\$amount* you wish to invest in Australian Currency in A
- B. Write your *full name*. Initials are not acceptable for first names.
- C. Enter your *postal address* for all correspondence. All postal communications to you will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- E. Enter your Australian *tax file number* ("TFN") or ABN or exemption category. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- F. Complete *cheque details* as requested. Make your cheque payable to **Australian Enhanced Income Fund**, cross it and mark it "Not negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your *contact details* so we may contact you regarding your Application Form or Application Amount.
- H. Enter your *email address* so we may contact you regarding your Application Form or Application Amount or other correspondence. Unless you advise us to the contrary, we may send communications to your email address.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold Units. The Application must be in the name of a natural person(s) aged 18 or more, companies or other legal entities acceptable to the Responsible Entity. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Estate Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Mailing address:

Australian Enhanced Income Fund
 C/- Advanced Share Registry Ltd
 PO Box 1156
 Nedlands, 6009, WA

Delivery address:

Australian Enhanced Income Fund
 C/- Advanced Share Registry Ltd
 150 Stirling Highway,
 Nedlands, 6009, WA

If you have any questions as to how to complete the Application Form, please contact Advanced Share Registry on 08 9389 8033.

Privacy Statement: Advanced Share Registry Ltd advise that Chapter 2C of the Corporations Act 2001 requires information about you as a Unit Holder (including your name, address and details of the Units you hold) to be included in the public register of the entity in which you hold Units. Information is collected to administer your Unit holding and if some or all of the information is not collected then it might not be possible to administer your Unit holding. Your personal information may be disclosed to the entity in which you hold Units. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Advanced Share Registry Limited has a privacy policy available from its website: www.advancedshare.com.au

Our privacy policy is available by contacting us.