

May 23, 2016



## Australian Enhanced Income Fund

### Reduction in Minimum Cash Distribution

Between August 2013 and May 2016 the Reserve Bank of Australia (RBA) reduced the official cash rate by a total of 0.75% over which time the Fund maintained a minimum annual distribution of \$0.40 per unit. The latest cut in the official cash rate will however result in the income of the Fund falling below the amount distributed. As a consequence the Responsible Entity (RE) has taken the decision to reduce the minimum cash distribution.

Commencing with the distribution payable at the end of the June 2016 quarter the RE has determined that the minimum cash distribution per unit will be \$0.35 per annum.

The Fund expects to generate franking credits to the value per unit of approximately \$0.05 per annum. This means that the total income return (including franking) per unit will be around \$0.40 per annum. At the NAV calculated as at the close of business on 14 May 2016 of \$5.908 per unit the total minimum income return (including franking) approximates to 6.77%.

Investors will note that this is well in excess of cash and bank term deposit rates of return.

Should the official cash rate rise above its current level of 1.75% or if the spread margins on our investments widen, we will consider increasing the minimum cash distribution.

The Fund will continue to distribute all income earned and received. If the income generated by the Fund per unit is above the \$0.35 per annum minimum cash distribution level for the 2016 financial year and in any subsequent year, the excess income will be distributed to unit holders.

Yours faithfully,

Norman Derham (Company Secretary)