



ASX Announcement

Australian Infrastructure Fund (AIX)

Total pages: 36

27 August 2013

AIX Announcement of Dividend, Notice of Meeting and Explanatory Booklet

AIX today announced the declaration of a fully franked dividend of \$1,868,545, being 0.30 cents per share, with franking credits of \$800,805, amounting to 0.13 cents per share. The key dates concerning the dividend are set out at the end of this announcement.

AIX also announced today the release of a Notice of General Meeting of Australian Infrastructure Fund Limited ("AIFL") and the Explanatory Booklet accompanying it, copies of which have been sent to AIX securityholders.

The General Meeting is to be held on Tuesday 8 October 2013, commencing at 11:00am (AEST), at the Park Hyatt Melbourne, 1 Parliament Square, off Parliament Place, Melbourne, Victoria.

The purpose of the General Meeting is for AIFL shareholders to consider two matters;

- a proposal to pay a Capital Return of \$5,021,602 in total, being 0.81 cents per share, to AIFL Shareholders as an equal reduction of share capital on or around Tuesday, 22 October 2013; and
- a proposal by Wilson Asset Management, that the current AIFL Directors be removed and replaced with three nominees of Wilson Asset Management.

The AIFL Directors unanimously recommend that AIFL Shareholders **vote in favour of the Capital Return Resolution and against the Change of Directors Resolutions.**

The Explanatory Booklet explains the proposal for payment of the Capital Return and the Change of Directors resolutions and contains important information that is material to shareholders in making an informed decision on how to vote on the resolutions.

The dividend of 0.30 cents per share is in addition to the previous payments to securityholders of \$3.018576 per AIX security on 30 May 2013 and \$0.173924 per AIFL share on 8 July 2013. Further, the payment of the 0.81 cents per security Capital Return, if approved by AIFL shareholders, will bring the total payments to AIFL shareholders since 30 May 2013, to \$3.2036. This compares to \$2.65, which was the closing price of AIX securities on 23 August 2012, immediately prior to AIX announcing it had entered into a non-binding sale proposal with the Future Fund on 24 August 2012.

Following these payments, AIX will still hold around \$7m to meet known costs and possible contingencies. It is the intention of AIFL to distribute the maximum amount of this residual cash to AIFL shareholders on an equal basis, as soon as it is practicable to do so.

Unless otherwise stated, the information contained in this document is for informational purposes only. It does not constitute an offer of securities and should not be relied upon as financial advice. The information has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person or entity. Before making an investment decision you should consider, with or without the assistance of a financial adviser, whether any investments are appropriate in light of your particular investment needs, objectives and financial circumstances. Neither Hastings, nor any of its related parties including Westpac Banking Corporation ABN 33 007 457 141, guarantees the repayment of capital or performance of any of the entities referred to in this document and past performance is no guarantee of future performance. Hastings, as the Manager or Trustee of various funds, is entitled to receive management and performance fees.

On 18 July 2013, AIX announced it intended to convene its Annual General Meeting (AGM) on 7 November 2013. In view of the request to convene a general meeting, the timing of the AGM will be re-considered by directors following the general meeting on 8 October 2013 and confirmed to the market in due course.

Key Dates for the Payment of the Dividend and the Capital Return (if the Capital Return is approved by AIFL shareholders):

Dividend amount	0.30 cents per share
Capital Return amount	0.81 cents per share
Ex-dividend	10 October 2013
Ex-capital return	10 October 2013
Record date for entitlement	16 October 2013
Estimated payment date	22 October 2013

For further enquiries, please contact:

Paul Espie

Chairman

Australian Infrastructure Fund Limited

Tel: +61 3 8650 3600

Fax: +61 3 8650 3701

Email: investor_relations@hfm.com.au



Jane Frawley

Company Secretary

Australian Infrastructure Fund

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia

Enquiries

(within Australia) 1300 131 164
(outside Australia) 61 3 9415 4243
www.investorcentre.com/contact
www.hfm.com.au

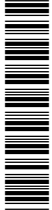
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Hastings Funds
Management
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AFSL No. 238309



000001 000 AIX
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Shareholder,

Australian Infrastructure Fund Limited General Meeting

On behalf of Australian Infrastructure Fund Limited (AIFL), I am pleased to invite you to the general meeting of AIFL to be held at the Park Hyatt Melbourne, 1 Parliament Square, off Parliament Place, Melbourne, Victoria at 11.00am (Melbourne time) on Tuesday 8 October 2013.

At the general meeting, AIFL Shareholders are being asked to:

1. consider a resolution to approve a capital return from AIFL of 0.81 cents per AIFL Share (the "Capital Return Resolution"). Approval of the Capital Return Resolution will allow AIFL Shareholders be paid the Capital Return on or around Tuesday 22 October 2013. The AIFL Directors unanimously recommend that AIFL Shareholders **vote in favour of the Capital Return Resolution**; and
2. consider a set of resolutions proposed by Wilson Asset Management to remove the three current directors of AIFL and replace them with three directors nominated by Wilson Asset Management (the "Change of Directors Resolutions"). The AIFL Directors unanimously recommend that AIFL Shareholders **vote against the Change of Directors Resolutions**.

You should read the enclosed Explanatory Booklet in full before deciding how to vote at the general meeting. If you are in any doubt as to what action you should take, you should seek financial, tax or other professional advice. If you have any questions, please call the AIFL Information Line on +61 3 8650 3648.

If you are attending the general meeting, please bring this letter with you to assist with registration. If you are unable to attend the meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided or faxed to our registry, Computershare Investor Services on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).



Alternatively, the proxy form can be completed electronically, by visiting www.investorvote.com.au and following the instructions provided. Note that a proxy cannot be appointed online if appointed under power of attorney or similar authority. The last time and date for receipt of the proxy form is 11.00am (Melbourne time) on Sunday 6 October 2013.

Yours sincerely,



Paul Espie
Chairman
Australian Infrastructure Fund Limited

Lodge your vote:

  **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia




Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
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1- 000001 000 AIX
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SAMPLE ESTATE
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Proxy Form

  Vote and view the Explanatory Booklet online Go to www.investorvote.com.au or scan the QR Code with your mobile device. Follow the instructions on the secure website to vote.	
Your access information that you will need to vote: Control Number: 999999 SRN/HIN: I9999999999 PIN: 99999 PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.	

 **For your vote to be effective it must be received by 11.00am (AEDT) Sunday 6 October 2013**

How to Vote on Items of Business

All your shares will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

A proxy need not be a shareholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the shareholder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Australian Infrastructure Fund Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Australian Infrastructure Fund Limited to be held at the Park Hyatt Melbourne, 1 Parliament Square, off Parliament Place, Melbourne Victoria on Tuesday, 8 October 2013 at 11.00am (AEDT) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS	For	Against	Abstain
Item 1 That AIFL be authorised to reduce its share capital by payment to each AIFL Shareholder of 0.81 cents per AIFL Share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 That Mr Paul Espie be removed from office with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 That Mr Mike Hutchinson be removed from office with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 That Mr John Harvey be removed from office with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 That Mr Gabriel Radzynski be appointed as a director of the Company, with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 That Mr Paul Jensen be appointed as a director of the Company, with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 That Mr Jonathan Trollip be appointed as a director of the Company, with effect from the close of the meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in FAVOUR of Item 1 and AGAINST Items 2-7.

SIGN Signature of Shareholder(s) This section must be completed.

Individual or Shareholder 1 <input style="width: 90%; height: 20px;" type="text"/>	Shareholder 2 <input style="width: 90%; height: 20px;" type="text"/>	Shareholder 3 <input style="width: 90%; height: 20px;" type="text"/>
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Sole Director and Sole Company Secretary	Director	Director/Company Secretary
Contact Name _____	Contact Daytime Telephone _____	Date / / _____

Australian Infrastructure Fund Limited (ABN 97 063 935 553)

Explanatory Booklet

for the Capital Return Resolution and the
Change of Directors Resolutions

Notice of general meeting to be held on 8 October 2013

The AIFL Directors unanimously recommend that you vote:

- **in favour of the Capital Return Resolution; and**
- **against the Change of Directors Resolutions**

to be considered at the Meeting

This is an important document and requires your immediate attention.
You should read this Explanatory Booklet in full before making any decision as to how to vote on the resolution to be considered at the Meeting.
If you are in any doubt as to what you should do, you should consult your broker or financial or other professional adviser.

Important Notices

General

This document is important. You should read it in full before making any decision as to how to vote on the Capital Return Resolution and the Change of Directors Resolutions. A Proxy Form for the Meeting is enclosed.

Purpose of this Explanatory Booklet

This Explanatory Booklet comprises a Notice of Meeting issued by AIFL and an explanatory memorandum issued by AIFL.

This Explanatory Booklet provides AIFL Shareholders with information which is material to your decision whether or not to vote in favour of the Capital Return Resolution and the Change of Directors Resolutions.

ASIC

In accordance with section 256C(5) of the Corporations Act, a copy of this Explanatory Booklet has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Booklet.

Preparation and responsibility

Other than as set out below, this Explanatory Booklet has been prepared by AIFL.

Wilson Asset Management has prepared the Member Statement contained in Section 2 of this Explanatory Booklet and is responsible for the Member Statement and any statements based on it. Wilson Asset Management is not responsible for any other information contained in this Explanatory Booklet. AIFL takes no responsibility for the content of the Member Statement.

Greenwoods & Freehills has prepared the letter contained in Section 3 of this Explanatory Booklet and is responsible for that letter and any statements based on it. Greenwoods & Freehills is not responsible for any other information contained in this Explanatory Booklet. AIFL Shareholders should read the letter contained in Section 3 of this Explanatory Booklet carefully.

Except to the extent responsible under law, AIFL does not assume responsibility for the accuracy or completeness of the letter contained in Section 2 and the letter contained in Section 3 of this Explanatory Booklet.

Investment decisions

This Explanatory Booklet does not take into account the investment objectives, financial situation, tax position or requirements of any particular person. The information contained in this Explanatory Booklet is not financial product advice. This Explanatory Booklet should not be relied on as the sole basis for any investment decision in relation to AIFL Shares. You should seek independent financial and taxation advice before making any decision in relation to AIFL Shares, the Capital Return Resolution or the Change of Directors Resolutions. It is important that you read this Explanatory Booklet in full before making any decision as to how to vote on the Capital Return Resolution and the Change of Directors Resolutions.

Forward looking statements

This Explanatory Booklet contains forward looking statements which are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of AIFL to vary materially from those expressed or implied in such forward looking statements.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of AIFL or any person named in this Explanatory Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Explanatory Booklet reflect views held only as at the date of this Explanatory Booklet.

Notice to foreign persons

This Explanatory Booklet has been prepared to comply with the requirements of the laws of Australia, which may differ from the requirements in jurisdictions outside of Australia.

Privacy and personal information

AIFL and the AIFL Registry may collect personal information in the process of implementing the payment of the Capital Return.

The personal information may include the names, addresses, other contact details, bank account details and details of the holdings of AIFL Shareholders, and the names of individuals appointed by AIFL Shareholders as proxies, corporate representatives or attorneys at the Meeting.

The collection of some of this information is required or authorised by the Corporations Act. AIFL Shareholders who are individuals and the other individuals in respect of whom personal information is collected have certain

rights to access the personal information collected in relation to them. Such individuals should contact the AIFL Company Secretary at companysecretary@hfm.com.au if they wish to exercise those rights.

If the information outlined above is not collected, AIFL may be hindered in, or prevented from, conducting the Meeting or implementing the payment of the Capital Return effectively or at all.

The information may be disclosed to related bodies corporate of AIFL, third party service providers, including print and mail service providers and parties otherwise involved in the conduct of the Meeting, professional advisers and to regulatory authorities, and also where disclosure is otherwise required or allowed by law.

AIFL Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform that individual of the matters outlined above.

Defined terms and financial information

Certain terms used in this Explanatory Booklet have been defined in the Glossary in Section 4 of this Explanatory Booklet.

All financial and operational information contained in this Explanatory Booklet is stated as at the date of this Explanatory Booklet, unless otherwise specified. Currency amounts are in Australian dollars, unless otherwise specified.

Date

This Explanatory Booklet is dated 23 August 2013.

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Letter from the Chairman of AIFL

Important: New issues for AIFL Shareholders to Consider

Dear AIFL Shareholder

The attached notice of meeting of Australian Infrastructure Fund Limited (AIFL) Shareholders relates to two matters, namely:

- a proposal to pay the “Capital Return” of 0.81 cents per AIFL Share to AIFL Shareholders as an equal reduction of share capital on or around Tuesday, 22 October 2013. The AIFL Directors unanimously recommend that AIFL Shareholders **vote in favour of the Capital Return Resolution**; and
- a proposal by Wilson Asset Management to implement the “Board Changes”, being that the current AIFL Directors are removed and replaced with three nominees of Wilson Asset Management. The AIFL Directors unanimously recommend that AIFL Shareholders **vote against the Change of Directors Resolutions**.

In making these recommendations, the AIFL Directors have had regard to their previously announced strategy of seeking to return all available cash reserves to AIFL Shareholders as soon as practicable, delisting AIFL and proposing a shareholder vote to wind up AIFL. Having considered the Member Statement which Wilson Asset Management has provided in connection with its proposal, and which is included as section 2 of this Explanatory Booklet, the AIFL Directors consider that their previously announced strategy will deliver an outcome which is in the best interests of AIFL Shareholders.

Recommendation to vote in favour of the Capital Return

On behalf of AIFL, I am pleased to advise that AIFL is now in a position to return additional funds, being part of AIFL’s cash reserves, to AIFL Shareholders. This Capital Return amount is in addition to the dividend of 0.30 cents per AIFL Share, announced on 27 August 2013 and scheduled to be paid at the same time as the Capital Return, if approved, on or about 22 October 2013. After payment of the Capital Return, the dividend and allowing for forecast operating costs, it is expected that AIFL and its wholly-owned entities, including AIFT, will hold a remaining cash balance of approximately \$7 million. As described in the Explanatory Booklet, the AIFL Directors would seek to distribute as much of this remaining amount as possible and as soon as practicable.

The Capital Return, being an equal capital return of 0.81 cents per AIFL Share, requires your approval at the Meeting to be held on 8 October 2013. If the Capital Return Resolution is not approved, AIFL will not be able to pay you the Capital Return of 0.81 cents per AIFL Share.

The Capital Return Resolution is not conditional on any particular outcome of the Change of Directors Resolutions. **It is possible that if the Change of Directors Resolutions are approved by AIFL Shareholders, the new directors of AIFL may either delay the payment of the Capital Return or elect not to proceed with the payment of the Capital Return**, even if it has been approved by AIFL Shareholders at the Meeting on 8 October 2013.

The AIFL Directors unanimously recommend that AIFL Shareholders **vote in favour of the Capital Return Resolution**. All of the AIFL Directors intend to vote all AIFL Shares held or controlled by them in favour of the Capital Return Resolution.

Recommendation to vote against the Board Changes

As announced to the ASX on 8 August 2013, AIFL received a request from an AIFL Shareholder, Wilson Asset Management, to convene a general meeting of AIFL Shareholders in order to put resolutions to implement the Board Changes. These

resolutions, referred to as the “Change of Directors Resolutions”, will be put to AIFL Shareholders at the Meeting on 8 October 2013. Wilson Asset Management currently holds approximately 18.66% of AIFL Shares and will be able to vote that percentage of AIFL Shares at the Meeting on 8 October 2013.

The Member Statement contained in Section 2 of this Explanatory Booklet sets out Wilson Asset Management’s reasoning for proposing the Board Changes. In summary, Wilson Asset Management has stated that:

- it does not support the proposed delisting and winding-up of AIFL; and
- should its nominee directors be appointed to the AIFL board, they would undertake a review of AIFL, including the level of provisions being set aside for contingencies and liquidation, and identify alternative capital management options, including (but not limited to) an equal access share buy-back and recapitalisation options for AIFL.

The AIFL Directors unanimously recommend that AIFL Shareholders **vote against the Change of Directors Resolutions** for the following reasons:

- the Member Statement provided by Wilson Asset Management contains insufficient detail regarding Wilson Asset Management’s plan to allow them to form a view as to whether it would be in the best interests of AIFL Shareholders;
- even if the Capital Return Resolution is approved at the Meeting, it is possible that the new directors may either delay the payment of the Capital Return or elect not to proceed with the Capital Return;
- Hastings will not continue to act as AIFL’s **manager** if AIFL does not proceed with its previously announced strategy of moving towards delisting and winding up. In the absence of Hastings’ management services, arrangements for AIFL’s ongoing management would need to be quickly determined and implemented by the new AIFL board, which could incur further costs on AIFL;
- Hastings does not wish to continue to act as the **responsible entity** of AIFT and would seek to find an appropriate way to retire as responsible entity of AIFT as soon as practicable in the event new directors were appointed to AIFL. In the absence of Hastings, arrangements for a new responsible entity of AIFT would need to be quickly determined and implemented by the new AIFL board; and
- AIFL may not be delisted, meaning AIFL Shares would continue to be traded on the ASX. However, the ASX has previously indicated that it would only permit AIFL to remain listed until 28 November 2013 given AIFL’s proportion of assets in cash, and it is possible that Wilson Asset Management and its nominated directors may not be able to retain AIFL’s listing. No information has been provided by them in respect of their strategy in this regard. Following discussions with Wilson Asset Management, it is not clear to the AIFL Directors how retaining AIFL as a listed entity would be in the interests of AIFL Shareholders.

The AIFL Directors consider that the previously announced strategy of seeking to return all available cash reserves to AIFL Shareholders as soon as practicable will deliver an outcome which is in the best interests of all AIFL Shareholders.

All of the AIFL Directors intend to vote all AIFL Shares held or controlled by them against the Change of Directors Resolutions.

Explanatory Booklet

To assist with your consideration of the Capital Return Resolution and the Change of Directors Resolutions, I urge you to read this Explanatory Booklet in full having regard to your own personal circumstances. The tax implications of the Capital Return are set out in the letter contained in Section 3 of this Explanatory Booklet.

I encourage you to attend the Meeting on Tuesday, 8 October 2013 or appoint a proxy, attorney or corporate representative (in the case of corporate shareholders) to vote on

your behalf. If you do not vote, you will not participate in deciding the outcome of the Capital Return and Board Changes.

If you have any queries, please contact the AIFL Information Line on +61 3 8650 3648.

A handwritten signature in black ink, appearing to read 'Paul Espie'.

Paul Espie
Chairman
Australian Infrastructure Fund Limited

Key Dates for the Meeting and Capital Return

Last time and date for receipt of Proxy Form for the Meeting	11.00am on Sunday 6 October 2013
Time and date to determine your eligibility to vote at the Meeting	7.00pm on Sunday 6 October 2013
The Meeting	11.00am on Tuesday 8 October 2013
Last date to trade AIFL Shares on a “pre-Capital Return” basis	Wednesday 9 October 2013
First date to trade AIFL Shares on an “ex Capital Return” basis	Thursday 10 October 2013
Record Date – time and date to determine your eligibility to receive the Capital Return	Wednesday 16 October 2013
Payment of the Capital Return	Tuesday 22 October 2013

This timetable is indicative only and AIFL has the right to vary these times and dates and will announce any variations to ASX. Any change to these timetables will be notified to ASX and posted on AIFL's website at <https://www.hastingsinfra.com/listed/aix/>.

The dividend announced on 27 August 2013 is intended to be paid at the same time as the Capital Return, and the relevant components of the timetable above are intended to apply equally to the dividend.

What actions are required?

Step 1	Read this Explanatory Booklet and seek advice as appropriate
<p>This is an important document. You should read this Explanatory Booklet and the accompanying Notice of Meeting in full before deciding how to vote at the Meeting.</p> <p>If you are in any doubt as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your AIFL Shares and how to vote at the Meeting.</p>	
Step 2	Vote on the Capital Return Resolution and the Change of Directors Resolutions
<p>You may vote on the Capital Return Resolution and the Change of Directors Resolutions to be considered at the Meeting if you are registered on the AIFL Share Register at 7.00pm (Melbourne time) on Sunday 6 October 2013.</p> <p>You may vote in person or by proxy.</p> <p>If you wish to vote in person at the Meeting, you should attend the Meeting at the Park Hyatt Melbourne, 1 Parliament Square, off Parliament Place, Melbourne, Victoria 3002, on Tuesday 8 October 2013.</p> <p>The Meeting will be held at 11.00am (Melbourne time).</p> <p>If you wish to appoint a proxy for the Meeting, you must complete and lodge the enclosed Proxy Form so that it is received no later than 11.00am (Melbourne time) on Sunday 6 October 2013.</p> <p>Completed Proxy Forms may be lodged by:</p> <ul style="list-style-type: none">• mailing it to the AIFL Registry, Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, VIC 3001;• hand delivering it to the AIFL Registry at Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067;• faxing it to the AIFL Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);• lodging it online on the AIFL Registry's website at www.investorvote.com.au using the Control Number located on the front of your Proxy Form; or• for custodians, lodging it online at www.intermediaryonline.com. <p>Refer to the enclosed Proxy Form and the Notice of Meeting contained in Annexure 1 of this Explanatory Booklet for more information on how to complete and lodge the Proxy Form.</p>	

Enquiries

If you have any questions about the Capital Return Resolution, the Change of Directors Resolutions or the content of this Explanatory Booklet, please call the AIFL Information Line on +61 3 8650 3648 between 9.00am and 5.00pm (Melbourne time), Monday to Friday.

1 Key information

1.1 The Capital Return

(a) Overview

AIFL Shareholders are being asked to consider a resolution to approve the Capital Return, being a capital return from AIFL of 0.81 cents per AIFL Share (the **Capital Return Resolution**). This Capital Return amount is in addition to the dividend of 0.30 cents per AIFL Share, announced on 27 August 2013 and scheduled to be paid at the same time as the Capital Return, if approved, on or about 22 October 2013.

Approval of the Capital Return Resolution will allow AIFL Shareholders to receive the maximum amount of cash from AIFL as early as possible. If the Capital Return Resolution is approved, AIFL Shareholders are expected to receive payment of the Capital Return on or around 22 October 2013. If the Capital Return Resolution is not approved, AIFL will not be able to pay the Capital Return at this time.

Even if the Capital Return Resolution is approved at the Meeting, it is possible that, if the Board Changes are approved, the new directors may either delay the Capital Return or elect not to proceed with the Capital Return.

If the Capital Return Resolution is approved and paid, the total payments to be received by AIFL Shareholders (including in their previous capacity as AIX Securityholders) in the form of the Main Return, the Residual Return, the dividend announced on 27 August 2013 and the Capital Return, will equal approximately 1.11 cents per AIX Security. After payment of the Capital Return, the dividend and allowing for forecast operating costs, it is expected that AIFL and its wholly-owned entities, including AIFT, will hold a remaining cash balance of approximately \$7 million.

Please refer to the letter from Greenwoods & Freehills at Section 3 of this Explanatory Booklet, which summarises the tax implications arising for AIFL and AIFL Shareholders in connection with the Capital Return.

(b) The Capital Return Resolution

Under the Capital Return Resolution, AIFL Shareholders are being asked to consider the payment by AIFL of the Capital Return, by way of an equal capital return of 0.81 cents per AIFL Share.

The Capital Return is an equal capital return and applies to each AIFL Shareholder in proportion to the number of AIFL Shares that the AIFL Shareholder holds, and the terms of the Capital Return are the same for each AIFL Shareholder.

The Capital Return Resolution is required under section 256C(1) of the Corporations Act. It is an ordinary resolution, requiring approval of more than 50% of the votes cast at the Meeting by AIFL Shareholders who are entitled to vote.

In addition to requiring shareholder approval, AIFL may only reduce its capital if, at the time of the reduction, it:

- is fair and reasonable to AIFL Shareholders as a whole; and
- does not materially prejudice AIFL's ability to pay its creditors.

As at the date of this Explanatory Booklet, the AIFL Directors:

- consider that the Capital Return is fair and reasonable to AIFL Shareholders as a whole; and
- believe that the Capital Return will not materially prejudice AIFL's ability to pay its creditors, after having undertaken a review of AIFL's assets and liabilities.

The AIFL Directors have also satisfied themselves as to the solvency of AIFL following payment of the Capital Return.

If the Capital Return Resolution is not approved by AIFL Shareholders:

- AIFL will not be permitted to pay the Capital Return;
- AIFL Shareholders would not receive the Capital Return, though they would remain eligible to receive future distributions or payments (if any) that are made in respect of AIFL Shares, including upon a winding up; and
- AIFL Shareholders would still receive the dividend of 0.30 cents per AIFL Share.

(c) Key consequences of payment of the Capital Return

Subject to the approval of AIFL Shareholders, the Capital Return is expected to be paid on or around 22 October 2013.

To be eligible to receive the Capital Return you need to be a registered AIFL Shareholder on the Record Date, being 7.00pm on Wednesday 16 October 2013. The last day to purchase AIFL Shares which are eligible to receive the Capital Return is Wednesday 9 October 2013.

Any AIFL Shares traded on or after Thursday 10 October 2013 will only entitle the holder to the benefit of any remaining cash in AIFL following payment of the Capital Return.

(d) Effects on AIFL of the payment of the Capital Return

Effect on the AIFL capital structure

Payment of the Capital Return will not affect the number of AIFL Shares held by any AIFL Shareholder. AIFL does not have any partly paid shares or convertible securities on issue, so all AIFL Shareholders will receive the same capital return per share on their AIFL Shares.

Effect on AIFL's financial position

The Capital Return will be funded from AIFL's cash balance.

After:

1. payment of the dividend of 0.30 cents per AIFL Share (comprising approximately \$1,868,545 in total) announced on 27 August 2013; and
2. payment of the Capital Return of 0.81 cents per AIFL Share (comprising approximately \$5,021,602 in total),

it is expected that AIFL and its wholly-owned entities, including AIFT, will hold a remaining cash balance of approximately \$7 million.

This remaining cash balance of approximately \$7 million will be used to cover known and potential liabilities, which include expected forecast expenses such as insurance retention amounts and liquidation costs and contingencies for the winding-up of AIFL (if approved by AIFL Shareholders). Following this, the balance remaining at that time will be distributed to AIFL Shareholders. The AIFL Directors currently expect this distribution to occur by the end of this financial year.

Approximately \$5 million of the \$7 million remaining cash balance will continue to be held in AIFT to allow for certain known and potential liabilities. The amount held in AIFT includes funds that have been set aside as insurance retention amounts and for legal costs, for a change of responsible entity or other unwinding of the AIFT structure, and in the event legal proceedings are initiated. The directors of AIFT believe it is prudent to retain this contingency for legal costs, until such time it considers it is able to distribute it to AIFL. However, as discussed above, the AIFL Directors currently expect the remaining part of this contingency to be available for distribution by the end of this financial year.

1.2 The Board Changes

(a) Overview

As announced to ASX on 8 August 2013, AIFL received a request from an AIFL Shareholder, Wilson Asset Management, pursuant to section 249D of the Corporations Act, to convene a general meeting of AIFL Shareholders in order to put resolutions to implement the Board Changes, being:

- the removal of the three current directors of AIFL (Paul Espie, Mike Hutchinson and John Harvey); and
- the appointment of the three directors nominated by Wilson Asset Management (Gabriel Radzynski, Paul Jensen and Jonathan Trollip),

(the **Change of Directors Resolutions**).

AIFL Shareholders are required to authorise the Board Changes by ordinary resolution at a general meeting of AIFL.

Wilson Asset Management has prepared the Member Statement contained in Section 2 of this Explanatory Booklet which sets out its reasoning for proposing the Board Changes and the biographies of its nominee directors.

(b) Key implications of the Board Changes

Member Statement

In the Member Statement, Wilson Asset Management states that:

- it does not support the proposed delisting and winding-up of AIFL; and
- if the Change of Directors Resolutions are passed, and the nominee directors of Wilson Asset Management replace the current AIFL Directors, then those nominee directors would undertake a review of AIFL, including the level of provisions being set aside for contingencies and liquidation, and identify alternative capital management options, including (but not limited to) an equal access share buy-back and recapitalisation options for AIFL.

The Member Statement contains insufficient detail regarding Wilson Asset Management's plan to allow the AIFL Directors to form a view as to whether it would be in the best interests of AIFL Shareholders. In particular, no further detail concerning the review of the capital management strategy for AIFL, including the timing and scope of the review and the possible outcomes for AIFL Shareholders, has been provided by Wilson Asset Management.

If the Board Changes are approved

If the Board Changes are approved and the AIFL board is reconstituted, the AIFL Directors consider that, in light of the Member Statement, this may result in the following (in addition to the matters in the Member Statement as described above):

- even if the Capital Return Resolution is approved at the Meeting, it is possible that the new directors may either delay the Capital Return or elect not to proceed with the Capital Return;
- Hastings has informed AIFL that it would not continue to act as AIFL's **manager** if AIFL does not proceed with its previously announced strategy of moving towards delisting and winding up. In the absence of Hastings' management services, arrangements for AIFL's ongoing management would need to be quickly determined and implemented by the new AIFL board. This could incur further costs for AIFL;
- Hastings has confirmed that it does not wish to continue to act as the **responsible entity** of AIFL and that it will seek to find an appropriate way to retire as responsible entity of AIFL as soon as practicable in the event new directors are appointed to AIFL. In the absence of Hastings, arrangements for a

new responsible entity of AIFT would need to be quickly determined and implemented by the new AIFL board;

- AIFL may not be delisted, meaning AIFL Shares would continue to be traded on the ASX. However, the ASX has previously indicated that it would only permit AIFL to remain listed until 28 November 2013 given AIFL's proportion of assets in cash, and it is possible that Wilson Asset Management and its nominated directors may not be able to retain AIFL's listing. No information has been provided by them in respect of their strategy in this regard, and following discussions with Wilson Asset Management, it is not clear to the AIFL Directors how retaining AIFL as a listed entity would be in the interests of AIFL Shareholders;
- the proposal for AIFL to commence a members' voluntary winding up may not be put to AIFL Shareholders, and the distribution of the remaining funds in AIFL at that time may not be distributed to AIFL Shareholders;
- the quantum, timing, structure and pricing of any future payment to AIFL Shareholders of AIFL's remaining cash reserves could be uncertain. Any future payments to AIFL Shareholders would be at the discretion of the new directors of the AIFL board and could be subject to the approval of AIFL Shareholders, for example, in the case of an equal access share buy-back as referred to in the Member Statement; and
- further costs may be incurred by AIFL, including in relation to the proposed review of AIFL (which may replicate work previously undertaken) and ongoing costs such as directors and other fees.

If the Board Changes are not approved

If the Board Changes are not approved, the AIFL Directors will continue with their previously announced strategy of delisting AIFL and moving towards commencing a voluntary winding-up process, following the settlement of any identified residual liabilities.

After the delisting of AIFL, AIFL would be an unlisted vehicle and AIFL Shareholders may not be able to easily sell their AIFL Shares, as the market for AIFL Shares may be small and it may be difficult to identify willing buyers. However, subject to finding a willing buyer, AIFL Shareholders could transfer their AIFL Shares until AIFL commenced its winding-up. AIFL Shares could be transferred by sending a properly executed share transfer form (stamped if required by law), with any relevant documents of authority, to the AIFL Registry.

Also, if the Board Changes are not approved, the proposals set out in the Member Statement, such as the new directors undertaking a review of AIFL, will not occur.

The AIFL Directors will also maintain the reduced Board fees announced to ASX on 4 July 2013 and, as soon as practicable after the commencement of the voluntary winding-up process, intend to resign as AIFL Directors. They do not anticipate any further board fees being payable after commencement of the voluntary winding-up process.

AIFL Shareholders should read the EGM Explanatory Booklet and the Residual Return Explanatory Booklet (subject to the content of this Explanatory Booklet) for further information.

1.3 Directors' interests

The directors of AIFL are:

- Paul Espie;
- John Harvey; and
- Mike Hutchinson.

The following table lists the AIFL Shares held by the Directors and their related entities as at the date of this Explanatory Booklet:

Director	Number beneficially held in own name	Number beneficially held in the name of another	Total holdings
Paul Espie	Nil	906,668	909,668
John Harvey	9,487	75,000	84,487
Mike Hutchinson	Nil	122,024	122,024

The Directors, whether as directors, securityholders, creditors or otherwise, have no material interest in the Capital Return, the Capital Return Resolution or any other arrangements or matters described in this Explanatory Booklet, except in relation to the holdings of AIFL Shares as set out above. The effect of the Capital Return on those interests is the same as its effect on the interests of all other AIFL Shareholders.

1.4 AIFL Directors' recommendations

Capital Return Resolution

The AIFL Directors unanimously recommend that AIFL Shareholders **vote in favour of the Capital Return Resolution**.

All of the AIFL Directors intend to vote all AIFL Shares held or controlled by them in favour of the Capital Return Resolution and the Chairman of the Meeting intends to vote all available proxies in favour of the Capital Return Resolution.

Change of Directors Resolutions

The AIFL Directors unanimously recommend that AIFL Shareholders **vote against the Change of Directors Resolutions**.

All of the AIFL Directors intend to vote all AIFL Shares held or controlled by them against the Change of Directors Resolutions and the Chairman of the Meeting intends to vote all available proxies against the Change of Directors Resolutions.

1.5 Consent and disclaimer

Each of the parties named below as consenting parties:

- has given and has not, before lodgement of this Explanatory Booklet with ASIC, withdrawn its written consent to be named in this Explanatory Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Explanatory Booklet with ASIC, withdrawn its consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in the Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet other than those statements referred to below in respect of that party's name (and as consented to by that party); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Explanatory Booklet.

Consenting Party	Role
Computershare Investor Services Pty Limited	AIFL Registry
Greenwoods & Freehills	Tax advisor to AIFL, in relation to the letter contained in Section 3 of this Explanatory Booklet and any statements based on that letter
Hastings	Manager of AIFL and Responsible Entity of AIFT
Herbert Smith Freehills	Legal advisor to AIFL

Additionally, Wilson Asset Management, as the AIFL Shareholder requesting the Change of Directors Resolutions, has provided the Member Statement for inclusion in this Explanatory Booklet. None of AIFL, the persons listed in the table above, nor their respective officers, partners and employees, takes any responsibility for the content of the Member Statement or any statements based on it.

1.6 Other information

There is no further information known to AIFL that is material to the decision of AIFL Shareholders on how to vote on the Capital Return Resolution and the Change of Directors Resolutions.

If you are in any doubt as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your AIFL Shares and how to vote at the Meeting.

2 Member Statement



WILSON
ASSET MANAGEMENT

7 August 2013

Dear fellow AIX shareholder,

Support the appointment of new Directors to prevent liquidation of AIX

Entities managed by Wilson Asset Management (International) Pty Limited and its related entities (**'Wilson Asset Management Group'**) have requisitioned a shareholder meeting to appoint three new directors to the Board of Australian Infrastructure Fund Limited ('AIX' or the 'Company') and remove the current Directors to prevent the Board implementing its stated strategy to liquidate the Company. This is not a decision we have taken lightly.

The current Board has done an exemplary job in delivering returns to shareholders since announcing the sale of AIX's assets to the Future Fund. However, we do not support the current Board's stated plans to liquidate the Company.

We do not believe liquidation will yield the optimal outcome for shareholders. We have made our views clear to the current Board as we believe all shareholders will be better served by the Company pursuing a different strategy. Unfortunately however, the current Board remains committed to its liquidation strategy.

Following discussions with a number of shareholders, we believe shareholders fall into one of two categories each with two broad objectives:

- 1) those who would like to exit their investment in AIX at a price that fully reflects the value of the Company's assets; and
- 2) those who would like to remain as shareholders and consider other investment opportunities that might present themselves.

We do not believe these two objectives to be mutually exclusive. We believe shareholders should be offered the choice of both, whereas liquidation yields only a single outcome for all shareholders.

If elected, the new Directors will immediately undertake a review of AIX, including the level of provisions being set aside for contingencies and liquidation, and identify alternative capital management options which will satisfy both broad shareholder objectives. The new Directors intend to maintain and continue the close relationship between AIX and Hastings Funds Management Ltd, the responsible entity of Australian Infrastructure Trust (AIFT).

If appointed, the new Directors intend to consider a number of options including, but not limited to, an equal access share buy-back and recapitalisation options for AIX. We have expressed our view that the Company should not proceed with its proposed delisting until shareholders have had the opportunity to vote on the requisitioned resolutions.

We strongly encourage you to vote FOR the appointment of three new Directors to the Board of AIX (two of whom will be Independent Directors), and remove the current Directors of AIX, to prevent the proposed liquidation of the Company.

The biographies of the proposed Directors are provided on the next page.

If you would like to discuss our proposal, please contact Geoff Wilson (Chairman of the Wilson Asset Management Group) on (02) 9247 6755 or 0412 242 712.

Biographies of the proposed Directors:

- **Paul Jensen** has over 25 years of international experience in banking and investment management, working in New Zealand, the United Kingdom and Australia. He was Treasurer of Lloyds Bank Australia before joining the Lend Lease's financial services business in 1998. More recently he has held the position of Managing Director of listed companies HFA Holdings Limited and Clime Investment Management Limited. Paul holds a Bachelor of Commerce and Administration in accountancy and commercial law from Victoria University, Wellington New Zealand and is a Fellow of the Australian Institute of Company Directors.

Paul is an independent non-executive Director of WAM Capital Limited, Murchison Metals Limited and RHG Limited.

Paul will be an Independent Non-Executive Director.

- **Gabriel Radzyminski** is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is also portfolio manager of the Sandon Capital Activist Fund. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies.

Gabriel is an Executive Director of Mercantile Investment Company Limited, is Chairman of Armidale Investment Corporation Limited and a Non-Executive Director of RHG Limited, and Murchison Metals Limited.

- **Jonathan Trollip** has 30 years legal and commercial experience in the international financial sector. He is currently a Principal and Director of Sydney-based structured finance group Meridian International Capital Limited with whom he has been for the past 19 years. Prior to that, he was a Partner with Herbert Smith Freehills (previously Freehills) whom he joined after qualifying and working as a lawyer in London. Jonathan has post graduate degrees in economics and law, is a graduate of the Australian Institute of Company Directors, has been admitted to practice as a solicitor in England and Australia and holds a current solicitor's practising certificate. Jonathan holds a number of private company directorships in the commercial and not-for-profit sectors.

Jonathan will be an Independent Non-Executive Director.

3 Tax implications

The Directors
Australian Infrastructure Fund Limited
Level 27
35 Collins Street
Melbourne VIC 3000

23 August 2013

Dear Directors

Summary of tax implications for AIF Securityholders

We have been instructed by AIFL to prepare a summary of the expected Australian income tax (including capital gains tax (**CGT**)), GST and stamp duty implications arising for AIFL and AIFL Shareholders in connection with the Capital Return for inclusion in the Explanatory Booklet in relation to the Capital Return Resolution.

Greenwoods & Freehills Pty Limited has provided the income tax and GST advice and has given its consent to the inclusion of this letter in the Explanatory Booklet. Herbert Smith Freehills has provided the stamp duty advice and has given its consent to being named in this letter.

Unless defined in this summary or the context indicates otherwise, all capitalised terms in this summary have the same meaning as those contained in the Explanatory Booklet.

1 Scope

This summary is a general statement of the expected Australian income tax, CGT, GST and stamp duty implications arising for AIFL Shareholders who receive the Capital Return.

The summary is based on the Australian taxation law and administrative practice as at the date of this letter. The application of tax laws to AIFL Shareholders will depend on their individual facts and circumstances and accordingly it is strongly encouraged that AIFL Shareholders obtain their own independent taxation advice.

The representatives of Greenwoods & Freehills Pty Limited involved in preparing this summary are not licensed to provide financial product advice in relation to dealing in securities. AIFL Shareholders should consider seeking advice from a suitably qualified AFSL holder before making any decision in relation to the Capital Return Resolution. AIFL Shareholders should also note that taxation is only one of the matters that may need to be considered when making a decision in respect of their AIFL Shares.

We have not addressed the tax treatment for:

- AIFL Shareholders who hold their AIFL Shares on revenue account, such as banks and other trading entities;
- non-resident AIFL Shareholders who hold their AIFL Shares in carrying on a business through a permanent establishment in Australia (other than some express comments on CGT); or

- AIFL Shareholders who have made any of the tax timing method elections pursuant to the taxation of financial arrangements rules in Division 230 of *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their AIFL Shares.

2 AIFL

The Capital Return is in addition to the dividend of 0.30 cents per share, announced on 27 August 2013.

Set out below is a description of the Australian income tax consequences of the Capital Return if AIFL Shareholders vote in favour of the Capital Return Resolution. If AIFL Shareholders do not vote in favour of the Capital Return Resolution, the Capital Return cannot be paid by AIFL at this time. AIFL Shareholders who have acquired AIFL Shares on different dates or at different acquisition prices will need to undertake separate calculations for each tranche of AIFL Shares to calculate their overall tax liability.

3 Australian resident AIX Securityholders

3.1 Tax implications of the Capital Return

AIFL Shareholders are expected to receive a share capital distribution of up to 0.81 cents per share, in respect of their AIFL Shares.

The tax implications of the payments under the Capital Return are expected to be as set out below.

The amount of the share capital distribution of up to 0.81 cents per share will be applied to reduce the cost base of the AIFL Shares held by AIFL Shareholders.

Once the cost base of the AIFL Shares is reduced to nil, no further adjustments are made. However, an AIFL Shareholder will then make a capital gain to the extent that there is any excess amount of the share capital distribution which remains after reducing the cost base of the AIFL Shares.

In calculating the cost base and reduced cost base of their AIFL Shares, AIFL Shareholders who previously held AIX Securities will be required to apportion the acquisition cost of their AIX Securities between their AIFL Units and AIFL Shares. The Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis. However, AIFL Shareholders will need to make their own decision regarding the reasonable basis they will apply in their own circumstances. Further information that may be helpful to AIFL Shareholders in making their apportionment calculations can be found on the AIX website <http://www.hfm.com.au/asxlisted/funds/aif/distributions/>.

In broad terms, the cost base and reduced cost base of AIFL Shares will equal:

- the amount that the AIFL Shareholder paid (or gave as consideration) to acquire the AIFL Shares (including certain incidental costs of acquisition, holding and disposal); less
- share capital distributions received whilst the AIFL Shareholder held the AIFL Shares.

If applicable an AIFL Shareholder may increase the cost base of their AIFL Share by indexation if they would otherwise make a capital gain as a result of the distribution of share capital. Alternatively, the taxable amount of the net capital gain may be reduced if the AIFL Shareholder elects to apply the CGT discount.

- Indexation

If an AIFL Shareholder acquired their AIX Securities on or before 11.45am (Melbourne time), 21 September 1999, the AIFL Shareholder may choose to reduce the amount of their capital gain by indexing the cost base of their AIFL Shares up to 30 September 1999. If the AIX Securities were acquired after 11.45am (Melbourne time), 21 September

1999, indexation is not available. Choosing indexation precludes applying the CGT discount to the net capital gain.

- CGT discount

An individual, trustee or complying superannuation entity who acquired their AIFL Shares at least 12 months before the date of payment of the share capital distribution may alternatively be entitled to choose to reduce the capital gain by the applicable CGT discount.

The CGT discount is applied to the capital gain after eligible capital losses have been deducted.

If the AIFL Shareholder is an individual or trustee and chooses the CGT discount method, any resulting net capital gain will be reduced by 50%. If the AIFL Securityholder is the trustee of a complying superannuation entity, any resulting net capital gain will be reduced by one-third. The ultimate effect of the discount for other trustees depends on the identity and entitlement of beneficiaries.

The CGT discount is not available to companies.

3.2 Section 45B of the ITAA 1936

The Commissioner of Taxation has a discretion under section 45B of the *Income Tax Assessment Act 1936* (Cth) to deem all or part of a capital distribution to be an unfranked dividend where a capital distribution has been paid out in substitution for a dividend.

AIFL has calculated the dividend of approximately 0.30 cents per share and the Capital Return of up to 0.81 cents per share by apportioning the total payment based on the profits available for distribution by AIFL and AIFL's total share capital (the 'slice' approach). In paragraph 73 of ATO Practice Statement PS LA 2008/10 the Commissioner states that the slice approach may be an appropriate means of determining the split between a dividend and a capital distribution where share capital cannot be traced directly to the capital invested in the assets used to fund the distribution. On this basis, it is our view that the Commissioner should not be able to treat any amount of the Capital Return as an unfranked dividend.

4 AIFL Shareholders who are not Australian residents

Under the Capital Return AIFL Shareholders are expected to receive a share capital distribution of up to 0.81 cents per share, in respect of their AIFL Shares.

The tax implications of the payments under the Capital Return are expected to be as set out below.

An AIFL Shareholder who is not an Australian resident for Australian tax purposes will generally not be subject to Australian tax on the return of share capital, unless:

- (a) both:
 - (1) the AIFL Shareholder (and their associates) hold, either at the date of the return of share capital or throughout a 12 month period within 2 years prior to that date held, 10% or more of the AIFL Shares on issue; and
 - (2) more than half of the value of AIFL's assets, measured by market value, comprise real property situated in Australia and indirect interests in real property situated in Australia; or
- (b) the AIFL Shares are held in carrying on a business through a permanent establishment in Australia.

Condition (a)(2) above will not be satisfied for AIFL in relation to the Capital Return as AIFL no longer holds any direct or indirect interests in Australian real property.

Greenwoods & Freehills

However, as stated in section 1 above, this letter does not address Australian taxation implications of the Capital Return for any AIFL Shareholders who satisfies the condition in (b) above.

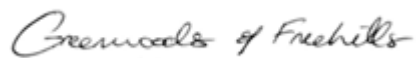
5 GST

The implementation of the steps to pay the Capital Return should not cause GST to be payable in respect of the AIFL Shares held by AIFL Shareholders.

6 Stamp duty

We have been advised by Herbert Smith Freehills that the implementation of the steps to pay the Capital Return should not cause stamp duty to be payable by AIFL Shareholders.

Yours faithfully,



GREENWOODS & FREEHILLS PTY LIMITED

4 Glossary

Term	Meaning
AIFL	Australian Infrastructure Fund Limited (ACN 063 935 553)
AIFL Directors	the directors of AIFL
AIFL Registry	Computershare Investor Services Pty Limited (ACN 078 279 277)
AIFL Share	a fully paid ordinary share in AIFL
AIFL Share Register	the register of AIFL Shareholders maintained under section 168 of the Corporations Act
AIFL Shareholder	the registered holder of an AIFL Share
AIFT	Australian Infrastructure Fund (ARSN 089 889 761)
AIFT Unit	a fully paid ordinary unit in AIFT
AIX Security	a stapled security, comprising one AIFT Unit and one AIFL Share or, following implementation of the steps to pay the Main Return, one AIFL Share, as the context requires
AIX Securityholder	the registered holder of an AIX Security or, following implementation of the steps to pay the Main Return, the registered holder of an AIFL Share, as the context requires
ASIC	Australian Securities & Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the equity market conducted by it as the context requires
ASX Listing Rules	the listing rules of the ASX as amended from time to time
Board Changes	the proposed changes in AIFL Directors as set out in the Change of Directors Resolutions
Business Day	any day on which the banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday in Melbourne
Capital Return	the equal capital return of 0.81 cents per AIFL Share

Term	Meaning
Capital Return Resolution	the resolution set out in Part 1 of the Notice of Meeting contained in Annexure 1 of this Explanatory Booklet
Change of Directors Resolutions	the resolutions set out in Part 2 of the Notice of Meeting contained in Annexure 1 of this Explanatory Booklet
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Director	a director of AIFL
Distributable Income	has the meaning given in the AIFT Constitution
EGM Explanatory Booklet	the explanatory booklet dated 7 December 2012 issued by AIFL and Hastings as responsible entity of AIFT for the general meetings held on 15 January 2013
Hastings	Hastings Funds Management Limited (ACN 058 693 388)
Main Return	the total of the: <ul style="list-style-type: none"> • distributions of Distributable Income and trust capital of \$2.348172 per AIFT Unit • consideration of \$0.526970 per AIFT Unit for the cancellation of the AIFT Units; and • fully-franked dividend of \$0.073434 per AIFL Share and equal capital return \$0.070000 per AIFL Share
Meeting	the general meetings of AIFL Shareholders convened to consider the resolution of AIFL set out in the Notice of Meeting contained in Annexure 1 of this Explanatory Booklet
Member Statement	the letter to AIFL Shareholders from Wilson Asset Management dated 7 August 2013 pursuant to section 249P of the Corporations Act, as contained in Section 2 of this Explanatory Booklet
Notice of Meeting	the notice of general meeting contained in Annexure 1 of this Explanatory Booklet
Proxy Form	the form accompanying this Explanatory Booklet for the Meeting
Record Date	Wednesday 16 October 2013, being the date and time which determines the entitlements of AIFL Shareholders to receive the Capital Return
Residual Return	the equal capital return of \$0.173924 per AIFL Share

Term	Meaning
Residual Return Explanatory Booklet	the explanatory booklet dated 22 May 2013 issued by AIFL and Hastings as responsible entity of AIFT for the general meeting held on 21 June 2013
Wilson Asset Management	Entities managed by Wilson Asset Management (International) Pty Ltd (ACN 081 047 118) and its related entities, together with their custodian RBC Investor Services Australia Nominees Pty Limited (ACN 097 125 123) being a member of AIFL

Notice of Meeting

Notice of general meeting

Australian Infrastructure Fund Limited ABN 97 063 935 553

Notice is given that a general meeting of AIFL Shareholders will be held at the Park Hyatt Melbourne, 1 Parliament Square, off Parliament Place, Melbourne, Victoria 3002, on Tuesday, 8 October 2013 at 11.00am (Melbourne time) to transact the following business:

Part 1 – Capital Return Resolution

Equal capital return by AIFL

To consider, and if thought fit, approve the following resolution as an ordinary resolution of AIFL, in accordance with section 256C(1) of the Corporations Act:

- 1 “THAT AIFL be authorised to reduce its share capital by payment to each AIFL Shareholder of 0.81 cents per AIFL Share.”

Part 2 – Change of Directors Resolutions

Removal of Directors

To consider, and if thought fit, approve the following resolution as an ordinary resolution of AIFL:

- 2 “THAT Mr Paul Espie be removed from office with effect from the close of the meeting.”
- 3 “THAT Mr Mike Hutchinson be removed from office with effect from the close of the meeting.”
- 4 “THAT Mr John Harvey be removed from office with effect from the close of the meeting.”

Election of Directors

To consider, and if thought fit, approve the following resolution as an ordinary resolution of AIFL:

- 5 “THAT Mr Gabriel Radzynski be appointed as a director of the Company, with effect from the close of the meeting.”
- 6 “THAT Mr Paul Jensen be appointed as a director of the Company, with effect from the close of the meeting.”
- 7 “THAT Mr Jonathan Trollip be appointed as a director of the Company, with effect from the close of the meeting.”

The Explanatory Booklet provides AIFL Shareholders with important information in relation to the Capital Return Resolution and the Change of Directors Resolutions.

Capitalised terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in Section 4 of the Explanatory Booklet.

By order of the Board of Australian Infrastructure Fund Limited.



Jane Frawley
Company Secretary
Australian Infrastructure Fund Limited
23 August 2013

Voting entitlements

Pursuant to applicable legislation and regulations, the AIFL Directors have determined that the shareholding of each AIFL Shareholder for the purpose of ascertaining the voting entitlements for the Meeting will be as appears in the AIFL Share Register at 7.00pm (Melbourne time) on Sunday 6 October 2013.

- 1 The Capital Return Resolution and the Change of Directors Resolutions at the Meeting are being put to AIFL Shareholders.
- 2 An AIFL Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the AIFL Shareholder. AIFL Shareholders who are unable to attend the Meeting are encouraged to appoint a proxy to attend and vote on their behalf. A proxy holder need not be an AIFL Shareholder. An AIFL Shareholder who is entitled to cast two or more votes may appoint up to two proxy holders and may specify the proportion or number of votes each proxy holder is appointed to exercise. If there is no proportion or number specified, each proxy holder may exercise half of the votes. On a show of hands, a proxy holder may not vote if more than one proxy holder attends.
- 3 A form of appointment of proxy is enclosed. To be effective, the document appointing the proxy holder (and if the appointment is signed or executed by the appointer's attorney, the authority under which the appointment was signed or a certified copy of the authority), must be received by AIFL by **11.00am** (Melbourne time) on Sunday 6 October 2013. The documents should be delivered to AIFL's registry:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067

Postal address:
GPO Box 242
Melbourne
Victoria 3001

Facsimile: 1800 783 447 (Within Australia) or +61 3 9473 2555 (Outside Australia)

Electronically, by visiting www.investorvote.com.au and following the instructions provided but a proxy cannot be appointed online if appointed under power of attorney or similar authority.

For Intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

- 4 A body corporate that is an AIFL Shareholder, or that has been appointed as a proxy of an AIFL Shareholder, may appoint an individual to act as representative at the Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including the authority under which the appointment is signed, unless that evidence has previously been given to AIFL.
- 5 AIFL Shareholders can direct their proxy how to vote by following the instructions on the Proxy Form. AIFL Shareholders are encouraged to direct their proxy how to vote on the resolution.

- 6 Any directed proxies that are not voted on a poll at the Meeting by an AIFL shareholders' appointed proxy will automatically default to the Chairman of the Meeting, who is required to vote all proxies cast on the resolution as directed on a poll.
- 7 Please refer to other notes appearing on the Proxy Form.

Corporate directory

Australian Infrastructure Fund Limited

ABN 97 063 935 553
Registered Office
Level 27, 35 Collins Street
Melbourne VIC 3000
Australia
Telephone +61 3 8650 3600
Facsimile +61 3 8650 3701
Email investor_relations@hfm.com.au
Website www.hfm.com.au

Security Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia

AIFL Board of Directors

Paul Espie, Chairman
John Harvey
Mike Hutchinson

AIFL Company Secretaries

Jane Frawley
Jefferson Petch

Legal Adviser

Herbert Smith Freehills
Level 42, 101 Collins Street
Melbourne VIC 3000

Tax Adviser

Greenwoods & Freehills
Level 42, 101 Collins Street
Melbourne VIC 3000