

23 October 2015

## **ASX Announcement (ASX: AYH) Annual General Meeting and Director Update**

The Board of Australian Masters Yield Fund No 2 Limited (Company) is pleased to announce the Notice of Meeting for the Annual General Meeting (AGM) to be held on 25 November 2015.

Mr Maximillion Walsh and Mr Alan Dixon, directors of the Company, have informed the Company that they intend to retire as directors of the Company on 25 November 2015. Mr Walsh and Mr Dixon were among the founding directors of the Company, being on the board since its inception and initial public offering. As a result of this intended change of Board, the number of directors will reduce from 5 to 3, with only one director being required to be re-elected at the AGM.

The Directors of the Company, Mr Daryl Dixon, Mr Chris Brown and Mr Alexander MacLachlan, wish to thank them for all their hard work and dedication to the Company.

Yours sincerely,

Hannah Chan  
Company Secretary  
Australian Masters Yield Fund No 2 Limited  
Tel: 1300 454 801

**Australian Masters Yield Fund No 2 Limited**  
**(ACN 144 883 509)**  
**Notice of Annual General Meeting**

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Notice is given that the Annual General Meeting of Australian Masters Yield Fund No 2 Limited (**Company**) will be held as follows:

Date: **Wednesday, 25 November 2015**  
Time: **3.30pm (AEDT)**  
Venue: **Level 15**  
**100 Pacific Highway**  
**North Sydney, NSW 2060**

**Ordinary Business**

***Financial Statements and Reports of the Directors and Auditor***

To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2015.

**1) Re-election of Director – Chris Brown**

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

*“That Mr Chris Brown, who retires by rotation in accordance with the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as Director of the Company.”*

Note: please see the Explanatory Memorandum for a detailed biography on Chris.

**2) Remuneration Report**

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

*“In accordance with Section 250R of the Corporations Act, the Company adopts the Remuneration Report as set out in the Directors’ Report.”*

Notes:

(a) The vote on this resolution is advisory only and does not bind the Directors or the Company.

(b) The Company’s key management personnel and their closely related parties must not cast a vote on the Remuneration Report unless they are appointed in writing as a proxy for a Shareholder (other than a member of the Company’s key management personnel and their closely related parties) eligible to vote on the resolution and that proxy specifies how to vote on the resolution.

(c) The Chairman may cast a vote on the Remuneration Report if appointed in writing as a proxy for a Shareholder (other than a member of the Company’s key management personnel and their closely related parties) eligible to vote on the resolution and where that proxy does not specify how to vote on the resolution only if the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

(d) The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

## Special Business

### 3) Third Return of Capital

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

*“That, for the purposes of Section 256C(1) of the Corporations Act 2001 (Cth) and for all other purposes, the reduction of the share capital of the Company by an amount of up to \$16,011,530 applied equally against each fully paid ordinary share on issue in the Company on the Third Record Date is approved.”*

### 4) Fourth Return of Capital

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

*“That, for the purposes of section 256C(1) of the Corporations Act 2001 (Cth) and for all other purposes, a reduction of the share capital of the Company by an amount up to the aggregate of:*

*(a) \$10,000,000; and*

*(b) That the part of the capital reduction approved for payment to Shareholders under Resolution 3 that was not in fact returned to Shareholders in accordance with that Resolution (if any),*

*applied equally against each fully paid ordinary share on issue in the Company on the Fourth Record Date is approved.”*

## Other Information

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

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

## Proxies

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

A proxy need not be a Shareholder of the Company.

If the Shareholder appoints 2 proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceed that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

Proxies must be:

- (a) lodged by posting them or delivering them by hand to the address specified below; or
- (b) received at the fax number specified below; or
- (c) registered online at [www.votingonline.com.au/amyf2agm2015](http://www.votingonline.com.au/amyf2agm2015);

not later than 48 hours before the Meeting i.e. 3:30pm (AEDT) on Wednesday, 25 November 2015.

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

Fax Number: 1300 653 459

A form of proxy is provided with this Notice of Annual General Meeting.

**Entitlement to Vote**

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Meeting all Shares in the capital of the Company will be taken to be held by the persons who held them as registered holders at 7:00pm (AEDT) on Monday, 23 November 2015. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

**By order of the Board**

**Hannah Chan**  
**Company Secretary**  
**23 October 2015**

**Australian Masters Yield Fund No 2 Limited**  
**(ACN 144 883 509)**  
**Explanatory Memorandum**

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This Explanatory Memorandum relates to the Annual General Meeting of Australian Masters Yield Fund No 2 Limited (**Company**) to be held at **Level 15, 100 Pacific Highway, North Sydney NSW 2060** on **Wednesday, 25 November 2015 at 3:30pm (AEDT)**.

**Ordinary Business**

**Financial Report and Reports of the Directors and Auditor**

This item allows Shareholders the opportunity to consider the Financial Report, Directors' Report and Auditor's Report of the Company. Under Section 317 of the Corporations Act, the Company is required to lay these three reports that together comprise the Company's Annual Report before its Shareholders at its Annual General Meeting.

**Resolution 1. Re-election of Director**

Resolutions 1 provides for the re-election of Mr Chris Brown as Director in accordance with the Company's constitution. See below for details of Chris' background.

Under Listing Rule 14.4 and 6.7 of the Company's constitution, a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

Resolution 1 provides for the re-election of Mr Chris Brown as Directors in accordance with the Company's constitution and the Listing Rules. See below for details of his background.

***Chris Brown***

Chris is a director of the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series and serves as Managing Director and Chief Executive Officer at Dixon Advisory, Australia.

Prior to joining Dixon Advisory, Chris was an Executive Director at UBS AG in the Investment Banking Division in Sydney. Over his eight years at UBS, he provided capital markets and M&A advice to many different public and private companies in Australia and overseas. Chris specialised in providing this advice to industrial, utility, infrastructure, property and financial companies. Chris spent several years in the UBS Mergers & Acquisitions Group in New York working on transactions in chemicals, healthcare, consumer products, media, telecoms, technology, insurance and utilities.

Before joining UBS, Chris also worked in the Investment Banking division of ABN AMRO as well as for a Sydney based property funds management company and a chemical engineering and design company. Chris has a Bachelor of Chemical Engineering with 1st class honours and a Bachelor of Commerce, both from the University of Sydney.

**Resolution 2. Remuneration Report**

Resolution 2 provides Shareholders the opportunity to vote on the Company's remuneration report (**Remuneration Report**). The Remuneration Report is contained in the Directors' Report. Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with the remuneration of Directors. Under the Company's constitution, each Director may be paid remuneration for ordinary services performed as a Director. However, Maximilian Walsh, Daryl Dixon, Alan Dixon, Chris Brown and Alex MacLachlan have agreed not to be paid any remuneration for the services they perform as Directors. Under

Section 250R(2) of the Corporations Act, the Company must put the adoption of its Remuneration Report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or the Company.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Annual General Meeting when reviewing the Company's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, at the second of those annual general meetings Shareholders will be required to consider, and if thought fit, pass an ordinary resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors other than the Managing Director must seek re-election to the Board. Key management personnel (including Directors and the Chairman) and their closely related parties must not cast a vote on the Remuneration Report, other than as holders of directed proxies for Shareholders (other than members of the Company's key management personnel and their closely related parties) eligible to vote on Resolution 2. The Chairman may cast a vote on the Remuneration Report if appointed in writing as a proxy for a Shareholder (other than a member of the Company's key management personnel and their closely related parties) eligible to vote on Resolution 2 and where that proxy does not specify how to vote on the resolution only if the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

The Company encourages all Shareholders to cast their votes on this resolution.

## **Special Business**

### **Resolutions 3 and 4. Return of Capital to Shareholders**

Resolutions 3 and 4 authorises the Company to undertake two reductions of capital to return up to a maximum of \$26,011,530 to Shareholders over the period to and including November 2016 together with that part of the capital reductions previously approved for payment to Shareholders at the General Meeting of the Company held on 20 April 2015 that was not in fact returned to Shareholders in accordance with those Resolutions (**Previous Capital Returns**).

Cash to fund these returns of capital will be drawn from redemption on maturity and the proceeds of sale of debt instruments held within the Company's portfolio over the period to and including September 2016 (**Debt Instruments**).

#### ***The Resolutions***

Resolution 3 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for a capital reduction and return to Shareholders of up to a maximum of \$16,011,530 over the period to and including June 2016. If the maximum return is undertaken, this will represent a return of approximately \$37.67 per Share (based on the capital structure as at the date of this Explanatory Memorandum). This represents the portion of the redemption monies to be received on redemption of the Debt Instruments in the June 2016 that reflects the consideration paid to acquire those Debt Instruments (**Third Capital Return**).

Resolution 4 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for authorisation to effect a further separate capital reduction and return to Shareholders. This will represent a return of up to a maximum of \$10,000,000 together with any shortfall in payment of the Third Capital Return. If the maximum return is undertaken, this will represent a return of approximately \$23.52 per Share (based on the capital structure as at the date of this Explanatory Memorandum). This represents the portion of the redemption monies to be received on redemption of the Debt Instruments in the period from July 2016 to and including September 2016 that reflects the consideration paid to acquire those Debt Instruments (**Fourth Capital Return**);

The Third Capital Return and Fourth Capital Return represent a total potential capital return of \$61.19 per Share (based on the capital structure as at the date of this Explanatory Memorandum). This

represents the portion of the redemption monies to be received on redemption of the Debt Instruments in the period from November 2015 to and including September 2016 that reflects the consideration paid for those Debt Instruments.

For the purposes of the Corporations Act, the proposed Third Capital Return and Fourth Capital return (together **Capital Returns**) are treated as "equal" reductions of capital and requires approval by ordinary resolution of Shareholders in general meeting.

### **Reasons for the Capital Returns**

#### *Third Capital Return*

On 10 May 2016, a debt security issued by the Bank of Queensland (**BOQ Bond**) is eligible to be called. This bond is scheduled to mature on 10 May 2021. As this bond may be paid back at the call date, we are seeking approval to return this capital. If the bond is not called by the issuer it will be repaid on maturity or sale. Total consideration paid for the BOQ Bond was \$10,000,000.

On 30 June 2016, debt securities issued by Genworth Financial Inc (**GEN Bond**) is eligible to be called. These bonds are scheduled to mature on 30 June 2021. As these bonds may be paid back at the call date, we are seeking approval to return this capital. If these bonds are not called by the issuer it will be repaid on maturity or sale. Total consideration paid for the GEN Bond was \$6,011,530.

Consistent with disclosures in the Information Memorandum and Prospectus, it is proposed that, up to a maximum of \$16,011,530, being the consideration paid to acquire the BOQ and GEN Bonds, will be paid from the proceeds at maturity to Shareholders by way of a return of capital, the Third Capital Return.

#### *Fourth Capital Return*

On 16 September 2016, a debt security issued by IMB Limited (**IMB Bond**) is eligible to be called. This bond is scheduled to mature on 16 September 2021. As these bonds may be paid back at the call date, we are seeking approval to return this capital. If these bonds are not called by the issuer it will be repaid on maturity or sale. Total consideration paid for the IMB Bond was \$10,000,000.

Consistent with disclosures in the Information Memorandum and Prospectus, it is proposed that, up to a maximum of \$10,000,000, being the consideration paid to acquire the IMB Bond, will be paid from the proceeds at maturity to Shareholders by way of a return of capital, the Fourth Capital Return.

Based on the maturity date and redemption proceeds, the maximum amount that may be distributed to Shareholders under the Capital Returns is set out below:

<b>Capital Return</b>	<b>Period</b>	<b>Maximum Amount to be Returned</b>
Third Capital Return	To and including June 2016	\$16,011,530
Fourth Capital Return	July 2016 to and including September 2016	\$10,000,000

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

1. Payment of the Capital Returns will be dependent on receipt of redemption monies on maturity of Debt Instruments. The Company has no reason to believe that any of the issuers of the Debt Instruments will default in their redemption obligations. However, if default occurs, the Company will not receive the funds necessary to undertake the Capital Returns.
2. The Corporations Act provides that a capital return may only be undertaken with the prior approval of Shareholders if the return:
  - (a) is fair and reasonable to Shareholders of the Company as a whole; and
  - (b) the return does not materially prejudice the ability of the Company to pay its creditors.

The funds received or intended to be received on maturity of the Debt Instruments may be required to meet ongoing costs of the Company. These costs may include tax payable on interest or capital gains received in respect of the Debt Instruments as well as ongoing management fees and operating costs. The Company may need to retain some funds received on redemption of Debt Instruments to meet these ongoing costs.

Unless appropriate cash reserves are retained, the Company would be required to liquidate other Debt Instruments which, if held to maturity, would be expected to provide a better financial return for the Company. To do so would not, in the view of the Directors, be fair and reasonable to Shareholders as a whole.

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

If the Company is unable for any reason to pay the maximum amount of the capital return approved by Shareholders, it may pay that sum as part of a subsequent Capital Return.

The Board proposes to announce the actual amount to be returned to Shareholders under the Capital Return no later than 5 business days prior to the relevant record date.

Shareholder approval for the Capital Returns are sought at this Meeting for administrative convenience and to avoid incurring additional costs of convening separate meetings to approve the Capital Returns separately.

#### ***Payment of dividends***

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

#### ***Who will participate in the Capital Returns?***

Subject to Shareholder approval, the distribution resulting from the:

1. Third Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Third Record Date. This capital return is intended to be paid on or around 18 August 2016;
2. Fourth Capital Return will be made to Shareholders pro rata to the number of Shares held by each Shareholder at the Fourth Record Date. This capital return is intended to be paid on or around 30 November 2016.

It is intended that the payment of the Capital Returns will coincide with the payment of a dividend.

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

#### ***Tax treatment of Capital Returns***

The following is a broad outline of the tax consequences for Shareholders associated with the Capital Returns. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Shareholder. There are a number of limitations to the outline including that:

1. it applies only to Shareholders who are Australian residents for income tax purposes. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of the Company who acquired their Shares in respect of their employment;
2. it applies only where Shareholders hold their Shares on capital account. It does not apply where the Shares are held on revenue account (eg. shares held by Shareholders who trade in securities or hold Shares as trading stock); and



- it is based on Australian tax law in effect at the date of this Explanatory Memorandum. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

The Company intends to structure the proposed Capital Returns so that each is treated as a return of capital, and not as a dividend, for income tax purposes. As discussed above, the proposed Capital Return consist of the consideration paid for each Debt Instrument as they mature or are redeemed, any profits made on Debt Instruments acquired at a discount to face value will be paid out as dividends. The Company intends to pay a dividend distributing retained profits to Shareholders prior to or at the same time, as it affects each of the Capital Returns.

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

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

The Company and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Capital Returns or in respect of the taxation consequences themselves. All Shareholders should consult their own independent professional tax advisers regarding the tax consequences of the Capital Returns.

### ***Effect on the Company***

As at the date of this Notice, the Company had 425,102 Shares on issue. After the proposed Capital Returns, the number of Shares on issue will remain the same but the capital of the Company will be reduced by the relevant Capital Return.

The anticipated effect of the Capital Returns on the Company is illustrated in the unaudited pro forma Statement of Financial Position set out below. This pro forma Statement of Financial Position is based on the audited Statement of Financial Position for the Company as at 30 June 2015.

This table is not consolidated pro forma Statement of Financial Position prepared in accordance with the Corporations Act, the Corporations Regulations, Accounting Standards or any other mandatory financial reporting requirements in Australia. They are provided only to illustrate the anticipated impact on the Company of completion of the Capital Returns. The specific assumptions taken in preparing the tables are set out in the notes below the tables.

### **Illustrative pro forma balance sheet**

\$'000 unless otherwise stated

	Statement of Financial Position 30 June 2015	Pro forma Statement of Financial Position Third Capital Return	Pro forma Statement of Financial Position Fourth Capital Return
<b>Assets</b>	\$34,507	\$18,496	\$8,496
<b>Liabilities</b>	(\$227)	(\$230)	(\$232)
<b>Net Assets</b>	\$34,280	\$18,266	\$8,264
<b>NTA Per Share</b>	<b>\$80.64</b>	<b>\$42.97</b>	<b>\$19.44</b>

1. The column headed "Statement of Financial Position 30 June 2015" comprises the audited Statement of Financial Position of the Company as at 30 June 2015.
2. The column headed "Pro forma balance sheet Third Capital Return" has been prepared as if the Capital Return of \$16,011,530 had been completed on 30 June 2015.
3. The column headed "Pro forma balance sheet Fourth Capital Return" has been prepared as if the Capital Return of \$10,000,000 and the Third Capital Return of \$16,011,530 had been completed on 30 June 2015.
4. All amounts assume that there are 425,102 Shares on issue being the number on issue on 30 June 2015.
5. The above table does not take into account future dividends. Future dividends will distribute the interest paid on the underlying Debt Instruments and any profits made on Debt Instruments purchased at a discount less any expenses and taxes of the Company.
6. The above assumes that the Company had paid transaction costs associated with the Capital Returns of approximately \$2,500 on 30 June 2015 relating to legal and tax advice and registry fees.

The above table does not take into account dividends expected to be paid following 30 June 2015. Interest will continue to accrue and be paid on Debt Instruments until they mature and are redeemed. Accordingly, the asset base of the Company will increase as interest payments are received after 30 June 2015 and will be reduced by future dividend payments.

The Company intends to seek shareholder approval in the future for additional capital returns for Debt Instruments that mature beyond September 2016.

Under the Management Agreement between the Company and Walsh & Company Asset Management Pty Limited, the Company pays a management fee of the equivalent of 0.65% (inclusive of GST) per annum of the value of the Portfolio. This fee is payable in advance and calculated on the basis of the value of the Portfolio on 30 June each year. As a result of the Capital Returns, the management fee payable in respect of subsequent financial years will be reduced by an amount of 0.65% (inclusive of GST) per annum of the amount of the Capital Return.

As the management fee for the financial year ending 30 June 2015 is payable in advance, the Capital Returns will have no effect on the management fee payable by the Company in respect of the financial year ending 30 June 2015.

### ***Trading in Shares***

Shares were issued under the Prospectus at an issue price of \$100.00 per Share. Official quotation of the Shares on the ASX commenced on 29 November 2012. The highest and lowest prices at which Shares traded on the ASX between 29 November 2012 and 9 October 2015 was \$101.54 (6 November 2014) and \$80.56 (29 May 2015) respectively. A total of 46,494 Shares have traded on the ASX in this period representing turnover of approximately 4.0% of the Company's total Shares outstanding on an annualised basis. The Company publishes a monthly asset backing of the Shares to assist Shareholders in valuing their investment. Please note between these dates, approximately \$8.5 million of capital has been returned.

### ***Alternative return structures***

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

- (a) the capital return procedure was initially outlined to potential investors in the Prospectus and it was confirmed in the Information Memorandum. The Directors consider that Shareholders will have invested in the Company on the understanding that a series of capital returns would be proposed in the manner outlined in this Notice of Meeting and Explanatory memorandum;
- (b) the combination of the Capital Returns and payment of a dividend provides the Company with the opportunity to make available the benefits of franking credits on dividends generated from

the operations of the Company to the extent that they are available without adding to the income tax liability of Australian resident shareholders receiving further cash from the Company.

### ***Why you might vote against the Capital Returns***

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

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

### ***Recommendation of Directors***

The Directors are of the opinion that the proposed Capital Returns are fair and reasonable to Shareholders as a whole and do not materially prejudice the Company's ability to pay its creditors. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolutions 3 and 4.

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

### ***Other material information***

Other than in this Explanatory Memorandum, there is no other information known to the Company that is material to the decision whether or not to vote in favour of Resolutions 3 and 4 which has not previously been disclosed to Shareholders.

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

## **Glossary**

**Accounting Standards** means Australian Accounting Standards.

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

**Board** means the board of Directors.

**Capital Return** means a return of capital intended to be undertaken by the Company following the passage of Resolutions 3 – 4.

**Chairman** means the chairman of the Company.

**Company** means Australian Masters Yield Fund No 2 Limited (ACN 144 883 509).

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

**Corporations Regulations** means Corporations Regulations 2001.

**Director** means a director of the Company.

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

**Fourth Record Date** means 20 November 2016.

**Information Memorandum** means the information memorandum for the Company dated 25 September 2012.

**Listing Rules** means the listing rules of the ASX.

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

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

**Meeting or Annual General Meeting** means this annual general meeting.

**Notice** means this notice of Meeting.

**Official List** means the official list of the ASX.

**Previous Capital Returns** means Capital Returns previously approved for return by shareholders at a company meeting.

**Prospectus** means the prospectus for the Company dated 23 March 2011.

**Share** means an ordinary share in the capital of the Company.

**Shareholder** means a registered shareholder of the Company.

**Third Record Date** means 8 August 2016.