

**Australian Governance Masters Index Fund Limited  
(ACN 140 842 397)**

**Notice of Annual General Meeting**

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Notice is given that the Annual General Meeting of Shareholders of Australian Governance Masters Index Fund Limited (**Company**) will be held as follows:

**Date:** 20 November 2017  
**Time:** 1.30 pm (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 2017.

***Resolution 1 – Re-election of Director – Josephine Tan***

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

*“That Josephine Tan, who retires by rotation in accordance with the Constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company.”*

Note: please see the Explanatory Memorandum for a detailed biography of Josephine Tan.

***Resolution 2 – Re-election of Director – Nerida Cole***

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

*“That Nerida Cole, who retires from office in accordance with the Constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company.”*

Note: please see the Explanatory Memorandum for a detailed biography of Nerida Cole.

***Resolution 3 – Re-election of Director – Ian Watt***

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

*“That Ian Watt, who retires from office in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

Note: please see the Explanatory Memorandum for a detailed biography of Ian Watt.

***Resolution 4 – 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 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**

### ***Resolution 5 - Approval of On-Market Buy-Back***

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

*"That the Company authorises and approves, for the purposes of Section 257C of the Corporations Act and for all other purposes, the buy-back of up to 25% of the issued ordinary Shares on-market during the 12 month period on and from 1 December 2017 as detailed in the Explanatory Memorandum which accompanies this Notice of Annual General Meeting."*

### ***Resolution 6 - Further Share Issue***

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

*"That, for the purposes of ASX Listing Rule 7.1, the issue of up to 12,556,634 fully paid ordinary Shares at an issue price and on the terms and conditions set out in the Explanatory Memorandum, is authorised and approved."*

#### ***Voting Exclusion Statement:***

The Company will disregard any votes cast on Resolution 6 by a person who may participate in the proposed issue, and each person who may obtain a benefit, other than in the capacity of a holder of ordinary shares, if the resolution is passed, and all associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Note: Shareholders who vote on Resolution 6 and whose votes are counted will not be eligible to participate in any capital raisings pursuant to the approval obtained for this resolution (if passed).

### ***Resolution 7 – 10% Placement Capacity***

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the accompanying Explanatory Memorandum”*

#### Voting Exclusion

The Company will disregard any votes cast on Resolution 7 by a person who may participate in the proposed issue, and each person who may obtain a benefit, other than in the capacity of a holder of ordinary shares, if the resolution is passed, and all associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Note: Shareholders who vote on Resolution 7 and whose votes are counted will not be eligible to participate in any capital raisings pursuant to the approval obtained for this resolution (if passed).

#### 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 Annual General Meeting should consult their financial or legal adviser for assistance.

#### Proxies

Any Shareholder entitled to attend and vote at this Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead.

A proxy need not be a Shareholder of the Company.

If the Shareholder appoints two 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 exceeds that which the Shareholder is entitled to, each proxy may exercise half of the Shareholders 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;
- (b) received at the fax number specified below; or
- (c) registered online at **[www.votingonline.com.au/aqfagm2017](http://www.votingonline.com.au/aqfagm2017)**

not later than 48 hours before the Meeting i.e. **1.30 pm (AEDT) on 18 November 2017.**

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

Fax Number +61 2 9290 9655

A proxy form is provided in this Notice.

**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 Annual General 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 18 November 2017. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

By order of the Board

**Hannah Chan**  
**Company Secretary**

**18 October 2017**

**Australian Governance Masters Index Fund Limited  
(ACN 140 842 397)**

**Explanatory Memorandum**

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This Explanatory Memorandum relates to the Annual General Meeting of the Company to be held at at **Level 15, 100 Pacific Highway, North Sydney NSW 2060 on 20 November 2017 at 1.30 pm (AEDT).**

**Ordinary Business**

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

This item allows Shareholders the opportunity 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 2017. 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 – 3 – Re-election of Josephine Tan, Nerida Cole and Dr Ian Watt***

Under Rule 6.7 of the Constitution one-third of the Company's Directors or the number nearest to one-third, of the Company's longest serving Directors since the last election or re-election, and not including a Director appointed by the remaining Directors either to fill a casual vacancy or as an addition to the existing Directors, must retire unless re-elected. Josephine Tan seeks re-election under rule 6.7 of the Constitution.

Under Rule 6.2 of the Constitution the Directors may appoint any person to be a Director as long as the total number of Directors does not exceed the maximum number under the Constitution. Any Director so appointed holds office until the end of the next following general meeting and is eligible for re-election at that meeting. Nerida Cole and Ian Watt were appointed to the Board on 30 June 2017 to fill casual vacancies and now seek re-election under Rule 6.2 of the Constitution.

Josephine Tan, Nerida Cole and Ian Watt are eligible for re-election in accordance with the ASX Listing Rules and the Constitution.

Resolutions 1 - 3 provide for the re-elections of Josephine Tan, Nerida Cole and Ian Watt as Directors of the Company in accordance with the Constitution. See below for details of their backgrounds.

**Josephine Tan**

Josephine is currently founding member, COO and CFO of Sandown Bay Resource Capital, a London based mining private equity fund focused on turnaround investments in the junior mining sector. She is responsible for designing the investment process, governance structure, operation and compliance framework of the fund, as well as overseeing risk management, financial reporting and regulatory compliance.

Prior to her role at Sandown Bay, Josephine was a senior investment banker at UBS AG in both Melbourne and London. During her ten years at UBS she worked across various teams and industry sectors, including as part of the Australian Resources Group, the European Energy Group and the Global Industrials Group. Prior to this, she commenced her career at the Boston Consulting Group in Melbourne.

Josephine holds a Bachelor of Commerce, majoring in Accounting and Finance and a Bachelor of Science, majoring in Computer Science and Statistics from the University of Melbourne.

## **Nerida Cole**

Nerida Cole, Managing Director of the Financial Advisory division of Dixon Advisory, is a highly respected expert on superannuation, including self-managed super funds (SMSF) and retirement planning strategies.

Nerida is an executive director on the Board of the Dixon Advisory Group, a member of the Investment Committee and Chair of the Compliance Committee. Prior to her last twelve years at Dixon Advisory, Nerida worked for NAB Financial Planning and ANZ Bank, as well as five years of Government experience.

A Graduate Member of the Australian Institute of Company Directors (GAICD) and Certified Financial Planner (CFP), Nerida is a member of the Financial Services Council Advice Board Committee. She has a Bachelor of Commerce (UNE), an Advanced Diploma of Financial Services (Financial Planning).

## **Dr Ian Watt, AC**

Dr Ian Watt, worked for nearly 20 years at the highest level of the Australian Public Service, including Secretary of the Department of the Prime Minister and Cabinet where he advised on all Government decisions.

Ian currently is Chair of BAE Systems Australia, and of the National Innovation and Science Agenda Implementation Committee. Ian is a Director of Citigroup Pty Limited, Smartgroup Corporation, O'Connell Street Associates Pty Ltd and CEDA. Ian also holds Board roles with Smart Infrastructure Facility Advisory Council at the University of Wollongong, Prader-Willi Research Foundation Australia and the International Centre for Democratic Partnerships and is a Member of the Board of the Grattan Institute and Chair of the Public Policy Committee.

The Directors unanimously recommend that Shareholders vote in favour of these Resolutions.

The Chairman of the meeting intends to vote undirected proxies **in favour** of these Resolutions.

### ***Resolution 4 – Remuneration Report***

Resolution 4 provides Shareholders the opportunity to vote on the Company's remuneration report. The remuneration report is contained in the Director's Report. 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.

The 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 this meeting when reviewing the Company's remuneration policies.

If 25% of 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").

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies **in favour** of this Resolution.

## **Resolution 5 – On-Market Buy-Back**

### **1. Overview**

The Company's goal is to manage its capital so as to achieve the most efficient capital structure and optimise returns to Shareholders.

At the previous Annual General Meeting on 28 November 2016, the Company received Shareholder approval for the on-market buy-back of up to a maximum of 25% of the issued ordinary Shares during the 12 month period from 29 November 2016 to 28 November 2017, equating to up to 6,839,684 Shares. The current approval will expire on 28 November 2017.

Accordingly, the Company is seeking to obtain Shareholder approval for the on-market buy-back of up to a maximum of 25% of the issued ordinary Shares during the 12 month period on and from 1 December 2017, should market conditions support this. The Company believes that the proposed new buy-back program will support its goals of achieving the most efficient capital structure possible and optimising returns to Shareholders.

The current on-market buy-back program will stop at close of trade on 28 November 2017 and the new buy-back commence on 1 December 2017, assuming Resolution 5 is approved by Shareholders. If the approval is not given, the Company will only be able to buy-back up to 10% of the smallest number of voting Shares that the Company had on issue during the 12 months preceding the buy-back (10/12 limit).

If Shareholders approve the buy-back, the Company will be permitted to buy back a maximum of 25% of the number of Shares it has on issue as at close of trade on 30 November 2017 over the next 12 months. If approved by Shareholders, the buy-back period will be on and from 1 December 2017 to close of trade on 30 November 2018, unless terminated earlier by the Company.

This Explanatory Memorandum sets out information that is material to the Shareholders' decision on how to vote on the buy-back resolution, including the reasons for the buy-back, the applicable terms, the financial implications and the possible advantages and disadvantages of the on-market buy-back program.

### **2. Purpose of the Resolution**

The purpose of the buy-back resolution is to seek Shareholder approval for the extension of the current buy-back program. Under Section 257C of the Corporations Act, the Company must obtain the approval of its Shareholders in order to buy-back more than 10% of the smallest number of voting Shares that the Company had on issue during the 12 months preceding the buy-back (**10/12 limit**).

The buy-back resolution will be approved if more than 50% of votes cast at the Meeting on Resolution 5 are in favour of the resolution.

### **3. Reasons for the buy-back**

The Board considers that, having regard to available funding, projected cash flows and capital requirements over the 12 months on and from 1 December 2017, the Company may have capacity to return capital to Shareholders.

The Board considers that an on-market buy-back is an effective means of returning any surplus capital to Shareholders and will enable the Company to maintain an efficient capital structure. The Board also considers that an on-market buy-back provides the Company with flexibility to adjust the volume of Shares bought and can stop buying at any time. Implications of the buy-back program for the Company's financial position are set out in Section 6.

### **4. Directors' recommendation**

The Directors recommend that Shareholders vote in favour of the buy-back resolution.

However in deciding how to vote, Shareholders should be aware that, among other things, some of the disadvantages of the buy-back include:

- The Company's net assets will be reduced by the amount expended on the buy-backs (although the NAV will not necessarily be reduced); and
- The buy-backs may provide some liquidity in the Company's Shares in the short term however may likely result in reducing the liquidity in the Company's Shares in the long term due to a smaller number of Shares on issue for trading.

The general advantages of an on-market buy-back include the following:

- Purchases on-market can be tailored to changing market conditions;
- The Company has complete flexibility to adjust the volume of Shares bought and can stop buying at any time; and
- Implementation of an on-market buy-back is simple and cost effective.

The Directors also consider the following to be advantages of the buy-backs:

- The promotion of a more efficient capital structure; and
- Providing investors with an opportunity to realise their investment close to NAV if that is their desire.

## 5. Outline of on-market buy-backs

An on-market buy-back involves the Company buying Shares in the ordinary course of trading at the prevailing market price on the ASX, in the same way as any other market transaction.

The implementation of an on-market buy-back is regulated by both ASIC and the ASX. In particular, the ASX Listing Rules prescribe that the buy-back price must not be more than 5% above the average of the closing market prices for Shares in the Company over the previous 5 days trading on which sales in the Shares were recorded before the buy-back.

The closing price of the Company's Shares on the ASX on 30 September 2017 was \$1.94. The Company's highest and lowest market sale prices and the average monthly closing prices on the ASX for the calendar year to 30 September 2017 were as follows:

Period	Low (\$)	High (\$)	Average Closing Price (\$)
Jan-17	1.89	1.98	1.92
Feb-17	1.88	1.95	1.89
Mar-17	1.90	1.99	1.93
Apr-17	1.94	1.96	1.95
May-17	1.90	1.97	1.93
Jun-17	1.89	1.94	1.92
Jul-17	1.90	1.93	1.91
Aug-17	1.90	1.99	1.93
Sep-17	1.86	1.94	1.89

Source: Iress

As at 30 September 2017, 2,572,833 Shares (representing 10.24% of the current issued capital of the Company) have been bought back under the on market buy-back scheme approved at the Annual General Meeting of Shareholders on 28 November 2016.



The Company must announce on the ASX the period during which Shares may be bought back (if the Board determined this), the maximum number of Shares intended to be bought back and any other information that affects a Shareholder's decision to sell Shares. The Company must also give daily notices containing details of the Shares bought back.

All Shareholders are eligible to participate by selling their Shares to the Company on the ASX. Participation in any buy-back is voluntary. Shareholders do not have to sell their Shares if they do not want to. Shareholders will not however have the right to withdraw sales once made.

The maximum number of Shares that the Company will buy-back on-market will be an amount equal to 25% of the issued Shares in the Company as at the close of trade on 30 November 2017. Assuming there are no issues of Shares between 30 September 2017 and 30 November 2017 this could be up to 6,278,317 Shares, depending on the number of Shares bought back under the current on-market buy-back program between 30 September 2017 and 28 November 2017.

Since an on-market buy-back involves Shares being acquired at the market price of Shares at that time, it is not possible to anticipate the total actual amount that the Company will expend on paying for the Shares. In any event the Company does not intend to pay a price higher than the estimated NAV for the Shares.

## **6. Financial implications of the buy-back program**

The buy-back will be funded from the Company's available cash reserves and, if required, the sale of certain investments.

The Directors consider that the buy-back will not materially prejudice the Company's ability to pay creditors.

As at 30 September 2017, the Company had net assets of \$45.5 million, including \$0.8 million of cash reserves available as a source of funding the buy-back. The actual amount of the buy-back to be funded will not be determined until the completion of the buy-back program.

The buy-back program is not expected to result in any reduction in the Company's franking account.

The exact impact on earnings per Share of any buy-back cannot be determined until the buy-back is completed and will depend on the number of Shares bought back, the volume-weighted average buy-back price and the source of funds used to fund the buy-back program.

A buy-back may decrease the ASX trading volumes and liquidity in the Company's Shares. It is not however possible to determine the extent of any potential decrease in liquidity at this time.

Whilst it is not possible to anticipate the total actual amount that the Company will expend on paying for the Shares, the buy-back is not expected to adversely affect NAV.

## **7. Effect on control of the Company**

It is not expected the buy-back will have any effect on control of the Company.

## **8. Other material information**

Approval of the resolution will not result in any tax implications for Shareholders if they do not sell their Shares. However, if a Shareholder choose to participate in the buy-back by selling their Shares then that Shareholder should obtain specific tax advice on the treatment of the sale of their Shares taking into account their particular circumstances.

At 30 September 2017, the Company had 25,113,268 Shares on issue.

The Directors of the Company have the following interests in the Company at the date of this Notice:

<b>Name</b>	<b>Holding Shares</b>	<b>Voting Interest</b>
Jeffrey Whalan	76,971	0.31%
Josephine Tan	-	-
Nerida Cole	16,275	0.06%
Ian Watt	10,000	0.04%

The following table shows the relevant voting interest that each Director would have if the Company bought back the remaining Shares under the existing buy-back program and all 25% permitted under any approval of the buy-back given and if the Directors did not sell any of their Shares:

<b>Name</b>	<b>Maximum Voting Interest</b>
Jeffrey Whalan	0.50%
Josephine Tan	-
Nerida Cole	0.11%
Ian Watt	0.06%

The Directors may participate in the buy-back program.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies **in favour** of this Resolution.

#### ***Resolution 6 – Further Share Issue***

The Company has always actively managed its capital in the best interests of its Shareholders. Resolution 5, Resolution 6 and Resolution 7 seek to provide the flexibility for the Company to continue to manage its capital efficiently in the best interests of Shareholders.

Resolution 6 refers to the proposed issue of up to 12,556,634 Shares (being up to 50% of the issued capital of the Company as at 30 September 2017) which requires Shareholder approval under ASX Listing Rule 7.1. This approval is required as the issue of these Shares would exceed the 15% limit, imposed by ASX Listing Rule 7.1, of issues that can be made without Shareholder approval in any 12 month period.

There is no current intention or plan by the Company to issue the Shares for which approval is sought under Resolution 6, or to conduct any capital raising. Shareholder approval is sought at this Meeting for administrative convenience and to avoid incurring additional costs of convening a separate general meeting to approve a further capital raising, should the Company decide to conduct a capital raising over the next three months. Under the ASX Listing Rules, the Company must issue Shares for which Listing Rule 7.1 approval is given within three months of the date of the Meeting, otherwise fresh Shareholder approval is required. Accordingly, if Resolution 6 is approved, there is no guarantee that the Company will issue some or all of the Shares.

As at 30 September 2017, the Company had 25,113,268 Shares on issue. The number of Shares on issue will decrease between the date of this Explanatory Memorandum and the date of the Meeting by the number of Shares bought back by the Company in accordance with the on-market buy-back authorised by Shareholders on 28 November 2016.

Should the Company decide to conduct a capital raising over the three month period after the Meeting, the Shares the subject of Resolution 6 will be issued, subject to approval from the Board, under an offer to subscribe for Shares to be made under a prospectus or another form of offer document, to be issued by the Company either to retail investors or to investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act (being sophisticated or professional investors as defined by Sections 708(8), 708(10) and 708(11) of the Corporations Act), identified by the Company's placement manager. Shares will not be issued to related parties of the Company. From issue, the Shares the subject of Resolution 6 will rank equally with, and have the same terms as, ordinary Shares in the Company.

The issue price for these Shares will be determined by the Directors and will not be less than 95% of the simple average of the daily volume weighted average sale price of Shares up to the date of the announcement of any offer of Shares and not less than 80% of the simple average of the daily volume weighted average sale price for Shares in the Company calculated over the last 5 days on which Share sales were recorded immediately prior to (but not including) the date the relevant Shares are issued. The Company intends that the capital raising will not be dilutive to existing Shareholders' interests as the issue price per Share will likely be set at, or above, the NAV last released to the market before the offer is announced.

The proceeds of the capital raising will be utilised by the Company to purchase securities in line with its current stated investment mandate. The Company invests only in, what it considers to be, the best governed Australian companies within the S&P/ASX 100 Index, as ranked by the Company's corporate governance analysis and third party research. The Company pursues an index style of investing with an active corporate governance bias and expects to hold securities of approximately 75 to 85 Australian entities at any time.

The Company may seek to raise further funds as it believes a substantial increase in capital may provide certain benefits to Shareholders, including enhancing the liquidity of the Company's shares in the secondary market and proportionally increasing the Company's voting power within portfolio companies by deploying funds into acquiring further shares in existing portfolio companies. This may allow the Company to promote greater adherence to corporate governance best practices, as the Company actively votes and participates in the general meetings of its portfolio companies.

The issue and allotment of these Shares may take place progressively after the passage of Resolution 6 and in any event will be completed within three months of the date of this Meeting.

It should be noted that Shareholders who vote on Resolution 6 and whose votes are counted will not be eligible to participate in any capital raisings pursuant to the approval obtained for this resolution (if passed).

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies **in favour** of this Resolution.

### ***Resolution 7 – 10% Placement Capacity***

#### *Background*

ASX Listing Rule 7.1A enables eligible entities to issue equity securities up to 10% of issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purpose of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is currently an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue “equity securities” under the 10% Placement Facility. “Equity securities” includes (a) a share, (b) a unit, (c) a right to a share or unit or option, (d) an option over an issued or unissued securities and (e) a convertible security (an **Equity Security**).

The exact number of Equity Securities to be issued under the 10% Placement Facility for working capital requirements and ongoing business development activities and/or for acquisition of new assets or investments (including expenses associated with such acquisition).

#### *Description of ASX Listing Rule 7.1A*

##### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility to subject to Shareholder approval by way of a special resolution at an annual general meeting.

##### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

##### **(c) Formula for calculating 10% Placement Facility**

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula.

$$(A \times D) - E$$

**A** is the number of Shares on issue 12 months before the date of issue or agreement to issue:

(A) Plus the number of fully paid Shares issued in the 12 months under an exception in ASX Listing Rule 7.2;

(B) Plus the number of partly paid Shares that became fully paid in the 12 months;

(C) Plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under ASX Listing Rule 7.1 or 7.4. This does not include an issue of fully paid Shares under the entity’s 15% placement capacity without shareholder approval;

(D) Less the number of fully paid Shares cancelled in the 12 months.

*Note that A has the same meaning in ASX Listing Rule 7.14 when calculating an entity’s 15% placement capacity.*

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

**(d) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A**

If passed, Resolution 7 will allow the Company to issue up to an additional 10% of the Company's issued capital during the 12 months period following the date of the General Meeting without requiring further shareholder approval. This is in addition to the Company's 15% annual placement capacity provided for in ASX Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

**(e) Minimum Issue Price**

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (i) The date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) If the Equity Securities will not be issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(f) 10% Placement Period**

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the General Meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) The date that is 12 months after the date of the General Meeting at which the approval is obtained; or
- (ii) The date of the approval by shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change in the nature and scale of activities) or 11.2 (disposal of main undertaking),

Or such longer period if allowed by the ASX (**10% Placement Period**).

*ASX Listing Rule 7.1A*

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney, in the case of a corporate shareholder, by a corporate representative).

*Specific information required by ASX Listing Rule 7.3A*

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days on which trades in that class were recorded immediately before:
  - (i) The date on which the price at which Equity Securities are to be issued is agreed; or

- (ii) If the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the General Meeting; and
- (ii) The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

Which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1.A2 as at the date of this Notice of General Meeting.

The table also shows:

- (i) Two examples where variable "A" has increased, by 50% and 100%, Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or further specific placements under ASX Listing Rule 7.1 that are approved under Resolution 2 or at a future meeting of Shareholders; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% against the current market price.

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		Issue Price per Share	\$0.97 <sup>1</sup>	\$1.94 <sup>2</sup>
<b>Current variable A</b> 25,113,268 Shares	<b>Number of Shares issued – dilution</b>	2,511,326	2,511,326	2,511,326
	<b>Funds raised</b>	<b>\$2,435,986</b>	<b>\$4,871,972</b>	<b>\$9,743,945</b>
<b>50% increase in current variable A</b> 37,669,902 Shares	<b>Number of Shares issued – dilution</b>	3,766,990	3,766,990	3,766,990
	<b>Funds raised</b>	<b>\$3,653,980</b>	<b>\$7,307,961</b>	<b>\$14,615,921</b>
<b>100% increase in current variable A</b> 50,226,536 Shares	<b>Number of Shares issued – dilution</b>	5,022,653	5,022,653	5,022,653
	<b>Funds raised</b>	<b>\$4,871,973</b>	<b>\$9,743,947</b>	<b>\$19,487,894</b>

<sup>1</sup> 50% decrease in the Issue Price from the price of Shares at the close of trading on 30 September 2017

<sup>2</sup> Issue Price of the same price as Shares at the close of trading on 30 September 2017

<sup>3</sup> 100% increase in the Issue Price from the price of Shares at the close of trading on 30 September 2017

**The table has been prepared on the following assumptions:**

- (i) The Company issues (as Shares) the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) The dilution reflects the aggregate percentage dilution against the issued capital at the time of issue, representing a voting dilution of 10%.
  - (iii) The table does not show an example of dilution that may be caused to a particular shareholder by reasons of placements under the 10% Placement Facility, based on that shareholder's holding as at the date of the General Meeting.
  - (iv) The table only shows the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (v) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
  - (vi) The Issue Price of \$1.94 per Share, being the closing price of the Shares on ASX on 30 September 2017.
- (c) The Company will only issue and allot Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature and scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) Non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of non-cash consideration as required under ASX Listing Rule 7.1A.3; or
  - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards investment in a portfolio of securities consistent with the investment strategy of the Company, costs of the offer and other working capital purposes.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of the Equity Securities.

- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any issue pursuant to the 10% Placement Facility. The identities of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including but not limited to:
- (i) The methods available of raising funds available, including but not limited to, rights issue, share purchase plan or other issue structure in which existing shareholders can participate,
  - (ii) The effect of the issue of Equity Securities on the control of the Company, and
  - (iii) Advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of General Meeting but may include existing shareholders or new shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company acquires new investments, it is possible that the allottees under the 10% Placement Facility may be vendors of the investments.

- (f) The Company issued, during the 12 months preceding the date of this General Meeting, 327,362 Shares representing 1.2% of the total Shares on issue at the commencement of that period. In addition, the Company bought back 2,572,833 Shares, to 30 September 2017, representing 9.4% of total Shares on issue at the commencement of that period. The below represents the shares issued in the 12 months preceding the date of this General Meeting:

<b>Date issue/buyback</b>	<b>of</b>	<b>Allottees</b>	<b>Equity Security</b>	<b>Price</b>	<b>Key terms</b>
9 January 2017		Existing Shareholders under dividend reinvestment plan	88,675 Ordinary Shares	\$1.81	2% discount to volume weighted average market price per share during the ten trading days following the record date
31 March 2017		Existing Shareholders under dividend reinvestment plan	121,637 Ordinary Shares	\$1.92	2% discount to volume weighted average market price per share during the ten trading days following the record date
25 September 2017		Existing Shareholders under dividend reinvestment plan	117,050 Ordinary Shares	\$1.87	2% discount to volume weighted average market price per share during the ten trading days following the record date

*Board recommendation and Chairman's voting intention for Resolution 7*

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote undirected proxies **in favour** of this Resolution.

*Voting Exclusion for Resolution 7*

A voting exclusion applies to this Resolution.

At the date of the Notice, the Company has not approached any particular existing Shareholders or an identifiable class of existing Shareholder to participate in the issue of the Equity Securities. Therefore no existing Shareholder votes will be excluded under the voting exclusions.



## **Glossary**

In this Explanatory Memorandum and the Notice of Meeting:

**10% Placement Period** means the period in which the 10% placement capacity under Resolution 7 may be utilised as described in Resolution 7.

**Annual General Meeting** means the meeting referred to in the Notice of Explanatory Memorandum scheduled to be held on 20 November 2017.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange.

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

**Board** means the board of the Company.

**Company** means Australian Governance Masters Index Fund (ACN 140 842 397).

**Constitution** means the constitution of the Company.

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

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

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

**Equity Security** means an equity security as defined in the ASX Listing Rules.

**Explanatory Memorandum** means this explanatory memorandum which forms part of the Notice of General Meeting.

**NAV** means the Company's net asset backing calculated on a per Share basis as the total assets of the Company less its total liabilities and divided by the number of Shares on issue.

**Notice** means this notice of meeting in respect of the General Meeting.

**Share** means an ordinary Share in the Company, being an undivided share in the beneficial interest in the Company.

**Shareholder** means a holder of a Share.

**VWAP** means the volume weighted average price of a Share sold on the ASX trading platform.