

Australian Masters Yield Fund No 4 Limited
(ACN 149 790 563)
Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Australian Masters Yield Fund No 4 Limited (**Company**) will be held as follows:

Date: **Wednesday, 22 November 2017**
Time: **11:00am (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.

1) Re-election of Director – Alex MacLachlan

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

“That Mr Alex MacLachlan, 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 Alex.

2) Re-election of Director – Warwick Keneally

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

“That Mr Warwick Keneally, who retires 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 Warwick.

3) 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 expressly authorises the Chairman to exercise the proxy and 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

4) Tenth 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 and for all other purposes, the reduction of the share capital of the Company by an amount of up to the aggregate of:

- (a) *\$14,854,499; and*
- (b) *that part of the capital reductions approved for payment to Shareholders in respect of Previous Capital Returns that was not in fact returned to Shareholders in accordance with the relevant resolution (if any),*

applied equally against each Share on issue in the Company on the Tenth Record Date is approved."

5) Eleventh 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 and for all other purposes, the reduction of the share capital of the Company by an amount up to the aggregate of:

- (a) *\$20,794,248; and*
- (b) *that part of the capital reductions approved for payment to Shareholders under Resolution 4 or in respect of Previous Capital Returns that was not in fact returned to Shareholders in accordance with the relevant resolution (if any),*

applied equally against each Share on issue in the Company on the Eleventh 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/amyf4agm2017;

not later than 48 hours before the Meeting i.e. 11:00am (AEDT) on Monday, 20 November 2017.

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

Fax Number: +61 2 9290 9655

A proxy form 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, 20 November 2017. 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
20 October 2017

Australian Masters Yield Fund No 4 Limited
(ACN 149 790 563)
Explanatory Memorandum

This Explanatory Memorandum relates to the Annual General Meeting of Australian Masters Yield Fund No 4 Limited (**Company**) to be held at **Level 15, 100 Pacific Highway, North Sydney NSW 2060** on **Wednesday, 22 November 2017 at 11:00am (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 – Alex MacLachlan

Resolution 1 provides for the re-election of Mr Alex MacLachlan as Director in accordance with the Company's constitution and the Listing Rules. See below for details of Alex's background.

Under Listing Rule 14.4 and rule 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.

Alex MacLachlan

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division. Alex focused the efforts of the Funds Management division on providing retail investors with access to asset classes and investment opportunities that would normally only be available to institutional investors.

From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company to circa \$5 billion of funds under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

Resolution 2. Re-election of Director – Warwick Keneally

Resolution 2 provides for the re-election of Mr Warwick Keneally as Director in accordance with the Company's constitution. See below for details of Warwick's background.

Under rule 6.2 of the Company's constitution, a director may be appointed to fill a casual vacancy but any such Director so appointed holds office only until the end of the next following general meeting and is eligible for re-election at that meeting.

Warwick Keneally

Warwick is Head of Finance at Walsh & Company, the funds management division of Evans Dixon. Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices – and has undertaken a range of complex restructuring and insolvency

engagements across Europe, UK and Australia, for a range of Australian, UK, European and USA banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management. Among his former roles, Warwick worked on the initial stages of the HIH insolvency – as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Chartered Accountant.

Resolution 3. Remuneration Report

Resolution 3 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, Alex MacLachlan, Chris Brown and Warwick Keneally 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 eligible to vote on Resolution 3. The Chairman may cast a vote on the Remuneration Report if appointed in writing as a proxy for a Shareholder eligible to vote in Resolution 3 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 4 and 5 – Return of Capital to Shareholders

Resolutions 4 and 5 authorise the Company to undertake reductions of capital to return up to a maximum of \$35,648,747 to Shareholders over the period to and including May 2018 together with that part of the Eighth Capital Return approved for payment to Shareholders at the 2016 annual general meeting of the Company that was not in fact returned to Shareholders (**Eighth Capital Return**), if any. The Eighth Capital Return, being the return of up to \$3,500,000, is scheduled for payment on or around 30 November 2017. While the Board anticipates that this capital return will be paid, the Board may determine to reduce that payment. If this occurs, Resolutions 4 and 5 permit any such shortfall in payment to be returned under the reductions of capital to be approved by Shareholders at this Meeting.

Cash to fund the Tenth Capital Return and Eleventh Capital Return (together **Capital Returns**) will be drawn from the proceeds received at redemption on maturity or sale of debt instruments held within the Company's portfolio over the period to and including May 2018 (**Debt Instruments**) and any residual capital retained by the Company.

The amounts to be returned are expressed as maximum amounts as the actual amounts to be returned may be reduced having regard to cashflow requirements of the Company and the timing of receipt of payments in respect of the Debt Instruments. The Company has employed a similar procedure in securing authority to return capital at previous general meetings.

The key differences between Resolutions 4 and 5 arise from the basis on which the Company receives funds to permit payment of a capital return. Resolution 4 authorises the return of capital equal to an amount received on the call or maturity of two defined Debt Instruments that are scheduled to be called or mature on 21 December 2017 and 22 February 2018 respectively. Resolution 5 authorises the return of capital equal to the amount received at early redemption or sale of any Debt Instruments in the period to May 2018 and Debt Instruments that mature in that period. If there are no sales or redemptions on maturity of Debt Instruments in the period to May 2018, no Capital Return will be made under Resolution 5. The Company will then seek approval for future capital returns at a later date.

The Resolutions

Resolution 4 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 \$14,854,499 together with any shortfall in payment of the Eighth Capital Return. If \$14,854,499 is returned to Shareholders, this will represent a return of approximately \$14.92 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 at redemption on maturity or sale of the Debt Instruments to March 2018 that reflects the consideration paid to acquire those Debt Instruments (**Tenth Capital Return**).

Resolution 5 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 \$20,794,248 together with any shortfall in payment of the Eighth Capital Return and the Tenth Capital Return. If \$20,794,248 is returned to Shareholders, this will represent a return of approximately \$20.88 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 at redemption on maturity or sale of the Debt Instruments to May 2018 that reflects the consideration paid to acquire those Debt Instruments (**Eleventh Capital Return**).

The Capital Returns together represent a total potential capital return of \$35.80 per Share (based on the capital structure as at the date of this Explanatory Memorandum and assuming no shortfall in payment of the Eighth Capital Return). This represents the portion of the redemption monies to be received at redemption on maturity or sale of the Debt Instruments in the period to May 2018 that reflects the consideration paid for those Debt Instruments.

For the purposes of the Corporations Act, the proposed Capital Returns are treated as "equal" reductions of capital and require approval by ordinary resolution of Shareholders in general meeting.

Reasons for the Capital Returns

Tenth Capital Return

On 21 December 2017, subordinated debt issued by AMP Bank Limited (**AMP Subordinated Notes**) is eligible to be called meaning it may be repaid earlier than its scheduled maturity date. If not called, the subordinated debt is scheduled to mature on 20 December 2022. As this subordinated debt may be repaid at the call date, which we anticipate, we are seeking approval to return this capital. If this subordinated debt is not called by the issuer, it will be repaid at redemption on maturity or sale. Total consideration paid for the AMP Subordinated Notes was \$4,500,000. On 22 February 2018, a senior

bond issued by Morgan Stanley (**MS Bond**) is also scheduled to mature. Total consideration for the MS Bond was \$10,354,499.

Consistent with disclosures in the Information Memorandum and Prospectus, it is proposed that up to a maximum of \$14,854,499, being the consideration paid to acquire the AMP Subordinated Notes and MS Bond, will be paid from the proceeds to Shareholders by way of a return of capital together with any shortfall in payment of the Eighth Capital Return.

Eleventh Capital Return

Resolution 5 authorises the Company to undertake a reduction in capital to return up to a maximum of \$20,794,248 to Shareholders over the period to and including May 2018.

Cash to fund this return will be drawn from redemption on maturity and the proceeds of sale of Debt Instruments that the Company receives in the period up to and including May 2018.

If the maximum return is undertaken, this will represent a return of approximately \$20.88 per Share (based on the capital structure as at the date of the Explanatory Memorandum) (**Eleventh Capital Return**).

Based on the maturity and/or call dates and anticipated redemption proceeds payable and assuming that the Eighth Capital Return is paid in full, the maximum amount that may be distributed to Shareholders under the Capital Returns is set out below:

Capital Return	Period	Maximum Amount to be Returned*
Tenth Capital Return	To and including March 2018	\$14,854,499
Eleventh Capital Return	To and including May 2018	\$20,794,248

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 and/or call 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 or will decline to call the Debt Instruments early when permitted. However, if default occurs or an early call is not made, 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 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 at 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 Resolutions 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 Resolutions 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 Returns no later than 5 business days prior to the relevant record date.

Shareholder approval for the Capital Returns is 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 Return?

Subject to Shareholder approval, the distribution resulting from the:

1. Tenth Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Tenth Record Date. This return is intended be paid on or around 9 March 2018.
2. Eleventh Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Eleventh Record Date. This return is intended be paid on or around 29 May 2018.

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.

All Shareholders should consult their own independent professional tax advisers regarding the tax consequences of the Capital Returns. 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 (e.g. Shares held by Shareholders who trade in securities or hold Shares as trading stock); and
3. 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 Returns consist of the consideration paid for each Debt Instrument as they mature are sold 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 Returns; however this will depend on Shareholders' individual circumstances. An outline of the potential CGT consequences for Shareholders is as follows:

1. if the amount of any of the Capital Returns is 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 the Capital Returns, but it cannot be reduced below nil;
2. if the Capital Returns are more than the Shareholder's CGT cost base, the CGT cost base will be reduced to nil, and the excess amount of the Capital Returns will be included in the Shareholder's taxable income calculation as a capital gain; and
3. 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.

Effect on the Company

As at the date of this Notice, the Company had 995,896 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 unaudited pro forma Statement of Financial Position is based on the audited Statement of Financial Position for the Company as at 30 June 2017.

This table is not a 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. It is 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 unaudited pro forma statement of financial position

(A\$'000 unless otherwise stated)

	Audited Statement of Financial Position 30 June 2017	Pro forma Statement of Financial Position Seventh Capital Return	Pro forma Statement of Financial Position Eighth Capital Return	Pro forma Statement of Financial Position Tenth Capital Return	Pro forma Statement of Financial Position Eleventh Capital Return
Assets	46,092	41,592	38,092	23,238	2,444
Liabilities	(183)	(186)	(189)	(192)	(195)
Net Assets	45,909	41,406	37,903	23,046	2,249
NTA Per Share	\$46.10	\$41.58	\$38.06	\$23.14	\$2.26

1. The column headed "Statement of Financial Position 30 June 2017" is based on the audited Statement of Financial Position of the Company as at 30 June 2017.
2. The column headed "Pro forma Statement of Financial Position Seventh Capital Return" is based on column 1 and has been prepared as if the Seventh Capital Return of \$4,500,000, previously approved at the 29 November 2016 AGM but not returned to Shareholders as at 30 June 2017, had been completed on 30 June 2017. The Seventh Capital Return was returned in full to Shareholders on 28 August 2017.
3. The column headed "Pro forma Statement of Financial Position Eighth Capital Return" is based on column 1 and has been prepared as if the Eighth Capital Return of \$3,500,000, approved by Shareholders at the general meeting of the Company held on 29 November 2016 and not returned as at the date of this Explanatory Memorandum and the Seventh Capital Return of \$4,500,000 had both been completed on 30 June 2017.
4. The column headed "Pro forma Statement of Financial Position Tenth Capital Return" has been prepared as if the Tenth Capital Return of \$14,854,499 and both the Eighth Capital Return of \$3,500,000, approved by Shareholders at the general meeting of the Company held on 29 November 2016 and not returned as at the date of this Explanatory Memorandum, and the Seventh Capital Return of \$4,500,000 had all been completed on 30 June 2017.
5. The column headed "Pro forma Statement of Financial Position Eleventh Capital Return" has been prepared as if the Eleventh Capital Return of \$20,794,248, the Tenth Capital Return of \$14,854,499 and both the Eighth Capital Return of \$3,500,000, approved by Shareholders at the general meeting of the Company held on 29 November 2016 and not returned as at the date of this Explanatory Memorandum and the Seventh Capital Return of \$4,500,000 had all been completed on 30 June 2017.
6. All amounts assume that there are 995,896 Shares on issue being the number on issue on 30 June 2017.
7. 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.

8. The above assumes that the Company had paid transaction costs associated with each Capital Return of approximately \$3,000 on 30 June 2017 relating to legal and tax advice and registry fees.

As noted at point 7 above, the above table does not take into account dividends to be paid following 30 June 2017. 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 2017 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 May 2018.

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 relevant Capital Return.

As the management fee for the financial year ending 30 June 2018 is payable in advance, the Capital Return will have no effect on the management fee payable by the Company in respect of the financial year ending 30 June 2018.

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 31 October 2013. The highest and lowest prices at which the Shares have traded on the ASX between 31 October 2013 and 10 October 2017 were \$101.13 (7 November 2013) and \$41.36 (22 September 2017) respectively. A total of 153,134 Shares have traded on the ASX in this period representing turnover of approximately 4.3% of the Company's total Shares outstanding on an annualised basis. The Company publishes net tangible asset backing of the Shares on a monthly basis to assist Shareholders in valuing their investment. Between these dates, approximately \$58.5 million of capital has been returned representing \$58.70 per Share.

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 Resolutions 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 4 and 5.

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 4 and 5 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 Limited (ACN 008 624 691).

Board means the board of Directors.

Capital Returns means the returns of capital intended to be undertaken by the Company following the passage of Resolutions 4 and 5.

Chairman means the chairman of the Company.

Company means Australian Masters Yield Fund No 4 Limited (ACN 149 790 563).

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

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

Director means a director of the Company.

Eighth Record Date means 20 November 2017.

Eleventh Record Date means 22 May 2018.

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

Information Memorandum means the information memorandum for the Company dated 13 September 2013.

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 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, i.e. the Eighth Capital Return.

Prospectus means the prospectus for the Company dated 4 June 2012.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered shareholder of the Company.

Tenth Record Date means 2 March 2018.