



20 October 2016

IMPORTANT NOTICE PURSUANT TO SECTION 601GCA OF THE CORPORATIONS ACT

IMPLEMENTATION OF NEW TAX SYSTEM FOR MANAGED INVESTMENT TRUSTS FOR UNITHOLDERS IN APN CHAMPION RETAIL FUND ARSN 127 948 127

A new tax regime applying to Managed Investment Schemes was enacted on 5 May 2016 under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*.

APN Funds Management Limited (ACN 080 674 479) as the responsible entity (**Responsible Entity**) for the APN Champion Retail Fund (**Fund**) proposes to amend the Fund's constitution to allow the Fund to opt-in and apply the new taxation regime.

The new tax regime introduces the concept of an 'Attribution Managed Investment Trust' (**AMIT**). The Responsible Entity believes the new AMIT regime will produce more equitable and fair tax outcomes for the Fund's unitholders for the following reasons:

- Under the AMIT regime, the Responsible Entity will have the ability to attribute the Fund's taxable income to unitholders on a 'fair and reasonable' basis having regard to the unitholder's rights under the constitution including, specifically, their rights to the income of one particular class of units to the exclusion of others. So, under this approach, the Fund can attribute the net taxable income that is relevant and applicable to each different class of units to the unit holder who holds an interest in that class of units. This means that the taxable income relevant to a class is attributed to the unitholders in that particular class, without being impacted by any other classes. In the Fund's case, such an election would mean that:
 - income from a particular class in which a unitholder has an interest, that relates to a specific underlying property, can be attributed to the unitholder who has an interest in the particular class; and
 - losses from a particular class in which a unitholder has an interest, which relates to a specific underlying property, can be quarantined in that class and applied against future income derived in the particular class (as opposed to being applied against the Fund's income on a whole of fund basis, which may lead to the tax effect of those losses benefiting unitholders with interests in other classes).
- The Responsible Entity believes that this should result in a fairer tax outcome for all the unitholders, and gives a better reflection of the economic performance of each underlying property investment and the relative risk taken on by each individual unitholder.
- The AMIT regime provides confirmation in legislation of the approach which the Responsible Entity can adopt to deal with under-or-over distributions of income from an earlier income

year. Presently, this is based on an administrative practice of the Australian Taxation Office which is not likely to continue. This change will provide additional certainty to the Responsible Entity and to unitholders.

The Responsible Entity intends to make amendments to the Fund's constitution to facilitate the Fund's entry into the AMIT regime unless it receives requests to call and arrange to hold a meeting of the Fund's members to consider and vote on a special resolution to modify the constitution from members with at least 5% of the votes that may be cast on the resolution by 5:00pm (Melbourne time) on 27 October 2016.

The request to call a meeting must be made in writing and may be sent to the following email address apnpg@apngroup.com.au

If 5% or more of the total number of unitholders request a meeting within 7 days of the date of this notice, a unitholders' meeting will be held to pass a resolution to approve the amendments.

If no meeting is requested as per the above paragraph by 5:00pm (Melbourne time) on 27 October 2016, the Responsible Entity is permitted to make amendments to the constitution without the need for member approval.

ENDS