

Important Notice to Members

TRILOGY FUNDS
ATTRIBUTION MANAGED INVESTMENT TRUST REGIME (AMIT)

Cape Parks Fund notice of proposal to amend Trust Constitution to participate in the new tax regime

About this notice

This notice informs investors in Cape Parks Fund (**the Fund**), of which Trilogy Funds Management Limited ABN 59 080 383 679, AFSL 261425 (**Trilogy Funds**) is responsible entity, that subject to trust eligibility,

- Trilogy Funds intends to opt-in to the AMIT regime; and
- Trilogy Funds will amend the Constitution of the Fund to facilitate its operation under the AMIT regime from issue of the next product disclosure statement (PDS).

Trilogy Funds would generally need to hold an investors' meeting in order to make any material change to a Fund's constitution. However, given that this change will affect a large number of managed investment trusts, the Australian Securities and Investments Commission (**ASIC**) has granted relief for holding such a meeting, providing notice is given to investors to explain the changes. This relief is granted under ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489.

What is the AMIT regime?

AMIT is a significant industry-wide reform, which introduces new tax rules for managed investment trusts. The new rules are intended to reduce complexity, provide flexibility, increase certainty and minimise compliance costs for funds and their investors.

It is a new tax regime applying to managed investment schemes enacted on 5 May 2016 under certain acts, including the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*, together with additional supplemental legislation (**AMIT regime**). In order for the AMIT regime to apply, Trilogy Funds must make an election to opt-in to the AMIT regime for the Fund.

Under the current tax regime, the net (tax) income of a trust is allocated to investors based on the investor's proportionate share of the income of the Trust to which they are 'presently entitled'. Under the AMIT regime, investors will be assessed on the taxable income (characters) that is 'attributed' to them by the Fund on a 'fair and reasonable' basis, irrespective of the amount distributed.

What are the potential benefits from for the proposed amendments to the Constitution?

Trilogy Funds believes that, by allowing the AMIT regime to be adopted for the Fund, the amendments to the Constitution will have the following potential benefits for members:

- a removal of the potential for adverse taxation that may arise for members where there are mismatches between the amount distributed and the net (tax) income of the Fund. This is achieved through the provision of appropriate tax cost base adjustments where distributions are greater or less than the amount on which the Member is assessed for tax purposes; and
- greater certainty regarding the quantum and character of any amounts distributed or otherwise passed through to members and the tax consequences of those amounts; and
- greater certainty regarding certain aspects of the tax treatment of the Fund, such as the Fund being deemed to be a “fixed trust” for income tax purposes.

When is Trilogy Funds electing to opt-in to the AMIT regime?

Trilogy Funds has decided to opt-in to the AMIT regime for the Fund commencing the issue of the next PDS, subject to the relevant qualification conditions being satisfied. In making this decision, Trilogy Funds considered a range of factors, including the benefits discussed above.

Why is Trilogy Funds proposing changes to the Constitution?

To enable the Fund to effectively operate under the AMIT regime, Trilogy Funds is required to make changes to the Constitution. The changes facilitate the administration of the Fund under the AMIT regime in the best interests of investors in the Fund.

For a summary of the effect of the changes to the Constitution, please refer to *What are the proposed changes to the Constitution?* below.

When will the changes take effect?

Trilogy Funds intends to make the changes to the Constitution shortly after this notice has been advertised to members for at least 7 days (see below). Trilogy Funds will be electing into the AMIT regime for the Fund with effect from 1 July 2017, and the amendments will be made by this date.

A number of the amendments only operate for the year in which the Fund is treated as an AMIT for tax purposes.

Which Trilogy Funds Trust is impacted?

Investors with Trilogy Funds who are members of other trusts of which Trilogy Funds is the responsible entity should note that either the Constitution of the Trust already contains the provisions now being incorporated into the Trusts above or are not considered to be eligible to elect to adopt the AMIT provisions.

What do investors need to do?

Trilogy Funds will modify the Fund's Constitution as proposed, unless it receives requests within **7 days from the date of this notice** from investors with at least 5% of the votes that may be cast, to call and arrange to hold a meeting of the relevant Trust's investors.

Should Trilogy Funds within 7 days after this notice receive requests to call and arrange a meeting of investors from investors with at least 5% of the votes that may be cast on the resolution of the meeting, it will call a meeting of investors. You will receive notice of a meeting, in writing if this is required.

If you wish to request a meeting of the Fund's investors, your request must:

- be made in writing;
- include:
 - o your full name
 - o the name of your Trust
 - o your investor ID; and
- be sent to info@trilogyfunds.com.au by 5.00pm (Brisbane time) Monday 26 June 2017.

What are the proposed changes to the Constitution?

Trilogy Funds will amend the Constitution to allow the Fund to be operated in a manner permitted under the AMIT regime. Trilogy Funds will make these amendments effective from the issue of the next PDS.

The purpose and effect of the amendments are summarised below:

Amendment	Summary of the amendment
<i>New provisions in the body of the Constitution that relate to when the Fund is an AMIT for the relevant financial year</i>	
Clause heading	Effect
Definitions	The Constitution contains new definitions of words relating to the AMIT regime that are used in the new clauses.
Application of income and Distribution provisions	A new clause in each Constitution provide for the AMIT rules to be applied to the Fund Distributions in instances where Trilogy Funds has elected to apply the AMIT regime. The AMIT rules will not impact on the quantum or frequency of Fund Distributions that will be made.
Election by Trilogy Funds	A new clause in the Constitution Trilogy Funds providing discretion to elect into the provisions of the amended Constitution which facilitate the application of the AMIT Regime to the Fund. This is an empowering clause only; there is no obligation on Trilogy Funds to make the election or to facilitate the Fund to qualify as an AMIT.

Amendment	Summary of the amendment
Impact of Schedule 3 if Trust is not an AMIT	This new clause clarifies that the exercise of powers by Trilogy Funds will not be invalidated if Trilogy Funds mistakenly regards the Fund to be an AMIT for a particular year.
<i>Schedule 3 - Provisions that apply generally</i>	
General Powers	Schedule 3 contains the operative provisions in relation to the AMIT regime. These provisions will apply where Trilogy Funds has elected for the Fund to operate as an AMIT under the regime. There are general powers conferred on Trilogy Funds to comply with the requirements of the AMIT regime and enable the Fund to be properly administered and operated under the regime, as well as maintaining equity among the members.
Specific Powers	In particular, Schedule 3 specifically permits Trilogy Funds to: <ul style="list-style-type: none"> • determine the net (tax) income of the Fund and attribute the net (tax) income to members on a fair and reasonable basis; • make amended attributions of taxable and non-taxable characters to Members; and • issue AMIT Member Annual (AMMA) Statements to Members or amended AMMA Statements and determine their contents.
“Fair and reasonable” attribution	Schedule 3 expressly imposes the obligation on Trilogy Funds to make the attribution of taxable and non-taxable characters on a fair and reasonable basis, as required by the AMIT regime. This includes that Trilogy Funds must not make an attribution because of the tax characteristics of the member. Any attribution must also reflect the member’s present entitlement to the distributable income for the relevant period.
Member objection right	A new provision imposes certain procedural requirements for a member to exercise their right to object to an attribution of tax components to it under the AMIT regime and provides Trilogy Funds with certain rights and powers in dealing with such objections. This includes, for example, the right to require the member to indemnify Trilogy Funds for costs incurred in dealing with the objection.
Limitation of liability	A new provision is inserted that limits Trilogy Funds’ liability with respect to the exercise of powers under the AMIT regime or under the Constitution in respect of the administration of the AMIT regime.

Amendment	Summary of the amendment
Indemnities for tax liabilities	A new provision is inserted that requires a member to indemnify Trilogy Funds for any AMIT-related tax liabilities. It is not expected for the Fund to have any AMIT-related tax liabilities on the basis that all taxable and non-taxable characters will be attributed to members in accordance with the above “fair and reasonable” attribution requirement.
Recovery of tax liabilities	A new provision is inserted that provides Trilogy Funds with the ability to recover amounts owing by a member to Trilogy Funds in respect of AMIT-related tax liabilities by either deducting those amounts payable to a member or compulsorily redeeming units to facilitate their recovery.

If you have any questions, or if you would like a copy of the proposed changes to the Constitution for the Fund please contact Trilogy Funds Investor Relations:

Free call (within Australia) 1800 230 099
Between 8:30am and 5:00pm weekdays
(Australian Eastern Standard Time)

Trilogy Funds Management Limited ABN 59 080 383 679, AFSL 261425 is the product issuer. We have not taken your circumstances into account when preparing the above information so it may not be applicable to your circumstances. You should consider your circumstances and our Product Disclosure Statement (PDS) for the relevant Trust before making any investment decision. You can access our PDS on our website or by calling us. This information was prepared in good faith and we accept no liability for any errors or omissions.