



AUSTRALIAN GOVERNANCE MASTERS
INDEX FUND LIMITED ACN 140 842 397

2009 PROSPECTUS

**REPLACEMENT PROSPECTUS
FOR THE OFFER OF**

UP TO 31,250,000 FULLY PAID
ORDINARY SHARES AT AN OFFER
PRICE OF \$1.60 PER ORDINARY
SHARE WITH A RIGHT TO ACCEPT
OVERSUBSCRIPTIONS FOR A FURTHER
31,250,000 SHARES

THE INVESTMENTS OF
**AUSTRALIAN GOVERNANCE MASTERS
INDEX FUND LIMITED** WILL BE MANAGED
BY DIXON ADVISORY & SUPERANNUATION
SERVICES LIMITED

THIS OFFER IS NOT UNDERWRITTEN

ISSUE MANAGER





DIRECTORY

DIRECTORS

Jeff Whalan (Independent Chairman)
David Hawes
Maximilian Walsh

COMPANY SECRETARIES

Hannah Chan
Graham Chee

INVESTIGATING ACCOUNTANT

William Buck Corporate Advisory Services (NSW) Pty Limited
Level 29, 66 Goulburn Street
Sydney NSW 2000
T 02 8263 4000
F 02 8263 4111
www.williambuck.com.au

AUDITOR

William Buck – Chartered Accountants
Level 29, 66 Goulburn Street
Sydney NSW 2000
T 02 8263 4000
F 02 8263 4111
www.williambuck.com.au

REGISTERED OFFICE

Level 15, 100 Pacific Highway
North Sydney NSW 2060
T 02 6162 5555
F 02 6162 5550

MANAGER AND ISSUE MANAGER

Dixon Advisory & Superannuation Services Ltd
Level 15, 100 Pacific Highway
North Sydney NSW 2060
T 02 6162 5555
F 02 6162 5550
www.dixon.com.au

SOLICITORS TO THE OFFER

Watson Mangioni Lawyers Pty Limited
Level 13, 50 Carrington Street
Sydney NSW 2000
T 02 9262 6666
F 02 9262 2626
www.wmlaw.com.au

CONTENTS

1. Information for Investors	1
2. Overview of Corporate Governance	5
3. Australian Governance Masters Index Fund Limited	7
4. Risk Factors and Investor Considerations	12
5. Directors and Corporate Governance	14
6. The Manager	17
7. Financial Information	19
8. Investigating Accountant's Report	25
9. Material Contracts	28
10. Additional Information	32
11. Glossary	41
Application Form	43

This Replacement Prospectus is dated 15 December 2009 and has been lodged with the Australian Securities & Investments Commission (ASIC) on that date. It replaces a prospectus dated 9 December 2009. No responsibility for the contents of this Prospectus is taken by the ASIC, ASX Limited (ASX) or any of their officers.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

IMPORTANT NOTICES

INDICATIVE TIMETABLE

Date of Replacement Prospectus	15 December 2009
Expected expiry of exposure period ¹	16 December 2009
Offer to open	16 December 2009
Offer to close	25 January 2010
Listing on ASX	10 February 2010

Note 1: ASIC may extend the exposure period by a maximum of 7 days.

The above dates are indicative only and may vary, subject to the requirements of the Corporations Act.

The Company reserves the right to extend the Offer or close the Offer at any time after expiry of the exposure period.

No Shares will be issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date 13 months after the date of this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 11.

The Company will apply to ASX for the Shares to be listed for quotation on ASX within 7 days of the date of this Prospectus.

LICENSEES

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Australian Financial Services Licensees (Licensees) pursuant to Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

Dixon Advisory & Superannuation Services Limited (Issue Manager) is issue manager of the Offer. The Issue Manager will deposit and deal with the Application Monies pursuant to this Prospectus. Any Application Form received which does not bear a Licensee's stamp will be forwarded to the Issue Manager.

The Issue Manager's function should not be considered as an endorsement of the Offer nor a recommendation of the suitability of the Offer for any investor. The Issue Manager does not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Issue Manager nor any other Licensee is responsible for or caused the issue of this Prospectus. The Company reserves the right to enter into similar arrangements to those with the Issue Manager with other Licensees.

INVESTMENT DECISION

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in any listed entity carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 4. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Shares.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements.

While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 4, as well as other matters as

yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

ELECTRONIC PROSPECTUS

An electronic version of this Prospectus (Electronic Prospectus) can be downloaded from: www.governancemasters.com.au/prospectus.pdf. The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia and New Zealand.

The Company will send you a copy of the paper Prospectus and paper Application Form free of charge if you ask during the application period.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. The Shares offered under the Offer to which the Electronic Prospectus relates will only be issued on receipt of a printed copy of the Application Form.

HOW TO APPLY

An Application for Shares under the Offer can only be made by completing and lodging the Application Form attached at the back of this Prospectus. Detailed instructions on completing the Application Form can be found on the back of the Application Form.

Shares issued in respect of Applications received by the Company will be issued at \$1.60 per Share.

Applications under the Offer must be for a minimum of \$2,000.

APPLICATION FORM

Applications and Application Monies for Shares under the Offer received after 5:00 pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "Australian Governance Masters Index Fund Limited Trust Account" and crossed "Not Negotiable".

No stamp duty is payable by Applicants.

Completed Application Forms, together with Application Monies, should be forwarded to the following address:

POSTAL

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
GPO Box 575
Canberra ACT 2601

HAND DELIVERED - CANBERRA

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 1, 73 Northbourne Avenue
Canberra ACT 2601

HAND DELIVERED - SYDNEY

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 15, 100 Pacific Highway
North Sydney NSW 2060

HAND DELIVERED - MELBOURNE

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 2, 250 Victoria Parade
East Melbourne VIC 3002

WHEN TO APPLY

Completed Applications under the Offer must be received by 5:00 pm (Sydney time) on the Closing Date. **The Directors may close the Offer at any time after expiry of the exposure period without prior notice or extend the period of the Offer in accordance with the Corporations Act.**

The Directors reserve the right to allocate any lesser number of Shares than those for which the Applicant has applied. Where the number of Shares allotted is fewer than the number applied for, surplus Application Monies will be refunded with interest.



ENQUIRIES

Investors with questions on how to complete the Application Forms or who require additional copies of the Prospectus should contact:

David Orr

Dixon Advisory & Superannuation Services Limited

T 02 6162 5555

WARNING STATEMENT FOR NEW ZEALAND INVESTORS PURSUANT TO REGULATION 13(D) OF THE SECURITIES (MUTUAL RECOGNITION OF SECURITIES OFFERINGS-AUSTRALIA) REGULATIONS 2008 (SR2008/153)

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.
3. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.
5. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian securities is not the same as for New Zealand securities.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.
8. If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.



AUSTRALIAN GOVERNANCE MASTERS
— INDEX FUND LIMITED —

15 December 2009

Dear Investor

I am very pleased to invite you to join me in becoming a shareholder of the Australian Governance Masters Index Fund Limited (Company).

The Company has been created to invest in Australian equities utilising an index-style approach with a corporate governance bias. The Portfolio will be based on the S&P ASX 100 Index, excluding 15 to 25 companies who have relatively lower levels of compliance with the best practice corporate governance standards as compared to their peers. As a result, the Company will hold securities of 75 to 85 entities at any time, based on adjusted index weightings. The Company expects to be always 90% or more invested in Australian securities regardless of market conditions.

Corporate governance is a set of rules that defines the relationship between stakeholders, management, and the board of directors of a company and influence how that company operates. The Company's emphasis on good governance comes in response to recent empirical studies both in Australia and overseas that suggest that there is a positive correlation between good corporate governance and long-term investment performance.

Of particular interest is a study published in March 2009 by Rebecca Brown from the Australian Treasury and Tue Gorgens from the Australian National University. The study which is based on evidence from the ASX suggests that those entities in the S&P ASX 300 which have greater compliance with the ASX Corporate Governance Principles outperform less compliant entities in terms of shareholder performance, operating performance and one year's sales growth. This study is available on the Treasury website.

The current economic climate and recent high profile corporate failures such as ABC Learning Centres and Alco Finance Group have highlighted the need for investors to revisit corporate governance policies and practices to help determine which companies to invest in.

We intend to actively participate in the annual general meetings of the entities in which we have invested and will vote for those resolutions that are in the interests of both good governance and shareholders. We believe this will encourage boards and management teams to be more concerned with the rights of shareholders, and therefore better guardians of shareholder money.

The Australian Governance Masters Index Fund has been designed for the long-term investor who is seeking to gain exposure to the Australian share market through an index based investment product – a product that is focused on the top 75 to 85 companies of the largest companies listed on the ASX with high levels of corporate governance relative to their peers.

I invite you to carefully consider the contents of this Prospectus, particularly the risks identified in Section 4, and look forward to welcoming you as a shareholder.

Yours sincerely



Jeff Whalan AO

HIGHLIGHTS OF THE OFFER

KEY DATES

Lodgement of Prospectus with ASIC	15 December 2009
Expected expiry of exposure period ¹	16 December 2009
Offer to open	16 December 2009
Offer to close	5.00pm (AEST) 25 January 2010
Expected allotment of Shares	1 February 2010
Expected commencement of trading on ASX	10 February 2010

Note 1: ASIC may extend the exposure period by a maximum of 7 days.

The above dates are indicative only and may vary, subject to the requirements of the Corporations Act. The Company reserves the right to extend the Offer or close the Offer at any time after expiry of the exposure period.

KEY OFFER STATISTICS

Minimum number of Shares available under the Offer	10,000,000
Minimum gross proceeds from the Offer	\$16,000,000
Maximum gross proceeds from the Offer (if all oversubscriptions are taken up)	\$100,000,000
Issue Price per Share	\$1.60
Pro forma Net Tangible Asset (NTA) backing per Share if the minimum subscription amount is raised.	\$1.566

*See Section 7.1 for details of how the NTA is calculated.

KEY INVESTMENT HIGHLIGHTS

Below is a summary of the key highlights of the Offer. This is a summary only and should be read in light of the other information in this Prospectus, particularly the risks that are summarised on the following pages.

Corporate Governance Focus	The Company will invest in the best governed Australian companies as ranked by the Manager's corporate governance analysis. The investment universe will be securities within the S&P ASX 100 Index. The Company believes that boards and management that show relatively high levels of corporate governance are managed in the best interest of shareholders and tend to outperform relatively poorly governed companies over the long term.	See Section 3
Investment Strategy	The Company will focus on investing only in entities within the S&P ASX 100 Index which in the opinion of the Company have superior governance practices. The Manager will implement a disciplined index style investment process that identifies and selects a portfolio from the S&P ASX 100 Index screened for relatively high corporate governance practices and compliance. The Manager will regularly monitor and refine the Portfolio.	See Section 3.3
Low Cost Vehicle	The Manager will receive an annualised management fee of 0.49% (excluding GST) of the gross value of the portfolio. As the Manager is responsible for most operating costs incurred by the Company in the ordinary course of business, it is expected that the Total Expense Ratio (TER) will not exceed 0.49% (excluding GST) in any year.	See Section 9.1
Diverse Australian Equities Exposure	The Company's portfolio allows investors to gain exposure to at least 75 of the largest companies within the S&P ASX 100 Index and provides significant diversification that should reduce investment performance volatility.	See Section 3

Experienced Board and Manager	The Board will comprise Jeff Whalan, David Hawes and Maximilian Walsh. The Manager is Dixon Advisory & Superannuation Services Limited. The Board and Manager bring together significant experience and expertise in listed equities, in corporate governance and in providing comprehensive financial and investment advice.	See Sections 5, 6.1, 6.4 and 6.5
--------------------------------------	---	----------------------------------

KEY INVESTMENT RISKS

The key risks highlighted below, together with other risks, are more particularly described in Section 4.

Liquidity Risk	As a small-capitalisation company, the Company will have lower levels of liquidity in trading of its Shares on ASX than the entities in which it will invest. As a result, Shareholders may not be able to sell their Shares at the time and in the volumes they desire. The Manager and Company intend to take such action as are within their power to mitigate this risk.	See Section 4.1(a)
Market Risk	Investment returns are influenced by market factors. Current markets continue to experience high levels of volatility. As a result, future earnings of the Company and the earnings and capital appreciation of the Company's investments cannot be predicted with any certainty.	See Section 4.1(b)
Performance History	The Company has no financial, operating or performance history. However, the Manager has extensive experience in managing investments.	See Sections 4.1(j) and 6.2

OFFER SUMMARY

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

ABOUT THE OFFER

Question	Answer	More info
Who is the issuer of the Shares and this Prospectus?	Australian Governance Masters Index Fund Limited (ACN 140 842 397).	See Section 1.3
What is the Offer?	The Offer is for Shares at \$1.60 per Share. The Company will offer to issue 31,250,000 Shares, being \$50,000,000 of Shares, with the ability to accept oversubscriptions for a further 31,250,000 Shares. The Offer is subject to the Company raising a minimum gross proceeds of \$16,000,000.	See Section 1.3
What is the purpose of the Offer?	The Company is seeking to raise funds for the purpose of investing in listed equities in the S&P ASX 100 that have demonstrated high levels of corporate governance practices on a relative basis. The net proceeds of the Offer will be used by the Company to undertake investments consistent with its investment objectives and guidelines.	See Section 3.3 and Section 3.7
How liquid will my investment be?	The Company will be listed on the ASX and Shares can be traded on-market.	
How can further information be obtained?	Please contact David Orr on (02) 6162 5555 if you have questions relating to the Offer. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	

ABOUT THE COMPANY

Question	Answer	More info
What will the Company invest in?	The Company will make investments in securities included in the S&P ASX 100 Index screened for the relative quality of their corporate governance. The Manager will assign a corporate governance ranking to the entities based on third party research and expertise of the manager and will exclude 15 to 25 of the lower corporate governance entities on a relative basis.	See Section 3
What is the Company's investment objective?	The Company aims to achieve long-term capital appreciation, while reducing risk and preserving capital by investing in a range of listed equities, seeking to capture equities with the best relative levels of corporate governance. This is expected to lead to selecting entities with better long term performance.	See Section 3.3
Who is the Investment Manager?	Dixon Advisory & Superannuation Services Limited (ACN 103 071 665) (AFS Licence: 231143).	See Section 6
Are there any independent directors?	Yes, a majority of directors being Jeff Whalan (Independent Chairman) and David Hawes (Independent Director).	See Section 5
What are the key terms of the Management Agreement between the Investment Manager and the Company?	The Management Agreement provides for the appointment of the Manager for an initial term of 5 years to manage the Portfolio and for payment of a management fee. Unless terminated during the initial term, the Management Agreement will be automatically extended for successive further terms of 5 years. The Company may terminate the Management Agreement after the initial 5 year period on 3 months' written notice. The Manager will be responsible for the provision of the financial services under the Management Agreement.	See Section 9.1
What fees will the Manager and Issue Manager receive?	The Manager will receive an annualised management fee of 0.49% (excluding GST), calculated with reference to the gross value of the Portfolio. The Manager will not be entitled to receive a performance fee. The Issue Manager will receive a once-off Structuring Fee of 0.5% (excluding GST) and an Arranging Fee of 2.0% (excluding GST) of the gross proceeds raised under this Prospectus.	See Section 9.1 and 9.2
What costs of the Company will be met by the Issue Manager and Manager?	The Company will be responsible for the start up costs such as legal, accounting and marketing costs up to a maximum of 3% (excluding GST but including the Structuring and Arranging Fees) of the gross proceeds raised under this Prospectus. The Issue Manager is responsible for any fees above this 3%. This is expected to result in the initial NTA per Share on issue being not less than \$1.566. As the Manager is responsible for most operating costs incurred by the Company in the ordinary course of business, it is expected that the TER will not exceed 0.49% (excluding GST) in any year.	See Section 9.1 and 9.2
What are the significant potential benefits?	There are a number of potential benefits of the Offer which are outlined on the first page of the Highlights of the Offer and in Section 3.	See Section 3

What are the significant risks?	An investment in the Company involves a number of risks. Shareholders may be exposed to low levels of liquidity and market risk. While the Directors and Manager intend to use prudent management techniques to minimise the risks to Shareholders, no assurances can be given by the Company as to the success or otherwise of its business. The performance of the Company is not guaranteed by the Manager, the Issue Manager or any adviser to the Company. Investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 4 before applying for Shares.	See Section 4
What is the Company's gearing level?	At the time of the Offer the Company will have no borrowings and the Company does not intend to gear the Portfolio. The Manager may use limited levels of gearing to assist with capital management initiatives.	See Section 3.10

INVESTING IN THE COMPANY

Question	Answer	More info
Who can participate in the Offer?	Members of the general public who have a registered address in Australia or New Zealand.	See Section 1.12
Can superannuation funds invest?	Yes, subject to the investment mandate of the particular fund and the trustee's general powers and duties.	
How do I apply for Shares?	The procedures for making an investment in the Company are described in Section 1.7. The Issue Manager may be required to obtain identification information from Applicants. The Company reserves the right to reject an Application including if that information is not provided upon request.	See Section 1.7
Will the Company pay dividends and when can I expect them?	The Company intends to distribute to Shareholders generally its net dividend income (dividends from securities holdings and interest from cash holdings less expenses), subject to the availability of sufficient profits and franking credits.	See Section 3.8
What are the fees and costs of the Offer?	The Manager will charge a once-off Structuring Fee of 0.5% (excluding GST) and an Arranging Fee of 2.0% (excluding GST) of the total amount of capital raised under this Prospectus. The Company will be responsible for the start up costs such as legal, accounting and marketing costs up to a maximum of 3% (excluding GST) (including the Structuring and Arranging Fees) of the gross proceeds raised under this Prospectus. The Issue Manager is responsible for any fees above this 3%. This is expected to result in the initial NTA per Share on issue being not less than \$1.566. The Manager will charge an annual management fee equal to 0.49% (excluding GST) of the gross value of the Portfolio of the Company. As the Manager is responsible for most operating costs incurred by the Company in the ordinary course of business, it is expected that the TER will not exceed 0.49% (excluding GST) in any year.	See Section 9.1 and 9.2
Is the Offer Underwritten	No.	

1. INFORMATION FOR INVESTORS

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.
The performance of the Company is not guaranteed by the Manager, the Issue Manager or any adviser to the Company.

1.1 OBJECTIVE

The 2 key investment objectives of the Company are:

- To achieve a high real rate of return on invested capital, within risk parameters acceptable to the Directors.
- To preserve the investment capital of the Company while having exposure to the Australian stock market.

1.2 MANAGEMENT FEE

Dixon Advisory & Superannuation Services Limited (Manager) manages the portfolio of investments of the Company (Portfolio). The Manager holds Australian Financial Services Licence (AFSL) Number 231143. See Section 6.1 for details.

The Manager will receive an annualised management fee of 0.49% per annum (excluding GST), calculated by reference to the gross value of the Company's Portfolio (on a pre-tax basis) at the close of the first Business Day of each month commencing in February 2010.

As the Manager is responsible for most operating costs incurred by the Company in the ordinary course of business, it is expected that the TER will not exceed 0.49% (excluding GST) in any year.

The Manager will not receive a performance fee. See Section 9.1 for details.

1.3 THE OFFER AND USE OF PROCEEDS

The Company will offer for subscription up to 31,250,000 Shares. The Offer comprises an offer of Shares at \$1.60 per Share. To participate in the Offer, your Application Form must be received by the Share Registry by 5:00 pm (Sydney time) on the Closing Date.

Under the Offer, the Company reserves the right to accept oversubscriptions of up to a further 31,250,000 Shares at \$1.60 per Share.

The net proceeds of the Offer will be used by the Company to undertake investments consistent with its investment objectives and guidelines.

1.4 RISK FACTORS

An investment in the Company involves a number of risks. While the Directors and the Manager intend to use prudent management techniques to minimise the risks to Shareholders, no assurances can be given by the Company as to the success or otherwise of its business.

The Company aims to achieve long term appreciation, while reducing risk and preserving capital, through investments in the largest companies by market capitalisation rated on ASX and then excluding those entities with the lowest relative ranking for corporate governance.

Investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 4, before applying for Shares.

The Australian Governance Masters Index Fund Limited is an investment company. Investments generally have a number of potential benefits to investors (see Section 3 for details) and in certain circumstances it may carry certain risks. These risks include market volatility and economic risks. See Section 4 for details of risks particular to this style of investment.

1.5 OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

1.6 MINIMUM SUBSCRIPTION

The Minimum Subscription for the Offer is \$16,000,000, being receipt of valid Applications for not less than 10,000,000 Shares.

If this Minimum Subscription is not achieved and the Application Monies for these Shares are not received by the Company by the date 4 months after the Opening Date, the Company will repay all money received from Applicants within 7 days after that date or such later date as may be permitted by the Corporations Act with the consent of ASIC. Interest earned on the refunded Application Monies will also be paid to Applicants.

1.7 APPLICATIONS

Applications under the Offer must be made and will only be accepted on the Application Form issued with and attached to this Prospectus. Shares issued in respect of Applications received by the Company will be issued at \$1.60 per Share.

Applications under the Offer must be for a minimum of 1,250 Shares for total Application Monies of \$2,000. The Directors may extend the Closing Date.

APPLICATION FORM

An Application Form is attached in respect of Applications for use with Applications under the Offer for Shares at \$1.60 per Share.

Applications and Application Monies for Shares under the Offer received after 5:00 pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "Australian Governance Masters Index Fund Limited Trust Account" and crossed "Not Negotiable".

No brokerage or stamp duty is payable by Applicants.

Completed Application Forms and accompanying cheques may be lodged with:

POSTAL

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
GPO Box 575
Canberra ACT 2601

HAND DELIVERED - CANBERRA

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 1, 73 Northbourne Avenue
Canberra ACT 2601

HAND DELIVERED - SYDNEY

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 15, 100 Pacific Highway
North Sydney NSW 2060

HAND DELIVERED - MELBOURNE

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory
Level 2, 250 Victoria Parade
East Melbourne VIC 3002

A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

Application Forms will be accepted at any time after the issue of this Prospectus and prior to the expiry date of this Prospectus.

The Directors may close the Offer at any time after expiry of the exposure period without prior notice or extend the period of the Offer in accordance with the Corporations Act.

1.8 LICENSED DEALERS

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Australian Financial Services Licensees (Licensees) pursuant to Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

The Issue Manager holds an appropriate Licence. The Issue Manager will deposit and deal with the Application Monies pursuant to this Prospectus.

The Company will pay a Structuring Fee of 0.5% (excluding GST) and an Arranging Fee of 2.0% (excluding GST) of the total funds raised under this Prospectus to the Issue Manager. The Issue Manager may pass a proportion of this fee onto Licensees who submit Application Forms bearing that Licensee's stamp.

1.9 ASX LISTING

Application will be made to ASX within 7 days after the date of this Prospectus for the Company to be listed on the ASX and for quotation of the Shares issued pursuant to this Prospectus.

The fact that ASX may list the Company is not to be taken as an indication of the merits of the Company or the Shares. ASX quotation, if granted, will commence as soon as practicable after holding statements are despatched.

The Directors do not intend to allot any Shares unless and until ASX grants permission for the Shares to be listed for quotation unconditionally or on terms acceptable to the Directors. If permission is not granted for the Shares to be listed for quotation before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded with accrued interest to Applicants in full within the time prescribed by the Corporations Act.

1.10 ALLOTMENT

No allotment of Shares will be made until the Minimum Subscription has been received. It is expected that allotment of the Shares under the Offer will take place by 1 February 2010.

Application Monies will be held in a separate account until allotment. This account will be established and kept by the Issue Manager on behalf of the Applicant. The Issue Manager may retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

The Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned by cheque within 7 days of the Closing Date. The Issue Manager will pay all interest earned on the refunded Application Monies to Applicants.

The Board of the Company reserves the right to accept or reject any Application, including for any oversubscriptions, in its absolute discretion.

1.11 CHES

The Company will apply to ASX to participate in the Clearing House Electronic Subregister System known as CHES. CHES is operated by the ASX's Securities Clearing House (SCH) in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Under CHES, the Company will not issue certificates to investors. After allotment of Shares, Shareholders will receive a CHES statement.

CHES statements which are similar to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHES.

Further CHES statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

1.12 OVERSEAS SHAREHOLDERS

The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

1.13 PRIVACY

When you apply to invest in the Company, you acknowledge and agree that:

- a) you are required to provide the Company with certain personal information to:
 - i) facilitate the assessment of an Application;
 - ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - iii) carry out appropriate administration;
- b) the Company may be required to disclose this information to:
 - i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis; and
 - ii) third parties if that disclosure is required by law; and
- c) this information may also be passed to:
 - i) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the Privacy Act 1988 (as amended), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Manager.

A copy of the privacy policy of the Company is available to Applicants on request.

1.14 **ANTI-MONEY LAUNDERING/COUNTER-TERRORISM FINANCING ACT 2006**

The Company or the Issue Manager may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide the required identification information upon request.

2. OVERVIEW OF CORPORATE GOVERNANCE

2.1 WHAT IS CORPORATE GOVERNANCE

Corporate governance is the cornerstone to defining how companies are managed.

Key issues such as:

- Is the company managed in the best interests of all shareholders?
- Are decisions made on an ethical and responsible basis?
- Is there recognition and management of the various risks to the company?
- Are the board and management accountable to shareholders for their actions?

are defined by a company's corporate governance structures and practices.

Corporate governance is a set of rules that define the relationship between stakeholders, management, and the board of directors of a company and influence how that company operates. According to the ASX Corporate Governance Council in its Corporate Governance Principles and Recommendations (Second Edition) August 2007:

“Corporate governance is “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations”. It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.”

A key objective of good corporate governance is to reduce or eliminate the potential conflicts arising between shareholders, who are the owners of companies, and boards of directors and management who have effective control over companies and may allow self-interest to influence decision making. This conflict is known as the 'principal/agent' problem, with shareholders as the principals and boards and management as the agents.

As owners of the company, shareholders elect the board of directors to oversee the operation and performance of the business on their behalf. In theory, the directors and management of the company are accountable to the shareholders that elect them. In practice, this has often not been the case, as the time and cost associated with enforcing change on a board and management team can be significant, and Shareholders may elect to simply sell out their interests rather than advocate for change.

More recently, however, investors are increasingly demanding from companies that investments have regard to governance factors. Corporate governance aims to protect shareholder rights, enhance disclosure and transparency, facilitate effective functioning of the board and provide an efficient legal and regulatory enforcement framework. Good corporate governance should encourage shareholder participation and provide proper incentives for the board and management to follow objectives that are in the interests of the company and its shareholders.

2.2 IMPORTANCE OF CORPORATE GOVERNANCE

In today's economic climate, strong corporate governance policies and practices are as important as ever.

Interest in corporate governance as an investment criterion has been rising, particularly over the past decade, following many recent and notorious events:

- Australian corporate failures such as HIH insurance, One.Tel, ABC Learning Centres, and Allco Finance Group;
- High profile international corporate collapses such as Enron and Worldcom in the United States;
- Financial reporting irregularities such as Satyam Computer Services in India and hedge fund fraud such as the Bernie Madoff scandal;
- Perceived excessive management compensation around the world.

More recently, failures in corporate governance have been identified as being a key feature of the global financial crisis. According to a paper published by the OECD titled “The Corporate Governance Lessons from the Financial Crisis”:

“The financial crisis can be to an important extent attributed to failures and weaknesses in corporate governance arrangements. When they were put to a test, corporate governance routines did not serve their purpose to safeguard against excessive risk taking in a number of financial services companies.”

Good corporate governance helps to ensure that the business environment is fair and transparent and that companies can be held accountable for their actions. Conversely, weak corporate governance can lead to waste, mismanagement and, in extreme cases, corruption as well as lack of investor confidence and public trust.

The Company believes that company boards and management that are more concerned with the rights of shareholders are also better guardians of shareholder money.

2.3 SOME RECENT ACADEMIC STUDIES ON CORPORATE GOVERNANCE

'Proving' a link between corporate governance performance and shareholder returns is difficult as good corporate governance is not a "one size fits all" approach. Nevertheless, there have been a number of empirical studies, by academics, brokers, and research firms that show a positive correlation between good corporate governance practices and procedures and corporate financial performance and shareholder value. A summary of some recent research considering the link between good corporate governance and investment performance both in Australia and internationally is set out below.

Australia: a 2 March 2009 Treasury Working Paper titled "Corporate Governance and Financial Performance in an Australian Context" created a corporate governance measure for the top 300 Australian listed companies and related this measure to the financial performance of each company in 2004, 2005, and 2006. The study concluded that:

"[C]ompanies with better corporate governance outperform poorly governed companies, particularly in relation to earnings per share and return on assets. Furthermore ...companies that are fully compliant with the ASX Corporate Governance Principles perform better than companies that are only partially compliant."

Asia: an Australian Institute of Company Directors report titled "The Boardroom Report" of 12 August 2009 highlighted research into Asian markets by GovernanceMetrics International that

"confirms that companies with higher corporate governance ratings tend to outperform low-rated companies on an annualised basis for holding periods of one year or longer".

United Kingdom: research titled "Governance and Performance in Corporate Britain" by the Association of British Insurers in 2008 examined 654 UK FTSE All-Share companies from 2004 to 2007. The key findings of the Association indicated that:

- a) Corporate governance leads to better performance;
- b) Shares of a well governed company deliver extra industry adjusted returns; and
- c) The volatility of share price returns is also lower for portfolios of well governed companies.

United States: in a 2004 report titled "Corporate Governance and Firm Performance" published by Georgia State University (data obtained from Institutional Shareholder Services, RiskMetrics), a sample of 2,327 firms were assessed against US governance standards; including considerations of auditor fees, board composition, by laws (no poison pill provisions), director education, director retirement, stock ownership and state of incorporation.

Whilst US and Australian governance standards differ in certain areas, the report highlights that:

"poorly-governed firms ...have lower operating performance, lower valuations, and pay out less cash to their shareholders, while better-governed firms have higher operating performance, higher valuations, and pay out more cash to their shareholders."

Corporate governance also has broader social and institutional dimensions. Policy makers are now more aware of the contribution good corporate governance can make to financial market stability, investment and economic growth. The ASX Corporate Governance Council identifies governance structures and practices as important in determining the cost of capital in a global capital market.

As companies play a pivotal role in the economy, and the public increasingly relies on private sector institutions to manage personal savings and secure retirement incomes, good corporate governance is important to broad and growing segments of the population.

3. AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED

3.1 INTRODUCTION TO THE AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED

The Company believes that relatively high levels of corporate governance often lead to better investment performance over the long-term. The Company was established to provide Australian investors with the opportunity to gain access to Australian entities which are considered to have the highest relative ranking of corporate governance. The investment universe will consist of the companies within the S&P ASX 100 Index.

The Company aims to achieve long term capital appreciation, while reducing risk, preserving the capital of the Company and by investing in a diversified portfolio of investments.

The Company has access to specialised experience, skills, knowledge and resources to select and manage investments.

The key advantages in investing in the Company include:

- **Corporate Governance Focus:** the Company will invest in the best governed top 100 ASX listed companies on a relative basis, as ranked by the Manager's corporate governance analysis.
- **Investment Strategy:** the Company's focus on investing only in the highest rated companies within the S&P ASX 100 Index based on adjusted index weighting is unique in the current investment community.
- **Low Cost Vehicle:** the Manager will receive an annualised management fee of 0.49% (excluding GST). As the Manager is responsible for most operating costs incurred by the Company in the ordinary course of business, it is expected that the TER will not exceed 0.49% (excluding GST) in any year.
- **Diverse Australian Equities Exposure:** the Company's portfolio allows investors to gain exposure to a significant proportion of the S&P ASX 100 Index which provides significant diversification that should reduce investment performance volatility.
- **Experienced Board and Manager:** the Board will comprise Jeff Whalan, David Hawes, and Maximilian Walsh. The Manager is Dixon Advisory & Superannuation Services Limited. The Board and Manager bring together significant experience and expertise in listed equities, corporate governance and in providing comprehensive financial and investment advice.

3.2 INVESTMENT STYLE

Investors seeking to gain indirect exposure to a number of ASX-listed securities may do so through two broad categories of investment vehicles – active funds and index funds.

Active funds employ active management which refers to a portfolio management strategy whereby the manager makes specific investments with the goal of outperforming an investment benchmark index. Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. It is these investment decisions that make it possible for an active fund to out-perform its benchmark, but also for it to under-perform. Active funds are also heavily dependent on the skills and experience of the manager of the portfolio.

An index is a customised basket of securities that tracks a particular market or segment. Each index has its own calculation methodology and its own specific process in order to select particular securities. An index fund aims to replicate the movements of an index of a specific financial market (e.g. the S&P ASX 100 Index). It seeks to achieve this by either holding all of the securities included in the index or a representative sample of those securities. Many index funds rely on a computer model with little or no human input in the decision as to which securities are purchased or sold and is therefore a form of passive management. Index funds by their nature favour long term holders of securities as it is based on the strategy that results in much lower portfolio turnover than that of active funds. A relatively passive investment style regularly outperforms active management approaches over the longer-term.

The investment strategy to be employed by the Manager for the Company displays many features of an index fund. However, the Manager assumes a more significant role in the context of the Company as it will be exercising its own judgement to exclude entities with less attractive corporate governance policies from the Portfolio. Accordingly, while the Company will display many of the features of an index fund, the investment strategy should be seen as an index-based fund rather a pure index fund. The index which provides the investment universe for the Company is the S&P ASX 100 Index.

3.3 INVESTMENT OBJECTIVE AND STRATEGY

The Company believes that relatively high levels of corporate governance produce, over the long term, the best returns to shareholders.

The Company aims to achieve long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P ASX 100 Index and then excluding those entities with the lowest relative ranking for corporate governance.

A key problem for the individual investor is how to measure governance practices across a large universe of companies in a cost-efficient way. Furthermore, actively seeking corporate reform, by voting proxies and challenging companies and the status quo, can be a daunting task for the individual investor.

The Company has been established to address these concerns by investing in a significant number of the best governed Australian companies, as ranked by the Manager's analysis, and seeking to promote adherence to corporate governance best practice recommendations in its investments by voting its proxies and participating in shareholder meetings.

The Company and the Manager recognise that some entities displaying corporate governance structures that the Manager considers inappropriate, may still generate a favourable return for investors. However, the investment strategy of the Company to be employed by the Manager is directed not at a more traditional "stock-picking" strategy of an active investment fund but the index-style of investment screened for corporate governance in the manner set out in this Section 3.

3.4 EXISTING CORPORATE GOVERNANCE ANALYSIS

At present, there are a number of research firms issuing research reports and data reflecting analysis of corporate governance policies and profiles.

These research firms include RiskMetrics Group, Governance Metrics International, SIRIS and Regnan.

Each research firm applies differing criteria in their assessment of corporate governance. However, factors that are typically taken into account in these reports include the following.

- Board structure
- Board accountability
- Financial disclosure and internal controls
- Shareholder rights
- Executive compensation/Ownership
- Audit
- Ownership structure
- Anti-takeover defences
- Corporate behaviour

A number of these research firms provide informal ratings of corporate governance compliance in entities in the investment universe. These ratings do not constitute credit ratings or otherwise recommendations to buy, sell or hold any Company's securities. There is no consistency in the rating or ranking approach adopted by third party providers; some providers prepare relative ranking scores for entities within the investment universe while others rank entities without comparison to the others.

A number of these research firms also provide assessment of other matters or other themes including environmental and social/ethical issues. While these matters are of particular interest to many members of the investment community, the Manager and the Company do not propose to take these factors into account when assessing whether an entity's securities should be included in the Portfolio.

The Manager considers that the data provided by these third parties is helpful in assessing the securities of which entities should be excluded from the Portfolio. However, the Manager does not propose to rely on any single provider in compiling the data it considers necessary to exclude entities from the Portfolio.

3.5 INVESTMENT PROCESS

In order to achieve the targeted investment strategy, the Manager will employ a combination of a passive investment management strategy designed to track the performance of the investment universe and an active investment management strategy designed to exclude those companies in the investment universe that do not meet certain corporate governance rating criteria.

The starting investment for the Company will generally be the securities within the S&P ASX 100 Index, with the weightings applied to each entity initially in proportion to their relative weighting in the Index.

Each entity within the S&P ASX 100 Index will be ranked on a relative corporate governance basis. The Manager will use a range of third party research along with its own analysis to rank the entities on a comparative basis. As the factors taken into account by most of the suppliers of third party research on corporate governance differs and, in some instances, does not cover all companies within the investment universe of the Company, the Manager will employ its criteria as well as the third party research to rank entities within the investment universe.

Initially, the Manager will primarily base rankings on the following criteria:

- Roles and responsibilities of the board.
- Integrity, transparency, balance, and timeliness of financial disclosure.
- Respect for shareholder rights and equitable treatment of shareholders.
- Fair and responsible executive compensation.
- Internal controls and recognition and management of risk.
- Corporate behaviour and ethical and responsible decision-making.

The bottom ranked 15 to 25 entities will be excluded from the investment portfolio and the Portfolio weightings will be adjusted to reflect the exclusions. As a result, the Company will hold securities issued by 75 to 85 entities at any time, all of which will be securities within the S&P ASX 100 Index.

For example, if the initial investment universe consists of companies A, B, C, and D, with each company equally weighted at 25% of the total, and company D receives the lowest corporate governance ranking, the initial Portfolio would consist of companies A, B, and C with each company equally weighted at 33 ⅓% of the Portfolio.

The Manager intends to consider a rebalance of the Portfolio every quarter to reflect changes in the composition of the S&P ASX 100 Index and changes to relative corporate governance ranking. The Directors believe quarterly consideration of Portfolio rebalancing best balances the objectives of tracking the index, timely governance ranking, and minimising costs and adverse taxation effects. The Manager will generally consider implementing changes in the S&P ASX 100 Index and governance ratings changes in the quarterly rebalancing period in which they occur. However, the Manager may choose to delay or defer the inclusion or exclusion of an entity from the Portfolio if it believes the investment objectives and taxation outcomes would be better achieved by doing so.

The investment process is described by the diagram below:



3.6 EXAMPLE OF EXCLUDED ENTITIES

The initial Portfolio will depend on the Manager's assessment of the corporate governance policies employed by the entities with securities within the S&P ASX 100 Index at the time of issue of Shares under this Prospectus. The Manager will rank each entity within the S&P ASX 100 Index on a relative corporate governance basis as compared to their peers within the index based on third party and the Manager's research. The bottom ranked 15 to 25 entities will be excluded from the investment portfolio and the Portfolio weightings will be adjusted to reflect the exclusions. As at the date of this Prospectus, the Manager has not made a final determination as to which entities presently within the investment universe that it proposes to exclude from the Portfolio.

For illustrative purposes only, set out below is a table of those entities which, had the Manager been responsible for managing the Portfolio as at 30 June 2007, 30 June 2008 and 30 June 2009 it would have excluded from the Portfolio due to their relative level of corporate governance to their peers at each given date:

30 June 2007	30 June 2008	30 June 2009
A.B.C. Learning Centres	A.B.C. Learning Centres	CFS Retail Property Trust
Allco Finance Group	Allco Finance Group	Commonwealth Property Office Fund
Babcock & Brown Infrastructure Group	Asciano Group	Crown Limited
CFS Retail Property Trust	CFS Retail Property Trust	Dexus Property Group
Commonwealth Property Office Fund	Challenger Financial Services Group Ltd	Goodman Group
DB RREEF Trust	Commonwealth Property Office Fund	Harvey Norman Holdings Ltd
Harvey Norman Holdings Ltd	Consolidated Media Holdings	ING Office Fund
ING Industrial Fund	Crown Limited	Macquarie Airports
ING Office Fund	Goodman Group	Macquarie Infrastructure Group
Macquarie Airports	Harvey Norman Holdings Ltd	Macquarie Office Trust
Macquarie Countrywide Trust	ING Industrial Fund	OZ Minerals Ltd
Macquarie Goodman Group	ING Office Fund	Primary Health Care Ltd
Consolidated Media Holdings	Macquarie Airports	Rio Tinto Ltd
West Australian Newspapers Holdings Ltd	Macquarie Countrywide Trust	Spark Infrastructure
Westfield Group	Westfield Group	Westfield Group

The Company and the Manager recognise that some entities displaying a lower level of corporate governance structures as compared to their peers, may still generate a favourable return for investors. However, the investment strategy of the Company to be employed by the Manager is directed not at a more traditional "stock-picking" strategy of an active investment fund but the index-style of investment screened for relative levels of corporate governance in the manner set out in Section 3.

3.7 INVESTMENT GUIDELINES

Under the Management Agreement, the Manager is permitted to undertake investments on behalf of the Company in accordance with the Corporations Act and the investment policies and any written guidelines issued by the Board from time to time. The initial investment policies, guidelines and criteria issued by the Board are summarised in this Section 3.

- Investment universe: the securities within the S&P ASX 100 Index.
- Corporate governance screening: the Company will exclude the bottom ranked 15 to 25 entities from the investment universe.
- Investment weighting: weightings applied to each entity will be in proportion to their relative weighting within the S&P ASX 100 Index.

While the Manager will consider changes in the S&P ASX 100 Index and governance ratings changes in the quarterly rebalancing period in which they occur, the Manager may choose to delay or defer the inclusion or exclusion of an entity from the Portfolio if it believes the investment objectives and taxation outcomes would be better achieved by doing so.

3.8 DIVIDEND POLICY

The Company intends to distribute to Shareholders its net dividend income (dividends from the underlying companies in the portfolio and interest from cash holdings less expenses) subject to the availability of sufficient profits and franking credits.

The gross dividend yield of securities within the S&P ASX 100 Index in the 2008/9 financial year was 7.1% (with a net dividend yield of 5.3%). Investors are reminded that past performance is not necessarily reflective of future performance.

3.9 CHANGES TO THE INVESTMENT STRATEGY

The investment policies, guidelines, and strategy outlined in this Section 3 are expected to be implemented for at least the initial 12 month period following admission of the Company to the official list of the ASX. Thereafter, the Company and the Manager will consult with regard to implementing any changes to these policies, strategies and guidelines. While the Company does not currently intend to make any material changes to the investment strategy, if it decides to do so, the Company will first notify Shareholders through the ASX at least 1 month prior to implementing this new strategy.

3.10 GEARING POLICY

The Company does not presently intend to gear the Portfolio.

Circumstances may occur whereby short term borrowing is deemed beneficial and, should this eventuate, the Company may borrow. The Company intends that borrowings will be limited to 10% of the total tangible assets of the Company.

3.11 CAPITAL MANAGEMENT

The Company will focus on active capital management.

The Company may undertake a buy-back of its Shares in the event that they trade at a discount to NTA backing. The Company will need to obtain shareholder approval to buy-back Shares within the first 12 months of incorporation. After this period, the maximum number of Shares that may be bought back without shareholder approval is 10% of the smallest number of Shares on issue over the previous 12 months.

The Company may also consider capital management alternatives such as the issue of other securities through bonus issues, rights issues and option issues placements with a view to enhancing the value and/or liquidity of securities held by investors.

3.12 NTA REPORTS TO SHAREHOLDERS

To assist Shareholders in assessing the value of Shares and to comply with the ASX Listing Rules, the Company will release to Shareholders through ASX a statement of its NTA backing of its Shares. These reports will be issued at least monthly as required by the ASX. The Manager intends to issue an additional weekly report to further inform the market of the position of the Portfolio.

The NTA figure released can be interpreted as an unaudited measurement of the underlying value of the Company.

The calculation of the NTA backing of Shares will be made in accordance with the ASX Listing Rules and will reflect the value of the Company's investments.

From time to time, the Company will provide to Shareholders on request, free of charge, a copy of statements to Shareholders through ASX of the NTA backing of Shares.

4. RISK FACTORS AND INVESTOR CONSIDERATIONS

4.1 GENERAL RISK FACTORS

The value of securities listed on securities exchanges can change considerably over time and the value of your investment can increase and decrease with the value of the Portfolio. This fluctuation in value is known as volatility and the level of volatility depends on the type of investment. Generally, in order of risk of asset classes, shares and commodities are the riskiest, then fixed interest, then cash. As with most investments, performance is not guaranteed. These risks may result in loss of income and principal invested.

You can do some things to reduce the impact of risk. Firstly, you may seek professional advice suited to your investment objectives, financial situation and particular needs. Nothing in this Prospectus can replace or offer that. Secondly, you may invest for at least the time frame recommended by your professional advisor.

The Company should not be seen as a predictable, low risk investment.

The Company, Manager and Issue Manager do not guarantee the return of capital, any rate of return in terms of income or capital or investment performance of the Company.

It is not possible to identify every risk associated with investing in the Company, however, the following provides a list of significant risks associated with the Company. There may be other risks associated with the Company.

A) LIQUIDITY RISK

The Company will be a listed entity, therefore the ability to sell Shares will be a function of the turnover of the Company's Shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time. As a small-capitalisation company, the Company will have lower levels of liquidity in trading of its Shares on ASX than the entities in which it will invest. As a result, Shareholders may not be able to sell their Shares at the time and in the volumes they desire. The Manager and Company intend to take such action as are within their power to mitigate this risk.

B) MARKET RISK

Investment returns are influenced by market factors, both in Australia and internationally and returns specific to each security. In particular, the market prices for many listed entities have in recent times experienced wide fluctuations, which in many cases may reflect a diverse range of non-entity specific influences including changes in the economic (e.g. changes in interest rates), legislative and political environment, as well as changes in investor sentiment. In addition, exogenous shocks, natural disasters and acts of terrorism can (and sometimes do) add to equity market volatility as well as impact directly on individual entities.

The Company's investment strategy across a diverse equities Portfolio provides a general protection against risks associated with investments in specific securities. However, the number of securities in the Portfolio may be sold from time to time due to factors such as Portfolio weightings which may change the structure and diversification of the Portfolio. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.

C) CREDIT OR COUNTERPARTY RISK

The strategies of the Company rely on the successful performance of contracts with external counterparties, including securities brokers and service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty.

D) FINANCIAL MARKET VOLATILITY

Financial market volatility may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Company's Shares trade.

E) INDUSTRY RISK

Although, the Company's investment strategy is not concentrated in any particular industry, particular investments may be affected by certain industry related risks. Industry risk factors that may affect the future operation or performance of the Company are outside the control of the Company. Such factors include increased regulatory and compliance costs and variations in legislation and government policies generally.

F) EQUITY RISK

There is a risk that Shares will fall in value over short or extended periods of time. Historically, shares have outperformed many other traditional assets classes over the long-term. Share markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of times. Investors in the Company are exposed to this risk.

G) INTEREST RATES

Any variation in short and long-term interest rates could materially affect the operating results of the underlying investments and therefore the Company.

H) PERFORMANCE OF OTHER ASSET CLASSES

Good performance (or anticipated performance) in other assets classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the price at which the Shares trade.

I) KEY PERSONNEL

The Manager plays an active part in reviewing the performance of investments and selecting fund managers.

The loss of key personnel of the Manager could have a negative effect on the Company.

J) NO OPERATING OR PERFORMANCE HISTORY OF THE COMPANY

The Company has no financial, operating or performance history.

The information in this Prospectus about the investment objectives of the Company are not forecasts, projections or the result of any simulation of future performance. There is a risk that the Company's investment objectives will not be achieved.

K) TAXATION RISK

Tax laws (including Australian tax laws) are in a continual state of change and reform which may affect the Company and Shareholders.

Tax liabilities are the responsibility of each individual Shareholder. The Company is not responsible either for taxation or penalties incurred by Shareholders. Shareholders should consult their own taxation advisers to ascertain the tax implications of their investment.

L) GOVERNMENT POLICY

Changes in government, monetary policies, taxation and other laws and actions (including such matters as compliance with environmental regulations) can have a significant influence on the outlook for underlying companies and in turn, affect the Company's performance.

M) REGULATORY RISK

The Company is exposed to the risk of changes to applicable laws or their interpretation which have a negative effect on the Company, its investments or returns to Shareholders or the risk of non-compliance with reporting or other legal obligations.

N) SUBSTANTIAL HOLDINGS IN SECURITIES

As the Company is designed to provide a long term exposure to the Australian share market, the Manager intends to always be at least 90% invested in Australian Securities, regardless of market conditions. This means that market volatility will always affect the NTA of the Securities.

4.2 INVESTOR CONSIDERATIONS

Before deciding to subscribe for Shares, Applicants should consider whether Shares are a suitable investment.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company, and on the disposal of Shares. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Shares you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

5. DIRECTORS AND CORPORATE GOVERNANCE

5.1 JEFFREY WHALAN AO

BA (UNSW), FAICD, FAIM; INDEPENDENT DIRECTOR (CHAIRMAN)



Jeffrey is managing director of WHON Pty Ltd, a specialist human resources company. Jeffrey is also an Independent Director of Global Resource Masters Fund Limited, a company whose portfolio is managed by the Manager. He was a senior executive officer in the Australian Public Service from 1990 to 2008.

Jeffrey was appointed an Officer in the Order of Australia in 2008 for his work as chief executive officer of Centrelink. Among other things, the award recognised his achievements in 'the development of corporate accountability processes'.

Jeffrey is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. He is also the chair of the Code Compliance Committee which monitors compliance with the mutual Banking Code of Practice.

Jeffrey has been the chief executive officer of Centrelink, the largest agency of the Australian Public Service, responsible for \$70 billion of government outlays and 27,000 staff. Prior to this he was chief executive officer of Medicare Australia.

Jeffrey has held Deputy Secretary positions in the department of Prime Minister and Cabinet, the department of Defence and the then department of Family and Community Services. He has also held senior executive positions in the department of Transport and the department of Health.

5.2 DAVID HAWES

B.COM DIP ED (MELB); INDEPENDENT DIRECTOR



A career specialist in international trade and economic issues, David has held senior executive positions in both the public and private sectors.

He was Deputy Secretary in the Department of Foreign Affairs and Trade. With over 20 years experience in international trade policy and negotiations at bilateral and multilateral levels, he had served in Paris (OECD) and Brussels, and as Australia's Ambassador to the GATT in Geneva. He played a leading role in the Uruguay Round (1986-1994), including through chairing the negotiations that produced the General Agreement on Trade in Services.

David joined Qantas Airways in 1994, in the lead-up to the airline's full privatisation and public listing, and headed its Government and International Relations area until early 2009. His role involved detailed dealings with policy makers and regulators and wide ranging engagement with internal and external stakeholders. He also represented Qantas on domestic and international industry bodies associated with aviation and tourism. As a member of Qantas' Executive Committee, David witnessed, and participated in, many of the airline's important corporate governance structures, functions and responsibilities. He also served on the board of the Qantas Foundation.

David's previous appointments include membership of the Minister for Trade's Trade Policy Advisory Council, the Council on Australia-Latin America Relations, and the board of the Australian Services Roundtable.

5.3 MAXIMILIAN WALSH AM

BEC (SYDNEY); DIRECTOR



Max is regarded as one of Australia's leading economists and business journalists. He has specialised in the areas of business, economics and politics in a journalistic career spanning nearly 50 years.

Amongst numerous previous executive roles, he was editor and managing editor of The Australian Financial Review and Editor-in-Chief of The Bulletin. He also served on the board of Northern Star TV (predecessor to Channel Ten).

Max is now Deputy Chairman of Dixon Advisory and Superannuation Services Pty Limited. Max is also Chairman of Asian Masters Fund Limited and Global Resource Masters Limited which are ASX listed investment companies with over \$170 million of market capitalisation. Max is also Chairman of the Australian Masters Corporate Bond Fund series, which presently consists of 5 companies with over \$250 million of corporate bonds under management.

5.4 CORPORATE GOVERNANCE

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities. The policies adopted by the Board will be reviewed and may vary should size and nature of the Company's activities vary.

The Company will satisfy all of the best practice recommendations of the ASX Corporate Governance Council as set out in the "Corporate Governance Principles and Recommendations Second Edition August 2007" (ASX Recommendations).

The main corporate governance policies are summarised below.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company's Corporate Governance Charter (Charter) sets out the role and function of the Board. The Charter will be reviewed by the Board and amended to reflect the size, nature and operating experience of the Company.

The Management Agreement sets out the role and function of the Manager. The terms of this agreement are summarised in this Prospectus.

Under the Management Agreement, investments must be selected in accordance with the investment process outlined in Section 3.

Any proposed investment that does not fall within this investment strategy or any change in the investment strategy proposed by the Manager requires the prior approval of the Board which may be withheld in the Board's absolute discretion. Except in these circumstances all discretion regarding the portfolio rests with the Manager and is not subject to direct supervision or approval of the Board.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Independent Directors

The Company has 2 independent Directors, David Hawes and Jeffrey Whalan (Chairman). The third member of the Board, Maximilian Walsh is connected with the Manager and is involved in the management of the business of the Manager. The independent Directors represent the majority of the Board.

Appointment and Retirement of Non-Executive Directors

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

Directors' Access to Independent Professional Advice

It is the Board's policy that any Director or committee established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.

Committees established by the Board should operate in accordance with terms of reference established by the Board.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company's Charter incorporates a detailed share trading policy and a code of conduct.

These have been established to assist the Board in the performance of their duties and are in compliance with this principle.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Committees

The Company recognises the ASX Recommendations with respect to establishing audit, remuneration and nomination committees as good corporate governance. However, the Board is of the view that considering the size of the Company and the Board, the functions that would be performed by these committees are best undertaken by the Board. This is also in line with ASX Recommendations which recognise that "the ultimate responsibility of the integrity of a company's financial reporting rests with the full board".

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

The Company's Charter includes the policies and procedures for compliance with the ASX Listing Rules.

The continuous disclosure policy (Policy) sets out the general procedures to be followed when dealing with information that may constitute price sensitive information. It also sets out the Company's policy with respect to media speculation and rumours.

The underlying principle of the Policy is not to comment or provide information to any party unless and until this information has been announced to the market.

The Company's Policy establishes that the ultimate responsibility for the effective management of the Company and for monitoring compliance with the Charter rests with the Board. The responsibility for ensuring compliance and adherence with the Policy is that of the Company Secretary. Additionally, the Company's Policy establishes that any deviations from the ASX Recommendations will be addressed, in accordance with the "if not, why not" principle in the Company's future annual reports.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

The Company's policy with respect to shareholder communication is in line with this principle. The Board will communicate with shareholders regularly and clearly. Communications will be made by electronic means as well as by traditional methods.

In addition, the Company's auditors will be invited to attend the Company's future annual general meetings to address and respond to any Shareholder questions.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Risk management is addressed in the Company's Corporate Governance Charter. The Board together with the Manager will identify, monitor, assess and mitigate risk. This process will be reviewed regularly and amended as and when required.

PRINCIPLE 8 - ENCOURAGE ENHANCED PERFORMANCE

The Board is responsible for monitoring, evaluating and reviewing performance. The Company's remuneration policy will be regularly reviewed to ensure compliance with this principle.

Remuneration

The initial maximum total remuneration of the Directors has been set at \$200,000 per annum to be divided among the Directors as they see fit. The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

Max Walsh has agreed to waive his entitlement to Directors' fees for the duration of his directorship.

6. THE MANAGER

6.1 BUSINESS OF THE MANAGER

The Manager, Dixon Advisory & Superannuation Services Limited, holds AFSL registration Number 231143. The Manager provides a comprehensive administration service and, where requested, financial advice to over 3,200 self-managed superannuation fund clients with a combined superannuation asset base in excess of \$2.5 billion. The Manager is in the top five companies in Australia in terms of the number of self-managed super funds under administration. The Manager provides financial advisory services, has a full service stockbroking division, a corporate finance division, estate planning, property advisory and mortgage service and a personal insurance service.

6.2 OTHER MANAGEMENT ROLES

The Manager currently manages a portfolio of interests of Australian Masters Corporate Bond Fund No 1 Limited, Australian Masters Corporate Bond Fund No 2 Limited, Australian Masters Corporate Bond Fund No 3 Limited, Australian Masters Corporate Bond Fund No 4 Limited, and Australian Masters Corporate Bond Fund No 5 Limited. The first four of these companies completed issues of shares raising approximately \$54 million in May 2008, approximately \$35 million in September 2008, approximately \$40 million in February 2009 and approximately \$72 million in June 2009 respectively. Australian Masters Corporate Bond Fund No 5 is continuing to raise capital under a prospectus dated 6 October 2009 and has already allotted in excess of \$43 million of shares. Funds raised for these companies are invested in corporate bonds with a buy and hold strategy.

In addition, the Manager is also currently managing the investment portfolio of Global Resource Masters Fund Limited, an ASX listed investment company adopting a "fund of funds" investment approach. This company gives Australian investors the opportunity to gain access to leading global fund products and managers specialising in the natural resource sector. As at the date of this Prospectus, the company had a market capitalisation on ASX of \$82 million.

The Manager is also the new manager for Asian Masters Fund Limited, an ASX-listed investment company adopting a "fund of funds" investment approach. This management appointment was approved at a meeting of the Asian Masters Fund on 4 December 2009. This company gives Australian investors the opportunity to gain access to leading global fund products and managers investing in the Asian region. As at the date of this Prospectus, the company had a market capitalisation on ASX of \$93 million.

The funds managed by the Manager, and set out above, use different investment styles to the Company and are not representative of the likely performance of this Company.

6.3 ROLE OF THE MANAGER

The primary role of the Manager is to:

- Construct the initial Portfolio of investments in accordance with this Prospectus.
- Monitor and rebalance the underlying Portfolio.
- Ensure the cash component of the Portfolio is managed and in the most appropriate account.

6.4 KEY PERSON OF THE MANAGER

The officer of the Manager with primary responsibility for the Portfolio of the Company will be Alex MacLachlan.



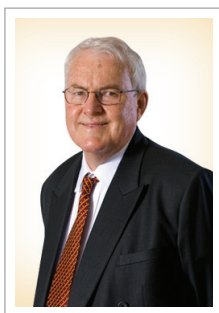
Alex MacLachlan is Managing Director, Funds Management of Dixon Advisory & Superannuation Services Limited and Managing Director of Global Resource Masters Fund Limited (market capitalisation \$82 million). He is also a director of Asian Masters Fund Limited (market capitalisation \$93 million) and the Australian Masters Corporate Bond Fund series which presently consists of 5 companies with over \$250 million of Corporate Bonds under management. As the key person for the Manager, Alex will have primary responsibility for identifying, reviewing and selecting investments for the Company, and maintaining ongoing monitoring and performance reporting on the Company's investments. Alex has a team of professionals employed by the Manager who will assist him in performing his role.

Prior to joining the Manager, Alex was an investment banker specialising in the natural resources sector, most recently serving as Head of Energy, Australasia, for UBS AG in Sydney and prior to that as an investment banker at Credit Suisse First Boston. During his career as an investment banker, Alex advised many of Australia's and the world's leading natural resources companies, working on over \$100 billion in announced mergers and acquisitions and capital markets transactions for over 30 leading Australian and international natural resources companies.

Before specialising in natural resources investment banking, Alex worked in the Japanese Government Bond derivatives markets in London, New York and Sydney. Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

6.5 OTHER SENIOR EXECUTIVES

Other senior executives of the Manager who will be involved in management of the Portfolio are Daryl Dixon, Alan Dixon and Chris Brown. Information regarding their skills and experience is set out below:



Daryl Dixon is a graduate in economics holding a BA (Hons) from the University of Queensland and an MA (Hons) from Cambridge University.

Daryl is now the Executive Chairman of Dixon Advisory Limited. Daryl has extensive experience in the areas of taxation, retirement incomes and social welfare policy. He is known in Australia as a leading financial expert, particularly in the area of superannuation. Daryl is Executive Chairman of Dixon Advisory & Superannuation Services Limited a financial advisory firm which has now over \$2.5 billion of funds under administration. He has special expertise in personal and self managed super fund strategies, as well as extensive experience as a direct share investor in his own right.

Daryl is a director of the Australian Masters Corporate Bond Fund series, which presently consists of 5 companies with over \$250 million of Corporate Bonds under management. Daryl is also a director of Asian Masters Fund Limited and Global Resource Masters Fund Limited, ASX listed investment companies with over

\$170 million of market capitalisation. Daryl is also a director of HCF Life and has worked previously for the International Monetary Fund, the Federal Treasury, Department of Finance and the Social Welfare Policy Secretariat. He was a member of the Fraser Government's Occupational Superannuation Task Force.



Alan Dixon holds a Bachelor of Commerce from the ANU and is a member of the Institute of Chartered Accountants in Australia.

Alan has been providing financial advisory services to corporations, institutions and individuals for the last 15 years. Until December 2000, he worked for various investment banks, including ABN AMRO (where he was an Associate Director in Mergers and Acquisitions and Equity Capital Markets) and Ord Minnett Corporate Finance. Since January 2001, he has operated as Managing Director of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited provides a complete suite of financial services, employs over 240 people and has over \$2.5 billion of funds under administration across over 3,200 self managed super funds.

Alan is a director of the Australian Masters Corporate Bond Fund series, which presently consists of 5 companies with over \$250 million of Corporate Bonds under management. Alan is also a director of Asian

Masters Fund Limited and Global Resource Masters Fund Limited, ASX listed investment companies with over \$170 million of market capitalisation.



Chris Brown holds a B Chem Eng (Hons) and a BCom both from Sydney University.

Chris is Managing Director, Strategy of Dixon Advisory & Superannuation Services Limited. Prior to joining the Manager, Chris was an Executive Director at UBS AG in the Investment Banking Division in Sydney. Over his 8 years at UBS he provided capital markets and mergers & acquisitions advice to many different public and private companies in Australia and overseas. Chris specialised in providing this advice to industrial, utility, infrastructure, property and financial companies. Chris spent several years in the UBS Mergers & Acquisitions Group in New York working on transactions in chemicals, healthcare, consumer products, media, telecoms, technology, insurance and utilities. Prior to joining UBS, Chris also worked in the Investment Banking division of ABN AMRO where he focused on mergers & acquisitions along with capital markets advice to companies in the Australian property sector.

Chris is a director of the Australian Masters Corporate Bond Fund series, which presently consists of 5 companies with over \$250 million of Corporate Bonds under management.

7. FINANCIAL INFORMATION

7.1 PRO FORMA STATEMENT OF FINANCIAL POSITION

The pro forma statements of financial position set out below have been prepared to illustrate the financial position of the Company following completion of the Issue and expenditure of funds. These pro forma statements of financial position are intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Issue.

Assets/Liabilities	Minimum Subscription of \$16,000,000 Raised	Maximum Subscription of \$50,000,000 Raised	With Over Subscription of \$100,000,000 Raised
ASSETS			
Cash	\$15,510,001	\$48,534,556	\$97,226,671
Deferred tax asset	\$147,000	\$439,634	\$831,999
LIABILITIES	-	-	-
NET ASSETS/EQUITY	\$15,657,001	\$48,974,189	\$98,058,670
NTA per Share	\$1.566	\$1.567	\$1.569

7.2 CASH

A reconciliation of the cash balance contained in the pro forma statements of financial position is as follows:

	Minimum Subscription of \$16,000,000 Raised	Maximum Subscription of \$50,000,000 Raised	With Over Subscription of \$100,000,000 Raised
Initial Subscriber Shares	\$1	\$1	\$1
Proceeds of Prospectus Offer at \$1.60 each	\$16,000,000	\$50,000,000	\$100,000,000
Costs of the Offer	\$490,000	\$1,465,445	\$2,773,330
Estimated Net Cash Position	\$15,510,001	\$48,534,556	\$97,226,671

7.3 ASSUMPTIONS

The pro forma statements of financial position have been prepared on the basis of the following assumptions:

- Application of the proposed accounting policies and notes to the accounts as set out in Section 7.4;
- In the pro forma statement of financial position entitled "Minimum Subscription of \$16,000,000 Raised", it is assumed that 10,000,000 Shares are issued to Applicants under this Prospectus;
- In the pro forma statement of financial position entitled "Maximum Subscription of \$50,000,000 Raised", it is assumed that 31,250,000 Shares are issued to Applicants under this Prospectus;
- In the pro forma statement of financial position entitled "Over Subscription of \$100,000,000 Raised", it is assumed that 62,500,000 Shares are issued to Applicants under this Prospectus being the maximum subscription of 31,250,000 Shares under the offer and maximum over subscription of a further 31,250,000;
- Initial expenses related to the Issue include:
 - An Arranging Fee of 2.0% (plus applicable GST) and a Structuring Fee of 0.5% (plus applicable GST) payable to the Issue Manager in respect of all funds raised; and
 - Initial ASX listing fees, share registry fees, ASIC fees, accounting, taxation and legal fees and marketing costs up to a maximum of 0.5% (plus applicable GST) of funds raised.

These costs have been recognised in equity of the Company. Costs of the Issue exceeding 3.0% (plus applicable GST) of funds raised are borne by the Issue Manager;

- f) The deferred tax asset is calculated by applying a 30% tax rate to the costs of the Offer which are deductible over five years provided the Company complies with the conditions of deductibility imposed by the law. Deferred tax asset recognition assumes that it is probable that there will be future taxable income against which the benefits of the tax deduction can be applied;
- g) Any interest earned by the Company during the Offer period has not been taken into account; and
- h) Management fees payable subsequent to the completion of the Offer have not been included in the pro forma statements of financial position as they relate to costs of managing the business and are not related to the Offer of Shares.

7.4 MATERIAL ACCOUNTING POLICIES

A summary of material accounting policies which have been adopted in the preparation of the pro forma statements of financial position set out in Section 7.1 and which are expected to be adopted in the preparation of the financial report of the Company for the period ending 30 June 2010 and subsequent years are as follows:

BASIS OF PREPARATION

The financial information has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial information covers Australian Governance Masters Index Fund Limited which is a public company, incorporated and domiciled in Australia.

REPORTING BASIS AND CONVENTIONS

Australia Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply.

The financial information has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Material accounting policies adopted in the preparation of the financial information and which are expected to be adopted in the preparation of the financial report of the Company are presented below.

ACCOUNTING POLICIES

A) REVENUE

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

The realised gain or loss on disposal of investments is not recognised until the trade has settled. All unrealised gains or losses which represent movements in the market value of the portfolio held-for-trade are recognised through the income statement.

All revenue is stated net of the amount of goods and services tax ("GST").

B) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

C) FINANCIAL INSTRUMENTS

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through the income statement. Transaction costs related to instruments classified at fair value through the income statement are expensed to the income statement immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the income statement.

Classification and Subsequent Measurement

- Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at an amortised cost using the effective interest rate method.

- Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity.

Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

- Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges. The Company does not participate in hedging activities.

Fair value

Fair value is determined based on current bid prices for all quoted investments in an active market. Valuation techniques are applied to determine the fair value for all unlisted securities and securities in markets that are not active, including recent arms length transactions, reference to similar instruments and valuation techniques commonly used by market participants.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

E) INCOME TAX

Income tax comprises current and deferred tax.

Current income tax expense is the tax payable on taxable income calculated using the applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred tax expense/(income) is charged or credited directly to equity instead of profit or loss when tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is to be realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax asset and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

F) PROVISIONS

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

G) SHARE CAPITAL

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

H) ROUNDING OF AMOUNTS

The Company has applied the relief to it under ASIC order 98/100 and accordingly, amounts have been rounded off to the nearest dollar.

I) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors evaluate estimates and judgments incorporated into the financial information based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

J) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The Australian Accounting Standards Board has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt.

The Company does not anticipate early adoption of any of the reporting requirements and does not expect them to have any material effect on the Company's pro forma statement of financial position.

7.5 PROCEEDS FROM THE ISSUE

The proceeds of the Issue will be used for investment opportunities that meet the Company's investment objectives as set out in Section 3.

FINANCIAL SERVICES GUIDE

15 December 2009

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("William Buck" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an Authorised Representative of a financial services licensee.

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide as an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769);
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We are an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd that holds an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Deposit and payment products limited to:
 - basic deposit products; and
 - deposit products other than basic deposit products;
- Derivatives limited to old law securities options contracts and warrants;
- Debentures, stocks or bonds issued or proposed to be issued by a government;
- Life products including:
 - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
 - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
- Interests in managed investment schemes including investor directed portfolio services;
- Retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997);
- Securities; and
- Superannuation.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an Authorised Representative of a financial services licensee, authorised to provide the financial product advice contained in the report.

GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

ASSOCIATIONS AND RELATIONSHIPS

From time to time William Buck may provide professional services including financial advisory services to financial product issuers in the ordinary course of its business.

COMPLAINTS RESOLUTION

INTERNAL COMPLAINTS RESOLUTION PROCESS

As an Authorised Representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: The Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001 or toll free: 1300 78 08 08 or by facsimile: (03) 9613 6399.

CONTACT DETAILS

You may contact us at:

William Buck

Level 29, 66 Goulburn Street
Sydney, NSW 2000

T 02 8263 4000

8. INVESTIGATING ACCOUNTANT'S REPORT

15 December 2009

The Directors
Australian Governance Masters Index Fund Limited
Level 15, 100 Pacific Highway
NORTH SYDNEY NSW 2060

Dear Sirs,

INVESTIGATING ACCOUNTANT'S REPORT

INTRODUCTION

This Report has been prepared by William Buck Corporate Advisory Services (NSW) Pty Limited ("**William Buck**") for inclusion in a prospectus to be dated on or about 15 December 2009 (the "**Prospectus**") relating to the Offer by Australian Governance Masters Index Fund Limited ACN 140 842 397 (the "**Company**") of up to 31,250,000 fully paid ordinary shares (the "**Shares**") at an offer price of \$1.60 per Share to raise up to \$50,000,000 before the costs of Offer. Further, the Company has established a provision for acceptance of oversubscription for a further 31,250,000 Shares at an Offer price of \$1.60 per Share which, if received, would raise an additional \$50,000,000.

The minimum number of Shares offered under this Prospectus is 10,000,000 Shares at an Offer price of \$1.60 per Share raising \$16,000,000. If this minimum subscription of \$16,000,000 is not achieved within four months from the opening date, the Company will repay all money received from applicants within seven days after that date or such later date as may be permitted by the Corporations Act with the consent of ASIC.

The Offer is not underwritten.

Expressions defined in the Prospectus have the same meaning in this Report.

BACKGROUND

The Company was incorporated in Australia as a public company on 30 November 2009 with one Share issued for \$1 and has not traded or issued shares since incorporation. The Share is held by Mr Maximilian Walsh.

The Company has been established to provide Australian investors the opportunity to invest in the best governed of the companies within the S&P ASX 100 Index as identified through the Company's corporate governance rating criteria.

The investments of the Company will be managed by Dixon Advisory & Superannuation Services Pty Limited (the "**Manager**"). The Manager has been in existence since December 2002 and provides a comprehensive administration service and where requested financial advice to over 3,200 self managed superannuation funds. The Manager will receive a management fee as set out in Section 9.1 of the Prospectus. The Manager is not entitled to receive a performance fee.

The Company's investment philosophy is that good corporate governance structures produce the best returns to shareholders over the long term.

The investment objective of the Company is to achieve long term appreciation, whilst reducing risk and preserving the investment capital of the Company, through investments in the companies within the S&P ASX 100 Index and excluding those companies with the lowest relative rating for corporate governance.

The Company intends to invest the proceeds raised under the Prospectus in a portfolio of investments as set out in Section 3 of the Prospectus.

William Buck Corporate Advisory Services (NSW) Pty Limited • ABN 50 133 845 637

Authorised representative of William Buck Financial Services (NSW) Pty Limited, AFSL 240769

Level 29, 66 Goulburn Street, Sydney NSW 2000

T (61 2) 8263 4000 F (61 2) 8263 4111 E info@williambucknsw.com.au W www.williambuck.com.au

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide.

Liability limited by a scheme approved under Professional Standards Legislation. Other than for the acts or omissions of financial services licensees.



FINANCIAL INFORMATION

This Report deals with the financial information included in the Prospectus at Section 7 (the "Financial Information") which comprises:

- Pro forma statements of financial position under three scenarios ("the Pro Forma Balance Sheets");
- A reconciliation of the cash balances contained in the pro forma statements of financial position;
- Assumptions underlying the pro forma statements of financial position; and,
- Accounting policies adopted in the preparation of the pro forma statements of financial position.

The pro forma statements of financial position have been prepared to illustrate the financial position of the Company on completion of the Issue and have been prepared on the basis of the assumptions and material accounting policies as set out in Section 7 of the Prospectus.

The Directors of the Company are responsible for the preparation and presentation of the pro forma statements of financial position including the assumptions and material accounting policies on which they are based. We disclaim any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The Directors are not making any forecasts with respect to the future earnings of the Company.

SCOPE

We have conducted an independent review of the financial information included in Section 7 of the Prospectus in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial information is not presented fairly in accordance with the assumptions and material accounting policies adopted and summarised at Section 7 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and guidance provided in AGS 1062 "Reporting in Connection with Proposed Fund Raisings". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, which were limited primarily to:

- a) Review of relevant working papers detailing the pro forma adjustments, the assumptions on which they were made and other supporting documentation, as appropriate;
- b) Consideration of the consistency in application of the recognition and measurement principles prescribed in Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001; and
- c) Enquiries with the Company's Directors, management and advisors.

The procedures undertaken do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

REVIEW STATEMENT ON FINANCIAL INFORMATION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a) The financial information has not been properly prepared so as to present fairly, the pro forma financial position of the Company; and,
- b) The assumptions and material accounting policies adopted and summarised at Sections 7.2, 7.3 and 7.4 of the Prospectus do not form a reasonable basis for the preparation of the pro forma statements of financial position set out in Section 7.1 of the Prospectus.

LEGAL PROCEEDINGS

To the best of William Buck's knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken not otherwise disclosed in this Report which would cause the information included in the Report to be misleading.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

SOURCES OF INFORMATION

We have made enquiries of the Directors of the Company and other parties as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which relate to the operations of the Company.

We have no reason to believe that the information supplied is not reliable.

DECLARATIONS

William Buck has prepared this Report for inclusion in the Prospectus. We have not acted in any other capacity in relation to the Prospectus, and have not been involved in the preparation of any part thereof.

William Buck (NSW) Pty Limited, an entity associated with William Buck Corporate Advisory Services (NSW) Pty Limited, has provided income tax advice to the Company for which professional fees in the order of \$1,500 will be received. William Buck Chartered Accountants has also consented and been appointed Auditor of the Company.

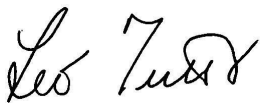
William Buck does not have any interest in the outcome of this Issue and the listing of Australian Governance Masters Index Fund Limited other than a fee in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees in the order of \$10,000 will be received. No pecuniary or other benefit, direct or indirect, has been received by William Buck for or in connection with the making of this Report.

This Report has been prepared by Leo Tutt and Manda Trautwein of William Buck.

Other than as disclosed above, Leo Tutt and Manda Trautwein, the other Directors of William Buck and the staff involved with the preparation of this Report have, at the date of this Report, no interest in or financial relationship with Australian Governance Masters Index Fund Limited.

Yours faithfully,

William Buck Corporate Advisory Services (NSW) Pty Limited



L. E. Tutt
Director



Manda Trautwein
Director

9. MATERIAL CONTRACTS

The Directors consider that the material contracts described below and elsewhere in this Prospectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

This report only contains a summary of the material contracts and their substantive terms.

9.1 MANAGEMENT AGREEMENT

The Company has appointed the Manager to manage the Portfolio of the Company and the Manager will manage and supervise all investments for the term of the Management Agreement.

POWERS OF MANAGER

Subject to the Corporations Act, the Company's investment policies and any written guidelines issued by the Company from time to time, the Manager will from time to time on and from the date the Company allots and issues not less than 100,000 Shares pursuant to the Offer (**Commencement Date**) manage the Portfolio and the investments on behalf of the Company.

The Manager has discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including:

- a) the investigation of, negotiation for, acquisition of, or disposal of, every investment;
- b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments in lieu of those investments;
- c) if any investments are redeemed, or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies in the purchase of investments to be added to the Portfolio;
- d) retain or sell any Security or other property received by the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments.

MONTHLY VALUATION

The Manager must arrange for the calculation of the value of the Portfolio at least monthly.

MANAGEMENT FEE

In return for the performance of its duties as Manager of the Portfolio the Manager is entitled to be paid, and the Company must pay to the Manager (which remuneration is to be retained for the use and benefit of the Manager) payable monthly in arrears calculated in accordance with the following formula:

$$F = (VP \times 0.0049) / 12 - AE$$

Where:

F is the Management Fee payable in respect of that Month (excluding GST);

VP is the Value of the Portfolio calculated on the First Business Day of each Month;

AE is the Allowable Expenses in respect of that Month.

Allowable Expenses in this formula means the aggregate of:

- a) Subject to (c), fees payable to directors of the Company for the performance of their duties as directors in the ordinary course of business. For the avoidance of doubt this excludes any retirement benefits payable to a director, any fees paid to an executive director and any fees payable to a director in connection with the performance of any extra services or special exemptions or reimbursements of any expenses incurred by a director;
- b) Fees payable to the auditor in connection with the audit of the annual financial statements of the Company and the auditor review of the half yearly financial statements of the Company, in each case in respect of a Month; and
- c) The maximum to be taken into account as an Allowable Expense under (a) is \$16,666.66 or such greater amount approved by the Manager from time to time. Nothing in this clause (c) limits the ability of the Company to pay a greater amount to directors.

PERFORMANCE FEE

The Manager will not be entitled to receive a performance fee from the Company.

EXPENSES

The Manager is liable for and must pay the following fees, costs and expenses when properly incurred in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment:

- a) fees payable to the Company's share registrar and the Approved Valuer;
- b) fees payable to legal advisers of the Company in respect of the affairs of the Company to the extent they are incurred in the ordinary course of business of the Company;
- c) fees payable to ASX (other than the initial application for admission of the Company to the official list of the ASX and official quotation of new shares issued after the Commencement Date not undertaken under the Prospectus) to maintain the admission of the Company to the official list of ASX and quotation of shares to be issued pursuant to the Prospectus and shares issued subsequently by the Company from time to time;
- d) costs incurred in preparation, printing and despatch of the annual report of the Company;
- e) costs incurred in convening and holding the annual general meeting of the Company.

The Company is liable for and, if required by the Manager, must pay out of the Portfolio (or if paid by the Manager, reimburse the Manager out of the Portfolio) the following fees and expenses when properly incurred:

- a) all costs, stamp duties, financial institutions duties, bank account debits tax and legal fees and other duties, taxes, fees, disbursements and expenses incurred by the Company or the Manager (or both) in connection with:
 - i) the acquisition and negotiation of any Investment or Proposed Investment;
 - ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any Investment;
 - iii) the receipt of income or other entitlements from the investments of the Portfolio; and
 - iv) the engagement of a custodian to hold any Investment on behalf of the Company;
- b) outgoings in relation to the Portfolio such as duties and taxes;
- c) expenses relating to the initial listing fees associated with the application of the Company for admission to the official list of the ASX; and
- d) legal fees incurred by the Company and its directors in obtaining advice in relation to compliance with ASX Listing Rules and the Corporations Act in respect of any actions outside the ordinary course of business of the Company including in respect of enforcement of rights and termination of the Management Agreement assessing and responding to requisition for general meeting and the acquisition of shares in the Company pursuant to Chapter 6 of the Corporations Act;
- e) independent legal advice obtained by the directors of the Company in accordance with the Company's corporate governance policy;
- f) costs associated with undertaking the issue of additional shares, distributions, returns of capital, share buy-back or other reductions of capital;
- g) costs of calling and holding general meetings of the Company other than the annual general meeting;
- h) costs associated with any winding-up of the Company; and
- i) any other costs incurred outside the ordinary course of business of the Company.

The Manager must bear the cost of, and is not entitled to be reimbursed by the Company in respect of, its internal labour costs and legal costs in connection with its performance of its obligation under the Agreement.

TERM

The Management Agreement is for an initial period commencing on the Commencement Date and expiring on the date 5 years after the Commencement Date, unless terminated earlier in accordance with its terms.

The Management Agreement will be automatically extended upon the expiry of the Initial Term for a further 5 years and, if not terminated earlier, on each subsequent anniversary of the expiry of the Initial Term.

TERMINATION

The Manager may terminate the Management Agreement at any time after expiration of the Initial Term by giving to the Company at least 3 months' written notice.

The Company may immediately terminate the Management Agreement on the occurrence of any of the following:

- a) after the expiration of the Initial Term, on delivery of 3 months' prior written notice;
- b) with immediate effect if:
 - i) an Insolvency Event occurs with respect to the Manager;
 - ii) the Manager is in default or breach of its obligations under this Agreement in a material respect and such default or breach cannot be rectified; or
 - iii) the Manager is in default or breach of its obligations under this Agreement in a material respect and fails to remedy that default or breach within 30 days after receiving notice of that default or breach,
- c) after the Commencement Date, the Manager persistently fails to ensure that Investments made on behalf of the Company are consistent with the Investment Strategy applicable at the time the Investment is made; or
- d) the Licence under which the Manager performs its obligations under this Agreement is suspended for a period of not less than 1 month or cancelled at any time and the Manager fails to obtain an authorisation enabling it to perform its obligations under this Agreement from a third party holder of a Licence.

COMPANY INDEMNITY

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses on a solicitor/own client basis) incurred in connection with the Manager or any of its officers, employees or agents acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees. This obligation continues after the termination of the Management Agreement.

MANAGER INDEMNITY

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with any negligence, default, fraud or dishonesty of the Manager or its officers or supervised agents. This obligation continues after the termination of the Management Agreement.

9.2 ISSUE MANAGER AGREEMENT

The Company has appointed the Issue Manager to act as issue manager of the issue under this Prospectus for the purposes of section 911A(2)(b)(ii) of the Corporations Act.

The Issue Manager will meet costs associated with preparing and structuring the initial arrangements required for ordinary operation of the Company including costs incurred for the following:

- legal fees;
- investigating accounting fees;
- audit and accounting fees;
- registry costs; and
- preparation, printing and distribution of this Prospectus,

to the extent they exceed 3.0% (excluding GST) of the gross proceeds raised under this Prospectus.

In consideration for underwriting these costs and arranging and structuring the Offer, the Issue Manager is entitled to be paid a Structuring Fee of 0.5% (excluding GST) and an Arranging Fee equivalent to 2.0% (excluding GST) of the gross proceeds raised under the Prospectus (Structuring and Arranging Fees). The Fees are one-off payments and are payable to the Issue Manager within 14 days of the issue of Shares under this Prospectus.



9.3 DIRECTOR PROTECTION DEEDS

The Company has agreed to provide access to board papers and minutes to current and former Directors of the Company while they are Directors and for a period of 7 years from when they cease to be Directors.

The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities, which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each Director a directors' and officers' policy of insurance for the period that he or she is a Director and for a period of 7 years after the officer ceases to be a Director.

10. ADDITIONAL INFORMATION

10.1 INCORPORATION

The Company was incorporated on 30 November 2009.

10.2 BALANCE DATE

The accounts for the Company will be made up to 30 June annually.

10.3 TAXATION

The following Australian taxation observations are of a general nature only and do not purport to be a complete analysis of all potential tax effects relevant to the Offer or to a holder of Shares. The observations are applicable only in respect of Australian resident Shareholders who will hold the Shares on 'capital account'.

The summary does not take into account the particular circumstances of investors which may ultimately result in the taxation implications arising from the investment being different from those outlined below. As such, it is recommended that each investor, including non-resident investors and those investors that will hold the Shares on 'revenue account', should seek their own independent taxation advice before subscribing for Shares in the Company.

The observations which follow do not address any stamp duty or goods and services tax implications that may arise from the acquisition, holding or disposal of Shares by Applicants nor do the observations canvass implications of any future changes in the Australian taxation legislation.

COMPANY TAX STATUS

The Company will be taxed as a public company. The prevailing corporate tax rate is 30%.

TAXATION OF DIVIDENDS

Subject to the comments which follow, individual Shareholders and complying superannuation fund Shareholders will be required to gross up Company dividends that may be received for any attached franking credits and may be entitled to a tax offset equal to the franking credit. The availability of this tax offset is subject to a number of requirements including the '45 day holding period rule'. Applicants should obtain their own advice based on their specific circumstances to confirm that they would be entitled to obtain the benefit of any tax offset in respect of franked dividends received from the Company.

Excess imputation credits (that is, where franking tax offsets exceed tax payable) should give rise to tax refunds for individual and complying superannuation fund investors. Different rules apply to corporate Shareholders and such shareholders should seek specific advice on this issue.

The above observations apply equally to dividends which may be reinvested under the DRP (when operational).

TAXATION ON THE DISPOSAL OF SHARES

Australian resident Shareholders who dispose of their Shares at a price in excess of the capital gains tax cost base of those shares may be subject to capital gains tax ("CGT") on the resultant gain.

Where the Shares have been held for more than 12 months at the time of disposal, certain taxpayers may be eligible for the CGT discount concessions. These concessions can operate such that individuals and trusts will be required to include only one-half of the resultant capital gain as assessable income. Eligible superannuation funds will be required to pay capital gains tax on only two thirds of the capital gain.

The CGT discount concessions will not be available to corporate Shareholders. Moreover, investors should be aware that prior to the application of any CGT discount any current year capital losses, or prior year net capital losses, must be first applied to any current year capital gains.

Australian resident Shareholders who dispose of the Shares at a price which is less than their cost base may incur a capital loss. A capital loss may not be offset against ordinary income but may be offset against other capital gains. Any excess capital losses may be carried forward to offset capital gains in future years subject to prescribed tests being satisfied.

Gains realised by certain categories of Shareholders (such as share traders), on the disposal of Shares, may be taxed as ordinary income rather than as a capital gain.

LIC CAPITAL GAINS

It is the Company's intention to conduct its activities so as to qualify as a "Listed Investment Company" (or "LIC") for the purposes of Australian income tax law. In essence, LICs are able to pass on to eligible Shareholders the benefit of the CGT discount concessions in respect of prescribed 'LIC Capital Gains' that may be realised by the Company.

It is anticipated that the majority of profits to be distributed to Shareholders by way of dividends will be sourced from dividend income received from investments rather than LIC Capital gains.

This benefit to eligible Shareholders is achieved by way of an allowable tax deduction being potentially available to qualifying individuals, complying superannuation entities, trusts and partnerships in respect of dividends paid by the LIC, to the extent that such dividends are referable to 'LIC Capital Gains' realised and distributed by the Company.

Specifically, an eligible individual, trust or partnership should be able to claim an allowable tax deduction equal to 50% of that part of the Company's dividend that is referable to an LIC Capital Gain. A complying superannuation entity should be able to claim an allowable tax deduction equal to 33 ⅓% of that part of the Company's dividend that is referable to an LIC Capital Gain. Concessions may also be available to life insurance companies in some prescribed circumstances. The deduction is available in the income year in which the dividend is paid.

Corporate Shareholders are not entitled to any allowable tax deduction in respect of LIC Capital Gains. Moreover, special measures apply such that the benefit of this allowable tax deduction cannot be passed through a trust or partnership to beneficiaries or partners that are not individuals.

In the event that the Company qualifies as an LIC, dividend statements provided to Shareholders will separately identify the LIC Capital Gain component.

Shareholders for whom LIC status is important should consult their own professional advisers to ensure that their Shares are held in an appropriate manner to benefit from any allowable tax deduction should the Company qualify for this status.

The following examples illustrate the effect of an individual shareholder and a complying superannuation fund Shareholder receiving a dividend from the Company which includes an LIC Capital Gain component, using tax rates applicable at the time of this Offer.

The examples assume that the cash dividend of \$70 is wholly attributable to an LIC Capital Gain of \$100 (i.e. a pre-tax eligible gain of \$100 as realised by the Company). However, it is emphasised that this is unlikely to be the case in respect of most dividends that may be paid by the Company as most dividends to be paid by the Company are expected to be derived from dividend income received from the Company's investments. Moreover, the examples assume that the Shareholders are entitled to a tax offset for franking credits.

Dividend received by an individual	\$
Dividend paid	70.00
Plus imputation credits	30.00
Less: tax deduction allowable under Subdivision 115-D (i.e. 50% of \$100 LIC Capital Gain)	(50.00)
Net taxable income	\$50.00

Income tax at 46.5% (maximum individual rate)	23.25
Less imputation credit	(30.00)
Tax refund	\$6.75

Summary	
Dividend received	70.00
Tax Refund	6.75
After-tax value of the dividend	\$76.75
<i>Effective tax rate on LIC Capital Gain</i>	23.25%

Dividend received by a complying superannuation fund	\$
Dividend paid	70.00
Plus imputation credits	30.00
Less: tax deduction allowable under Subdivision 115-D (i.e. 33 ⅓% of the LIC Capital Gain)	(33.33)
Net taxable income	\$66.67
Income tax at 15% (maximum superannuation fund rate)	10.00
Less imputation credit	(30.00)
Tax refund	\$20.00
Summary	
Dividend received	70.00
Tax Refund	20.00
After-tax value of the dividend	\$90.00
<i>Effective tax rate on LIC Capital Gain</i>	<i>10%</i>

TAX FILE NUMBER

It is not compulsory for an Applicant to quote his or her Tax File Number and failure to do so will not affect an Application. However, failure to quote a Tax File Number may result in tax being deducted from the unfranked portion of any dividends at the highest marginal taxation rate plus the Medicare levy.

10.4 RIGHTS ATTACHING TO THE SHARES

Immediately after issue and allotment, the Shares will be fully paid ordinary shares in the capital of the Company. There will be no liability on the part of Shareholders for any calls.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution and the Corporations Act. A copy of the constitution can be inspected during office hours at the registered office of the Company.

The detailed provisions relating to the rights attaching to Shares under the constitution and the Corporations Act are summarised below:

Each Share confers on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the constitution, the Corporations Act and, after the Company becomes admitted to the official list of the ASX, the Listing Rules;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (1 vote per Shareholder) and on a poll (1 vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up or credited as paid on the Share; and
- subject to the Corporations Act and, after the Company becomes admitted to the official list of the ASX, the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

10.5 DIVIDEND RE-INVESTMENT PLAN

The Company has a Dividend Re-investment Plan (DRP) for both interim and final dividends. The DRP enables Shareholders to reinvest all or part of the dividends payable on their Shares in additional Shares.

DRP ELIGIBILITY

Any Shareholder who has a registered address or is resident in a country other than Australia or New Zealand may not be able to participate in the DRP because of the legal requirements applying in such country. The Board has the discretion to determine whether any such Shareholder is excluded from the DRP.

DRP PARTICIPATION

Participation in the DRP is entirely optional. There are 2 types of participation. A Shareholder may participate in the DRP in respect of all Shares registered in the name of that Shareholder as at each record date for a dividend. Alternatively, a Shareholder may participate in the DRP in respect of a specified number of Shares which is less than the Shareholder's total holding. If part of a Shareholder's holding is nominated for participation in the DRP, cash dividends will be paid on the balance of those Shares.

OPERATION OF THE DRP

In the operation of the DRP for any dividend, the Company, may in its discretion, either allot new Shares or cause existing Shares to be acquired on-market by Shareholders who participate in the DRP.

DRP ADMINISTRATION COSTS

All administration costs of the DRP will be met by the Company. No brokerage, commission or other transaction costs will be payable by participants on Shares transferred or allotted under the DRP and no stamp or other duties will, under present law, be payable by participants in respect of such shares.

DRP PRICE

Shares will be allotted or transferred at a price which is to be the latest published after provision for tax of the NTA per Share less the cash value of the declared dividend, less such discount (if any) set by the Board from time to time. The Board has determined that a 2.0% discount will be applied for the time being, although this will be subject to change.

DRP AND THE SALE OF SHARES

Shares participating in the DRP or acquired under the DRP may be sold at any time. When a Shareholder with partial participation in the DRP sells Shares, the number of Shares sold will be deducted first from the non-participating Shareholding and then from participating Shares unless the Company receives notice to the contrary from the Shareholder.

If a Shareholder sells Shares participating in the DRP shortly before a record date for the determination of dividend entitlements, the Shareholder's stockbroker should be informed that the Shares are participating in the DRP. The Shareholder should also immediately send a Variation/Termination Notice to the Company withdrawing the shares from the DRP.

DRP TAXATION

Investors should obtain professional taxation advice regarding the impact of participation in the DRP on their own taxation position.

DRP CALCULATION OF ENTITLEMENT

The dividend payable on a participant's Shares subject to the DRP will be credited to a "DRP account" and then applied in acquiring or subscribing for a maximum whole number of Shares that may be transferred or allotted at the price described above. Any balance remaining in a participant's DRP account after Shares have been transferred or allotted will be carried forward and added to the next dividend entitlement. No interest will accrue in respect of any balance in a DRP account.

DRP DIVIDENDS AND OTHER RIGHTS

Shares transferred or allotted under the DRP will rank equally in all respects with existing Shares.

DRP STATEMENTS

Participants in the DRP will be sent a statement after each dividend payment detailing their participation in the DRP.

DRP MODIFICATION, SUSPENSION AND TERMINATION

The rules of the DRP may be modified or varied and the Plan may be suspended or terminated by the Board at any time in accordance with the rules of the Plan and, if the Company becomes admitted to the official list of the ASX, the ASX Listing Rules.

HOW TO JOIN THE DRP

The Company will shortly send Shareholders documents relating to the DRP, including a Notice for Election to participate in the DRP and a Variation/Termination Notice.

Participation in the DRP will commence with the first dividend payment after receipt of the duly completed and executed Notice of Election, provided the Notice is received by 5:00 pm on the record date for that dividend.

VARIATION TO LEVEL OF PARTICIPATION OR WITHDRAWAL FROM THE DRP

Shareholders may vary their level of participation in the DRP or withdraw from the DRP at any time by giving a Variation/Termination Notice to the Company. Provided that it is received before the record date, a Variation/Termination Notice will be effective from the next dividend payment.

10.6 MATTERS RELEVANT TO THE DIRECTORS

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within 2 years before the date of this Prospectus that are or were, interests of a Director or a proposed Director in the promotion of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion. Further, except as set out in this Prospectus, there have been no amounts paid or agreed to be paid to a Director in cash or Securities or otherwise by any persons either to induce him to become or qualify him as a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company.

Maximilian Walsh holds 1 Share in the Company. No other Director or an Associate of a Director holds any interest in any Security in the Company.

It is the intention of all the Directors to apply for Shares via this Prospectus. However, at the date of this Prospectus, no Director has made a determination as to how many Shares he will be applying for under this Prospectus.

10.7 REMUNERATION OF DIRECTORS

Under the Company's constitution, each Director may be paid remuneration for ordinary services performed as a Director. Under ASX Listing Rules, the maximum fees payable to Directors may not be increased without the prior approval from the Company in general meeting. Directors will seek approval from time to time as deemed appropriate.

The maximum total remuneration of the Directors has been set at \$200,000 per annum to be divided among them in such proportions as they agree.

Under the Company's constitution, each Director may be paid remuneration for ordinary services performed as a Director. However, Maximilian Walsh has agreed not to be paid any remuneration for the services he performs as Director.

10.8 RELATED PARTY TRANSACTIONS

As at the date of this Prospectus, the Company is a party to the following transactions with related parties and future related parties:

- a) Maximilian Walsh is a Director of the Company and a director of the Issue Manager and Manager. In connection with the provision of services as Issue Manager, the Issue Manager is entitled to receive Structuring and Arranging Fees of 2.5% (excluding GST) of the gross proceeds raised under this Prospectus, and may retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants. The Manager is entitled to receive a management fee of 0.49% (excluding GST) per annum of the gross value of the Portfolio;
- b) each Director has entered into a director protection deed with the Company. See Section 9.3.

10.9 COSTS OF THE OFFER

The Manager will receive once-off Structuring and Arranging Fees of 2.5% (excluding GST) (Structuring and Arranging Fees) of the gross proceeds raised under this Prospectus and will assume the preparation and structuring of the initial arrangements required for the ordinary operation of the Company along with the expenses of the Offer:

	Structuring and Arranging Fees
\$16,000,000 Issue	\$400,000
\$50,000,000 Issue	\$1,250,000
\$100,000,000 Issue	\$2,500,000

The following expenses will be payable by the Company but capped at 0.5% (excluding GST) of the total issue.

	ASIC Fees	Legal and Accounting Fees	Other Costs
\$16,000,000 Issue	\$2,010	\$30,000	\$80,000
\$50,000,000 Issue			\$136,000
\$100,000,000 Issue			\$160,000

10.10 LEGAL PROCEEDINGS

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings which have had a significant effect on the financial position on the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

10.11 CONSENTS AND RESPONSIBILITY STATEMENTS

Watson Mangioni Lawyers Pty Limited has given and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn its written consent to be named as solicitors to the Offer in the form and context in which it is so named.

Watson Mangioni Lawyers Pty Limited has only been involved in the preparation of that part of the Prospectus where they are named as solicitors to the Offer. Watson Mangioni Lawyers Pty Limited specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included elsewhere in this Prospectus. While Watson Mangioni Lawyers Pty Limited has provided advice to the Directors in relation to the issue of the Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Watson Mangioni Lawyers Pty Limited has not authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

William Buck Corporate Advisory Services (NSW) Pty Limited has given, and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn its written consent to being named in this Prospectus as investigating accountant to the Company in the form and context in which it is so named and the inclusion of its investigating accountant's report in the form and context in which it appears in this Prospectus.

William Buck Corporate Advisory Services (NSW) Pty Limited has not been involved in the preparation of any part of this Prospectus (other than its investigating accountant's report) and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in this Prospectus except in its investigating accountant's report. Corporate Advisory Services has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents except its investigating accountant's report.

William Buck Chartered Accounts has given, and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn its written consent to being named in this Prospectus as auditor to the Company in the form and context in which it is so named.

William Buck Chartered Accounts has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in this Prospectus. William Buck has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Dixon Advisory & Superannuation Services Limited has given and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as manager of the Portfolio of the Company in the form and context in which it so named.

Dixon Advisory & Superannuation Services Limited has given and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as issue manager of the Portfolio of the Company in the form and context in which it so named.

Dixon Advisory & Superannuation Services Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. Dixon Advisory & Superannuation Services Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Registries Limited has given, and before lodgement of the paper Prospectus and the issue of the electronic Prospectus has not withdrawn, its written consent to being named in the Prospectus as the share registrar for the Company in the form and context in which it so named.

Registries Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. Registries Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

10.12 INTERESTS OF EXPERTS

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Watson Mangioni Lawyers Pty Limited have acted as solicitors to the Offer and have performed work in relation to negotiating certain of the material contracts, preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately \$20,000 (excluding GST and disbursements) to Watson Mangioni Lawyers Pty Limited.

William Buck Corporate Advisory Services (NSW) Pty Limited has prepared the investigating accountant's report included in this Prospectus and has also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates it will pay up to \$10,000 (excluding disbursements) to William Buck. The associated partnership, William Buck, is also the appointed auditor of the Company.

Dixon Advisory & Superannuation Services Limited, in its capacity as Issue Manager, will receive Structuring and Arranging Fees of 2.5% (excluding GST) of the gross proceeds raised under this Prospectus, and may retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

Certain partners, directors and employees of the above firms may subscribe for Shares in the context of the Offer.

11. GLOSSARY

Terms and abbreviations used in this Prospectus have the following meaning:

Applicant	a person who submits an Application.
Application	an application for Shares pursuant to this Prospectus.
Application Form	an application form in the form attached to this Prospectus.
Application Monies	the Application Price multiplied by the number of Shares applied for.
Application Price	\$1.60 for each Share.
Associate	has the meaning given by Division 2 of the Corporations Act.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited.
Business Day	a day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney.
Closing Date	the closing date of the Offer is expected to be 25 January 2010.
Company	Australian Governance Masters Index Fund Limited (ACN 140 842 397).
Directors or Board	the board of directors of the Company.
Issue	the issue of Shares in accordance with this Prospectus.
Issue Manager	means Dixon Advisory & Superannuation Services Limited (ACN 103 071 665) (AFS Licence Number: 231143).
Listing Rules	the listing rules of ASX.
Management Agreement	the management agreement between the Company and the Manager dated on or about the date of this Prospectus.
Manager	means Dixon Advisory & Superannuation Services Limited (ACN 103 071 665) (AFS Licence Number: 231143).
Minimum Subscription	means a minimum subscription of \$16,000,000 being receipt of valid Applications for not less than 10,000,000 Shares.
NTA	means net tangible assets of the Portfolio.
Offer	the offer of Shares to Applicants whose Applications and Application Monies are received by the Company by 5:00pm (Sydney time) on the Closing Date.
Opening Date	expected to be 16 December 2009.
Portfolio	the Portfolio of investments of the Company from time to time.
Prospectus	this replacement prospectus dated 15 December 2009 as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.
Securities	has the same meaning as in Section 92 of the Corporations Act.
Share	a fully paid ordinary share in the capital of the Company.
Share Registry	means Registries Limited (ACN 003 209 836).
Shareholder	a registered holder of a Share.
Structuring and Arranging Fees	has the meaning given in Section 9.2.
TER	Total expense ratio.



AUSTRALIAN GOVERNANCE MASTERS
INDEX FUND LIMITED ACN 140 842 397

APPLICATION FORM

Fill out this Application Form if you want to apply for shares in Australian Governance Masters Index Fund Limited.

- Please read the Prospectus dated 15 December 2009.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

OFFER CLOSES 25 JANUARY 2010 (unless closed earlier or extended)

Broker Reference – Stamp Only

Broker Code

Adviser Code

IMPORTANT PLEASE NOTE:

The Company or the Issue Manager may be required under the Anti-Money Laundering/Counter-Terrorism Financing Act 2006 (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

A Number of Shares applied for*

@ A\$1.60 per Share =

B Total Amount Payable*

*Minimum of 1,250 Shares to be applied for.

C Write the name/s you wish to register the shares in (see reverse for instructions)

APPLICANT 1

Title

Full Name

APPLICANT 2 or Account Designation

Title

Full Name

APPLICANT 3 or Account Designation

Title

Full Name

D Postal Address

Number/Street Name

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number/s, ABN, or exemption category

Applicant 1

Applicant 2

Applicant 3

Exemption Category

G Please enter details of the cheque/s that accompany this Application Form:

Drawer

Chq No.

BSB No.

Acc No.

A\$

TOTAL

H Contact telephone number (daytime/work/mobile)

I Email Address

J Shareholder Communications

All correspondence will be sent electronically unless legally required otherwise or unless the box below is ticked.

Printed copy of shareholder communications required

K Annual Reports

Annual Reports will be published on the Company's website. If you still wish to receive a copy free of charge, select one of the following:

Electronic copy (emailed) Printed copy (posted)

Are you an existing client of Dixon Advisory & Superannuation Services Pty Limited?

YES

NO

By submitting this Application Form, I/We declare that this Application Form is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Australian Governance Masters Index Fund Limited. I/We received the electronic Prospectus together with the Application Form or a print out of them. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

GUIDE TO THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

A & B	If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 1,250.) Multiply by 1.60 AUD to calculate the total for Shares and enter the \$ Amount at Item B .	F	Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
C	Write your full name . Initials are not acceptable for first names.	G	Complete cheque details as requested. Make your cheque payable to " Australian Governance Masters Index Fund Limited Trust Account " cross it and mark it " Not Negotiable ". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
D	Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.	H	Enter your telephone number so we may contact you regarding your Application Form or Application.
E	If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. NB: your registration details provided must match your CHESS account exactly.	I	Enter your email address so we may contact you regarding your Application Form or Application or other correspondence.
		J & K	The Company encourages you to receive Shareholder correspondence and the Annual Report electronically. The benefit to Shareholders are in the potential cost savings and the faster delivery of information. The benefits to the environment are also substantial.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person/s, companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
INDIVIDUAL	Mr John David Smith	J D Smith
COMPANY	ABC Pty Ltd	ABC P/L or ABC Co
JOINT HOLDINGS	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
TRUSTS	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
DECEASED ESTATES	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
PARTNERSHIPS	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
CLUBS/UNINCORPORATED BODIES	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
SUPERANNUATION FUNDS	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

LODGEMENT

Deliver your completed Application Form with cheque/s attached to the following address:

Australian Governance Masters Index Fund Limited Share Offer
c/- Dixon Advisory & Superannuation Services Limited

POSTAL:

GPO Box 575
Canberra ACT 2601

HAND DELIVERED:

Canberra: Level 1, 73 Northbourne Avenue, Canberra ACT 2601
Sydney: Level 15, 100 Pacific Highway, North Sydney NSW 2060
Melbourne: Level 2, 250 Victoria Parade, East Melbourne VIC 3002

It is not necessary to sign or otherwise execute the Application Form. If you have any questions as to how to complete the Application Form, please contact Dixon Advisory & Superannuation Services Limited on +61 2 6162 5555.

Privacy Statement: Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holdings. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.registriesltd.com.au/help/share_privacy.html)



THIS REPLACEMENT PROSPECTUS HAS
BEEN APPROVED BY RESOLUTION OF THE
DIRECTORS OF **AUSTRALIAN GOVERNANCE
MASTERS INDEX FUND LIMITED**.

DATED: 15 DECEMBER 2009



JEFFREY WHALAN AO
CHAIRMAN