

# ARGYLE WATER ACCESS FUND

## INFORMATION MEMORANDUM

**1 March 2025**

### **ISSUER AND INVESTMENT MANAGER**

Argyle Water Management Pty Ltd ABN 58 683 917 964

Authorised representative of Argyle Securities Pty Ltd ABN 34 154 857 360 AFSL 420 509

Issuer of this Information Memorandum

### **TRUSTEE**

Perpetual Corporate Trust Limited ABN 99 000 341 533 AFSL 392 673

APIR Participant Code: PTL2692AU

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## IMPORTANT NOTICE

This Information Memorandum ('IM') dated 1 March 2025 relates to the offer of Units in the Argyle Water Access Fund (the 'Fund'). The issuer of this IM is Argyle Water Management Pty Ltd (ABN 58 683 917 964, AR 001314000) ('Argyle', 'Investment Manager' or 'Issuer').

Perpetual Corporate Trust Limited (ABN 99 000 341 533, AFSL 392 673) is the trustee of the Fund (the 'Trustee'). The Trustee is the issuer of the Units in the Fund. The Trustee has appointed Argyle as the Investment Manager of the Fund. Argyle is an authorised representative of Argyle Securities Pty Ltd (ABN 34 154 857 360, AFSL 420 509). The Fund is an unlisted unregistered managed investment scheme.

Neither Argyle nor its directors, members, associates, or related entities, nor any other person related to Argyle, guarantees the performance of the Fund, the repayment of capital or any particular rate of income or capital return from, or increase in the value of, the Fund's assets. Argyle has not authorised any person to give any information in relation to the Offer which is not contained in the IM or presentations prepared by Argyle in relation to the Fund. No such information or representation may be relied upon as having been authorised by Argyle in connection with the Offer.

The regulated fundraising (Product Disclosure Statement ('PDS')) requirements of the *Corporations Act 2001* (Cth) ('Corporations Act') do not apply to this Offer.

The Offer made in this IM is available only to wholesale clients as defined in section 761G of the Corporations Act and other persons who are not required to be given PDS under the Corporations Act and only to those persons who receive this IM (electronically or otherwise) within Australia. If a copy of this IM has been obtained electronically, you need to print all of it. If you would like a paper copy of the IM, contact Argyle and a copy will be sent free of charge. This IM has not been, and will not be, lodged with the Australian Securities and Investments Commission ('ASIC').

The information contained in this IM is general information only and has been prepared without taking into account your individual objectives, financial situation or needs. You should consider the appropriateness of the information in this IM having regard to those matters and talk to your financial adviser before making an investment decision.

This IM and the Trust Deed of the Fund should be read in their entirety before making a decision to invest. Terms not defined in this IM have the meaning given to them in the Trust Deed. An investment in Units in the Fund is subject to investment risk, including possible delays in repayment and loss of income and principal invested. An investment in the Fund is not a deposit with and does not represent a liability of the Trustee, Argyle or any other person. The Trustee, Argyle or any of their respective related bodies corporate or any other person do not guarantee any particular return from the Fund, increase in value of the Fund or repayment of any amount invested in the Fund. The value of an investment in the Fund may rise or fall.

This IM has been prepared to the best of the knowledge and belief of Argyle. The IM is comprised of statements of intent and opinion, many of which may or may not be realised or be accurate. Argyle believes the information in this IM, including statements of intent and opinion, is based on reasonable assumptions. However, to the maximum extent permitted by law, none of Argyle, nor its directors, members, associates or related entities, nor any other person related to Argyle represent or warrant the accuracy or completeness of this IM, or any information contained in it, and no responsibility or liability will be accepted by Argyle, nor its directors, members, associates or related

entities, nor any other person related to Argyle for any loss or damage, howsoever arising, which results from reliance in whole or in part on such matters. The recipient agrees that it shall not sue nor hold any of Argyle, its directors, members, associates or related entities, or any other person related to Argyle liable in any respect whether in contract, negligence, equity or otherwise by reason of provision of the IM or any subsequent information and expressly releases them from such claims.

Certain information contained in this IM constitutes 'forward-looking statements', which can be identified by the use of forward-looking terminology such as 'may', 'will', 'should', 'expect', 'anticipate', 'intend', 'continue', 'believe', 'target' or other variations or comparable terminology. Due to various risks and uncertainties, including those set out in Section 7 (Key Risks) of this IM, actual events or results or the actual performance of the Fund may differ materially and adversely from those reflected or contemplated in the forward-looking statements.

This IM is not a PDS for the purposes of Part 7.9 of the Corporations Act. The level of disclosure in this IM may be different to that of a PDS, prospectus or similar document and is designed for experienced investors.

This IM does not purport to be complete, accurate or contain all information which recipients may require to make an informed assessment of whether to invest in the Fund. No obligation is imposed upon Argyle, its directors, members, associates or related entities, or any other person related to Argyle, to advise a recipient of any information of which any party becomes aware of or any change to, or error in, the information contained in this IM.

Recipients should independently verify the material contained in this IM and must rely on their own enquiries and seek professional advice as to the wisdom, or otherwise, of an investment in the Fund and as to the accuracy and completeness of this IM.

This IM does not constitute an Offer or invitation in any place where, or to any person to whom, it would be unlawful to make such an Offer or invitation. No action has been taken to register or qualify the Units or the Offer or otherwise to permit a public offering of the Units in any jurisdiction. The distribution of this IM in jurisdictions outside Australia may be restricted by the laws of those jurisdictions. A failure to comply with these restrictions may constitute a violation of the laws in those jurisdictions. Argyle, its directors, members, associates or related entities, and/or any other person related to Argyle, do not represent that this IM may be lawfully offered, in compliance with any applicable legislation or other requirements in any other jurisdiction, or pursuant to an exemption available under another jurisdiction, or assume any responsibility for facilitating any such distribution or offering. Argyle reserves the right to change the terms and conditions in this IM.

The defined terms used throughout this IM are set out in Section 11 (Glossary).

## INTRODUCTION

Dear Investor

On behalf of Argyle Water Management Pty Ltd, I invite you to invest in the long-established Argyle Water Fund alongside institutional investors via the Argyle Water Access Fund.

The Argyle Water Access Fund (the 'Fund') has been established to acquire 100% of the issued share capital of Argyle Water Access Pty Ltd ('Argyle Water Company'), which will acquire Units in the Argyle Water Fund in accordance with its constituent documents. This Information Memorandum should be read in conjunction with the Information Memorandum of the Argyle Water Fund.

The Argyle Water Fund was established in August 2012 to invest in the long-term ownership of Australian water entitlements (also known as water rights or water shares). It is well established and actively managed by a highly experienced team with the objective of generating non-correlated investment returns from its participation in Australia's regulated 'cap and trade' water markets. The Argyle Water Fund seeks to capitalise on the anticipated escalating demand for fresh water as a vital but increasingly scarce input to Australian agriculture, the development of more sophisticated water markets over time, and from on-going productivity gains and progressive changes in sustainable water use within Australia's irrigated agriculture sector.

The Argyle Water Fund delivers significant benefits for regional Australia. It provides an alternative source of capital to assist in the development of Australia's water markets and high value irrigated agricultural industries. As a non-land holder and regular seller of water in spot and forward markets, the Argyle Water Fund provides irrigation farmers with a new means to mitigate annual water supply risk and manage irrigation water expenses across seasons. In this way, it is entirely aligned with the National Water Initiative, which, since 2004, has served as the enduring blueprint for the sustainable management of Australia's water resources.

Argyle's key executives and investment management team have decades of collective expertise in water, agribusiness and funds management. The investment team has actively managed the Argyle Water Fund through climatic extremes including periods of droughts and floods, and has built a deep network of irrigator clients across a broad range of regional water markets.

The Fund is the avenue by which Australian investors can access the Argyle Water Fund, which is otherwise closed for Australian wholesale investors.<sup>1</sup> An investment in the Fund offers Members the following benefits:

- a unique financial product that offers portfolio diversification benefits due to its low correlation with traditional financial markets;
- access to an existing diversified Water Entitlement portfolio at scale, which is managed to generate income from Water Allocation sales and from a range of Water Entitlement leases to top-quartile irrigator counterparties;
- access to a highly experienced team of investment professionals with decade-long experience in deploying and managing institutional capital in the Australian water market, including through several cycles of Australia's climate from floods to droughts;
- scale and sophistication in terms of Water Entitlement acquisition and portfolio management across Australian water markets;
- diversification of water entitlements across a number of geographies, river zones and agricultural industries;
- active and disciplined management of Water Allocation sales and Water Entitlement leases to derive annual yields; and
- potential for capital growth through the appreciation of a portfolio of scarce water entitlements over time.

It is important that you read this Information Memorandum carefully in its entirety, including Section 7 (Key Risks) relating to the Offer, before making your decision to invest. You should seek your own independent financial advice, if necessary.

If you require assistance regarding the Offer, please email [investorservices@argylegroup.com.au](mailto:investorservices@argylegroup.com.au) or call Argyle Water Management on +61 7 3077 7910.

Yours sincerely



Kim Morison  
Chief Investment Officer  
Argyle Water Fund



Emily Santucci  
Chief Executive Officer  
Argyle Water Management Pty Ltd

<sup>1</sup> The Argyle Water Fund is currently only open to Australian institutional investors and offshore investors via its Cayman and Delaware feeders.

## SECTION 1: INVESTMENT OPPORTUNITY

The Argyle Water Access Fund (the 'Fund') has been established to acquire 100% of the issued share capital of Argyle Water Access Pty Ltd ('Argyle Water Company') which will acquire units in the Argyle Water Fund (the 'AWF') in accordance with its constituent documents.

Neither the Fund nor the Argyle Water Company are expected to hold any other assets (other than cash) or undertake any other material activities.

The Fund represents a globally unique opportunity to derive investment returns from Australia's established and emerging 'cap and trade' water markets.

This Information Memorandum should be read in conjunction with the Information Memorandum of the AWF.

The AWF was established in 2012 and has progressively grown in scale to currently represent one of the largest independently managed water entitlement investment portfolios in Australia. Given the inherently limited volume of water entitlements on issue in the regions in which the AWF is invested, Members of the AWF benefit from the scale of an established core water entitlement portfolio which is challenging to replicate. The AWF offers water supply and risk management solutions to a diversified range of leading irrigation enterprises.

The AWF's diversified portfolio of water entitlements are granted water allocations (consumptive water volumes) each year that are sold in spot and forward markets to generate income for the AWF. A proportion of water entitlements are leased to qualified top-quartile irrigator counterparties, generating known reliable annual revenues irrespective of the volume of water allocated to those water entitlements throughout each Water Year (July to June).

Australia is one of the few countries in the world with a robust legal and regulatory framework that allows investment returns to flow from the acquisition and management of water entitlements. With an estimated capitalisation in excess of \$50 billion as at 30 June 2024, the opportunity is meaningful for wholesale and institutional investors.

Australia's 'cap and trade' water markets have emerged as a result of a shared commitment by Australian Commonwealth and State Governments, embodied in the 2004 National Water Initiative ('NWI'), to build a national water market to more effectively manage the consumptive use of Australia's scarce water resources. Consistently, since that time, various governments have encouraged the development of

compatible regulatory and planning systems capable of managing surface and groundwater resources for both rural and urban use, whilst seeking to optimise economic, social and environmental outcomes. Australia's Productivity Commission reported on its review of the NWI in 2021, recommending its continuation as a bi-partisan national water policy framework. Australian governments are currently working towards a new National Water Agreement to build on the strengths of the NWI.<sup>2</sup>

The most developed water markets exist in the Murray-Darling Basin ('MDB') region. The effectiveness of these markets was comprehensively reviewed by the Australian Competition and Consumer Commission ('ACCC') in 2021. The ACCC's final inquiry report<sup>3</sup> provides a clear recognition of the many benefits of water markets. It upheld the NWI and the water markets framework. The ACCC supported the role of non-land holding market participants in providing access to alternative sources of capital for irrigation farming, the creation of market liquidity, and the provision of risk management products for irrigation farmers.

The Argyle Water Fund fulfils an enduring market need consistent with the NWI, by providing an alternative source of capital and additional liquidity to Australia's water markets and helping to facilitate the movement of water to its highest economic use.

Investment returns from Australian water entitlements comprise a mixture of capital growth and yield.

Long-term capital growth is expected to be driven by increased demand for water due to its scarcity as an input to high value agricultural production. This is supported by growing export markets for premium Australian food, fibre and beverages. Fresh water is a non-substitutable input into food, fibre and energy production required by a growing world population with increasingly higher per capita incomes.

The supply of water for consumptive use in some areas of Australia has been reduced in recent years through the implementation of the Murray-Darling Basin Plan ('Basin Plan'), which is designed to return a greater share of the resource to environmental flows.

Investment income is generated from the sale of the water allocated to the water entitlements each year and by the longer-term leasing of water entitlements to qualified irrigator counterparties.

<sup>2</sup> <https://www.dcceew.gov.au/water/policy/policy>

<sup>3</sup> <https://www.accc.gov.au/focus-areas/inquiries-finalised/murray-darling-basin-water-markets-inquiry/final-report>

## SECTION 1: INVESTMENT OPPORTUNITY

Climatic conditions are a primary driver of short-term returns in the water markets; therefore, investment returns from water entitlements are not highly correlated with other traditional investments such as property or equities.

## SECTION 2: INVESTMENT GUIDELINES

It is expected that the returns of the Fund will correlate with the returns of the AWF; however, the unit price of the Fund will diverge from the unit price of the AWF due to the tax liabilities accrued and incurred by the Argyle Water Company.

The Fund will receive post-tax dividends from the Argyle Water Company. Members should receive post-tax distributions and may receive franking credits from their investment in the Fund. However, this will depend on the franking credit balance of the Argyle Water Company each year.

Any other divergence is expected to be insignificant, as all costs related to the management of the Fund and Argyle Water Company are expected to be borne by the Investment Manager of the AWF.

INVESTMENT GUIDELINES OF THE ARGYLE WATER FUND		
TARGET RETURN <sup>3</sup>	10% – 14% per annum <sup>4</sup> (before tax and Management Costs) <sup>5</sup>	
RECOMMENDED MINIMUM INVESTMENT TERM	5-7 years	
EXPECTED ALLOCATION RANGE TO EACH STATE	New South Wales / ACT	30%-80%
	Victoria	20%-60%
	Queensland	0%-20%
	South Australia	0%-20%
	Western Australia	0%-5%
	Tasmania	0%-20%
MAXIMUM EXPOSURE TO ANY ONE REGION <sup>6</sup>	10% of the aggregate volume of water entitlements (ML) in that Region	
MAXIMUM EXPOSURE TO A SINGLE SECURITY CLASS IN ANY ONE REGION <sup>6</sup>	20% of the Net Asset Value of the AWF	
MAXIMUM EXPOSURE TO REGIONS SERVICED BY THE MURRAY RIVER <sup>6</sup>	70% of the Net Asset Value of the AWF	
EXPECTED ALLOCATION RANGE TO CASH <sup>7</sup>	0%-20%	

3. The Target Return is not intended to be a forecast. It is merely an indication of what the AWF aims to achieve. Targets are subject to risk.
4. The Target Return is gross of tax and Management Costs. The Target Return is also before any Performance Fee. The AWF may not be successful in meeting its objective. Returns are not guaranteed.
5. While the Fund is not taxed and operates as a 'pass through' trust for tax purposes, it is expected the Fund will be in receipt of post-tax dividends from the Argyle Water Company (the wholly owned holding company that will acquire units in the AWF). Members should receive post-tax distributions and may receive franking credits from their investment in the Fund. However, this will depend on the franking credit balance of the Argyle Water Company each year. Refer to Section 8 (Taxation) for more details.  
Management Costs include the Management Fee and Administration Fee referred to in Section 6 (Fees and Charges), but do not include any Performance Fee referred to in Section 6 (Fees and Charges).
6. The Investment Manager of the AWF may change or otherwise deviate from these guidelines from time to time.
7. The Investment Manager of the AWF may change or otherwise deviate from these guidelines from time to time. Members should note that following the investment of new capital and prior to the payment of a cash withdrawal, the allocation to cash may be significantly greater than 20%. This may cause the AWF's returns to be temporarily and adversely different to the returns from Australian water markets.

## SECTION 3: FUND SUMMARY AND KEY FEATURES

The following information is a summary of the key terms of the **Argyle Water Access Fund**. Detailed terms are provided in Sections 4 and 6.

FUND SUMMARY	
TYPE OF INVESTMENT	Argyle Water Access Fund is an unlisted unregistered managed investment scheme.
TRUSTEE	Perpetual Corporate Trust Limited (ABN 99 000 341 533, AFSL 392 673)
INVESTMENT MANAGER	Argyle Water Management Pty Ltd
ADMINISTRATOR	Argyle Capital Partners Pty Ltd
UNIT REGISTRY	One Registry Services Pty Ltd
AUDITOR	EY
INVESTMENT MANDATE	The Argyle Water Access Fund (the 'Fund') has been established to acquire 100% of the issued share capital of Argyle Water Access Pty Ltd ('Argyle Water Company') which will acquire units in the Argyle Water Fund (the 'AWF') in accordance with its constituent documents. This Information Memorandum should be read in conjunction with the Information Memorandum of the AWF.
ELIGIBLE INVESTORS	Wholesale clients within the meaning of section 761G (7) of the <i>Corporations Act 2001</i> and other qualifying investors permitted to invest otherwise than through a PDS.
MINIMUM APPLICATION AMOUNT	\$50,000 initially and \$10,000 for subsequent applications, or such lesser amount as determined by the Trustee.
APPLICATION DATES	<p>Applications can be made up to 2 business days before the end of the calendar month, or such other dates as the Trustee determines, for processing (effective) on the first business day of the next calendar month.</p> <p>The Investment Manager will require confirmation of the updated monthly unit price from the AWF before Units can be allotted in the Fund. Accordingly, confirmation of Units allotted will be provided to investors on the 10<sup>th</sup> business day of the next calendar month.</p>
WITHDRAWAL DATES	Investments are subject to a two-year lock-up period from the time of subscription. Following the expiry of that period, withdrawals can be made as of the <b>first business day following each quarter (ended 31 January, 30 April, 31 July, 31 October)</b> (subject to 60 business days' notice), or such other dates as the Trustee may determine.
WITHDRAWALS AND LIQUIDITY	<p>After the two-year lock-up period has expired, the Trustee will endeavour to satisfy a request to redeem Units of a Member ('Withdrawal Request') on the first business day following each quarter (ending 31 January, 30 April, 31 July and 31 October) or such other date determined by the Trustee ('Withdrawal Date').</p> <p>It is generally expected that a redemption of Units in the Fund will be funded by the Trustee from either a buy-back of ordinary shares in the Argyle Water Company or a selective capital reduction with a cancellation of ordinary shares in the company. It is generally expected that the Argyle Water</p>



	<p>Company will fund share buy-backs or selective capital redemptions via a redemption of Units held in the AWF.</p> <p>The Trustee may, in its sole discretion, reduce all Withdrawal Requests for a particular Withdrawal Date on a pro rata basis (including reducing those Withdrawal Requests to zero), which may arise if the AWF Trustee is unable to satisfy Withdrawal Requests in the usual timeframes.</p> <p>The Trustee will ensure Withdrawal Requests are satisfied not more than 36 months after the Withdrawal Date; however, the Trustee will endeavour to satisfy the full value of each Withdrawal Request within 24 months unless, having regard to the circumstances in Section 7 (Key Risks), the Trustee decides it is not in the interest of all Members to do so.</p> <p>Any unsatisfied portion of any Withdrawal Request will be cancelled. The Trustee will seek the submission of a new Withdrawal Request. It will be treated equally and satisfied on a pro rata basis in the subsequent quarter (provided 60 business days' notice has been given).</p> <p>The Trustee may suspend withdrawals where necessary to protect the Fund and its Members.</p>
<b>MINIMUM REDEMPTION AMOUNT</b>	<p>The lower of \$50,000 or the residual investment amount.</p> <p>Due to the 60 business days' notice requirement, Withdrawal Requests must be stipulated in number of Units to be redeemed, as the exit price will not be known until the date of redemption.</p>
<b>MINIMUM HOLDING AMOUNT</b>	<p>\$50,000, or such lesser amount as determined by the Trustee.</p>
<b>UNIT PRICE</b>	<p>The AWF offers different unit classes reflecting non-redemption periods and management fee rates for institutional investors. The Argyle Water Company will subscribe for 'E' Class Units in the AWF.</p> <p>Fund unit prices are based on the Net Asset Value ('NAV') of the Fund divided by the number of units on issue in that Class and are variable. Income is rolled up into the unit price until distributed. Any tax payable is also accrued in the unit price.</p> <p>The Fund unit prices are derived by applying the same process as determining AWF unit prices; however, the unit price of the Fund will diverge from the unit price of the AWF due to the tax liabilities accrued and incurred by the Argyle Water Company. Any other divergence is expected to be insignificant as all costs related to the management of the Fund and Argyle Water Company are expected to be borne by the Investment Manager of the AWF.</p> <p>The Unit Price for the Fund will generally be available within 10 business days of month end.</p>
<b>FUND TAXATION AND DISTRIBUTIONS</b>	<p>It is intended that the Fund will be treated as a 'flow-through' entity for Australian income tax purposes and classified as an Attribution Managed Investment Trust (AMIT) subject to confirming the number of investors in the Fund. Broadly, this means that under the current Australian income tax legislation, the Members (rather than the Trustee) will generally be liable for tax on the net income of the Fund on an attribution basis.</p> <p>As the Fund will hold 100% of the issued ordinary share capital of the Argyle Water Company, which will acquire the Units in the AWF, it is expected the Fund will be in receipt of post-tax dividends from the Argyle Water Company. This is because the Argyle Water Company will be subject to Australian income tax on its share of net income from the AWF that it may be presently entitled to during a particular income year (as well as any tax gain realised on disposal of its investment in the AWF).</p>

	<p>Where the Fund is an AMIT, it should attribute its trust components to Members each financial year on a fair and reasonable basis (including any relevant franking credits received from the Argyle Water Company). Refer to Section 8 (Taxation) for a detailed description of the Fund's taxation status.</p> <p>Members will need to include in their income tax return their share of the Fund's taxable income for each financial year. To assist Members to complete their tax return, an annual tax statement or an AMIT Member Annual (AMMA) statement will be provided. This statement will provide Members with the components to be included in their tax return. The sum of these components may differ to the amount of cash distribution a Member receives.</p> <p>Where available, the Fund may distribute income by way of an annual or interim distribution. Capital distributions may also be made. Distributions will be made in proportion to the number of Units held on the relevant distribution date. A Member may elect to re-invest all or a portion of their income distribution.</p>
<b>YEAR END</b>	30 June
<b>FEES</b>	<p>Fees will be borne indirectly by the Fund in respect of its investment in the AWF (through the Argyle Water Company). This may include certain fees (the GST exclusive amount) being recharged to the Investment Manager. Refer to the following summary of the Fund's key terms. The Fund and the Argyle Water Company may also incur their own operating costs which are not expected to be significant.</p> <p>Refer to the AWF Information Memorandum for a detailed outline of the fees and charges payable by the AWF.</p>
<b>ALLOTMENT DATE</b>	The allotment of Units is effective on the first business day of the relevant calendar month, or such other time as the Trustee determines.

## SECTION 4: DETAILS OF THE OFFER

### OFFER

Pursuant to this Offer, investors may acquire Units in the Argyle Water Access Fund.

### MINIMUM INVESTMENT

The Minimum Application Amount is \$50,000 initially, or such lesser amount as determined by the Trustee, and \$10,000 for subsequent applications, or such lesser amount as determined by the Trustee.

### APPLICATIONS FOR UNITS

If the Trustee receives the Application Form and cleared Application Monies by 2 business days before the end of a calendar month ("Cut-off day"), Units will, in general, be issued effective on the first business day of the following calendar month at the Application Price determined by the Administrator on behalf of the Trustee (refer to Section headed Unit Price on page 12).

Application Forms and cleared Application Monies received after the Cut-off day will be processed on the first business day of the month following the month after the month in which the application is received.

The acceptance of any application for Units will be at the absolute discretion of the Trustee. The Trustee may reject an Application (in whole or in part), in which case, the Trustee will refund the Application Monies. Any interest accrued on Application Monies will accrue to the benefit of the Fund.

### WITHDRAWALS

Withdrawal Requests will be processed on each Withdrawal Date. There is an initial two-year lock-up period.

Following the expiration of the lock-up period, Withdrawal Requests are subject to 60 business days' notice, or such other notice period determined by the Trustee.

It is generally expected that a redemption of Units in the Fund will be funded by the Trustee from either a buy-back of ordinary shares in the Argyle Water Company or a selective capital reduction with a cancellation of ordinary shares in the company. It is generally expected that the Argyle Water Company will fund share buy-backs or selective capital redemptions via a redemption of Units held in the AWF.

The Trustee will endeavour to satisfy Withdrawal Requests at each Withdrawal Date. Nonetheless, the Trustee in its sole discretion may reduce all Withdrawal Requests for a particular Withdrawal Date on a pro rata basis (which may arise if the Trustee of the AWF is unable to satisfy Withdrawal Requests in the AWF in the usual timeframes).

The AWF Trust Deed requires Withdrawal Requests to be satisfied not more than 36 months after the Withdrawal Date; however, the Trustee of the AWF will endeavour to satisfy the full value of each Withdrawal Request within 24 months

unless, having regard to the circumstances, the Trustee of the AWF decides it is not in the interest of all Members to do so.

Any unsatisfied portion of any Withdrawal Request will be cancelled. The Trustee will seek the submission of a new Withdrawal Request. It will be treated equally and satisfied pro rata in the subsequent quarter (provided 60 business days' notice has been given).

In addition, the Trustee may determine to postpone or suspend Withdrawal Requests and payments in certain extraordinary circumstances as set out below.

All Withdrawal Requests for each Withdrawal Date will be treated equally and satisfied on a pro rata basis.

Monies will be remitted once the Withdrawal Price for the relevant Withdrawal Date has been approved, within a reasonable time following the Withdrawal Date in the absence of exceptional circumstances (otherwise the Trust Deed allows for up to 36 months).

The Trustee may make a determination to postpone or suspend:

- (i) payments to Members in respect of Withdrawal Requests; and/or
- (ii) the calculation of the NAV of Units; and/or
- (iii) the issue of Units; and/or
- (iv) the redemption of Units in certain circumstances, including where Argyle Water Company is unable to redeem its units in AWF because trading on relevant markets is closed or restricted, or during an emergency or a state of affairs as a result of which it is not reasonably practicable for AWF to acquire or dispose of assets or to determine Unit Prices fairly (including any moratorium declared by a government), or any other circumstances as provided for in the Trust Deed, or where the Trustee otherwise considers it to be in the interests of Members.

The Fund may also suspend payment of Withdrawal Requests if the Trustee deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Fund, Argyle or any of the Fund's service providers.

The Trustee may, in its sole discretion, compulsorily redeem all or any portion of a Member's Units at any time for any reason or no reason.

Following a Withdrawal of Units, the Trustee will issue a transaction advice that details the Withdrawal Date, transaction date, transaction amount, Withdrawal Price, number of Units redeemed and the current Unit balance.

## UNIT PRICE

The Administrator generally calculates Unit Prices monthly, although it may do so more or less often than this. The Unit Price for the Fund will generally be available within 10 business days of month end. Assets are valued at market value using a method determined by the Administrator and permitted by the Trust Deed. A different method of valuation may be applied in some circumstances, particularly where that method is required to reflect more fairly the value of the relevant investment.

Units are issued at the Application Price and withdrawn at the Withdrawal Price, with both prices calculated relative to Fund pricing. Both the Application Price and the Withdrawal Price of a Unit are calculated based on the NAV of the Fund divided by the number of Units in the Fund on issue on a pricing day.

Calculation of Application Prices and Withdrawal Prices are subject to a buy/sell spread being collected at Fund level, and passed onto the AWF, which is used to cover certain costs incurred in managing the AWF's investments, such as legal, brokerage, bank charges, and government duties. The buy/sell spread is currently 0.5% of the Fund unit price and may vary from time to time.

## ISSUE OF UNITS

The Trustee may, from time to time, issue Units to new or existing Members.

## PAYMENT OF DISTRIBUTIONS

The Fund will normally distribute income annually, after the period ending 30 June. The Trustee may make other or additional distributions at any time in accordance with the Trust Deed.

A Member may elect to re-invest all or a portion of their income distributions. A distribution statement will be issued following the payment of a distribution.

## CALCULATION OF DISTRIBUTIONS

The Fund can earn income from its indirect investment in the AWF. It may also earn net realised capital gains from the redemption of shares in the Argyle Water Company. Any capital gains realised by the AWF or the Argyle Water Company should be distributed as dividends to the Fund and this tax classification will be retained when distributed by the Fund to the Members.

The amount to be distributed is calculated by deducting all expenses and fees incurred in respect of the Fund from the income and realised gains of the Fund, less any tax payable by the Fund and / or distributed net capital gains to fund a

withdrawal. It may include a return of capital in the distribution.

The distribution amount for the Fund is divided by the number of Units in the Fund on issue on the last day of the Distribution Period to provide the cents per Unit distribution amount.

The amount Members will receive is calculated by multiplying the cents per Unit distribution amount by the number of Units they hold in the Fund at the end of the last day of the Distribution Period. Each Unit receives the same distribution amount regardless of how long it has been held.

The distribution amount will vary at each distribution. Distributions are not guaranteed. Unit Prices normally fall immediately after a distribution has been declared because the net assets of the Fund have been reduced by the amount of the distribution.

## REINVESTMENT

A Member may elect to re-invest their income distributions. If a Member elects to re-invest all or a portion of their income distributions, the Trustee will apply on each Member's behalf for additional Units in the Fund at the end of each Distribution Period (the 'Additional Units'). The Additional Units will be issued on the first day after the end of the Distribution Period. The price at which the Additional Units will be issued will be the ex-price quoted for the last business day of the Distribution Period to which that distribution relates plus the buy spread. Members will receive details of the number and issue price of Additional Units issued in this way. The Trustee can withdraw or modify this facility at any time.

## TRANSFERS

The Trustee may in its absolute discretion refuse to register any transfer.

## SECTION 5: STRUCTURE AND KEY AGREEMENTS

### Argyle Water Access Fund

Subject to the number and profile of Members, it is the Investment Manager's intention that the Fund will be established and managed in a manner that will allow it to be eligible to qualify as an AMIT for Australian income tax purposes. Where the Fund qualifies as an AMIT, the Trustee intends to make an irrevocable choice to apply the AMIT regime (prior to the Fund making its first distribution to Members). The Fund's eligibility for AMIT status will depend on the profile and spread of its Members, which can impact its ability to satisfy the widely held and closely held requirements for AMIT qualification.

Investments by Australian wholesale investors into the Argyle Water Fund will be made via the Argyle Water Access Fund. The Argyle Water Access Fund will hold shares in the Argyle Water Access Pty Ltd, which will invest entirely in the Argyle Water Fund, as illustrated below.

Perpetual Corporate Trust Limited (ABN 99 000 341 533, AFSL 392 673) is Trustee and issuer of Units and is responsible for the operation of the Fund and has the power to delegate certain duties.

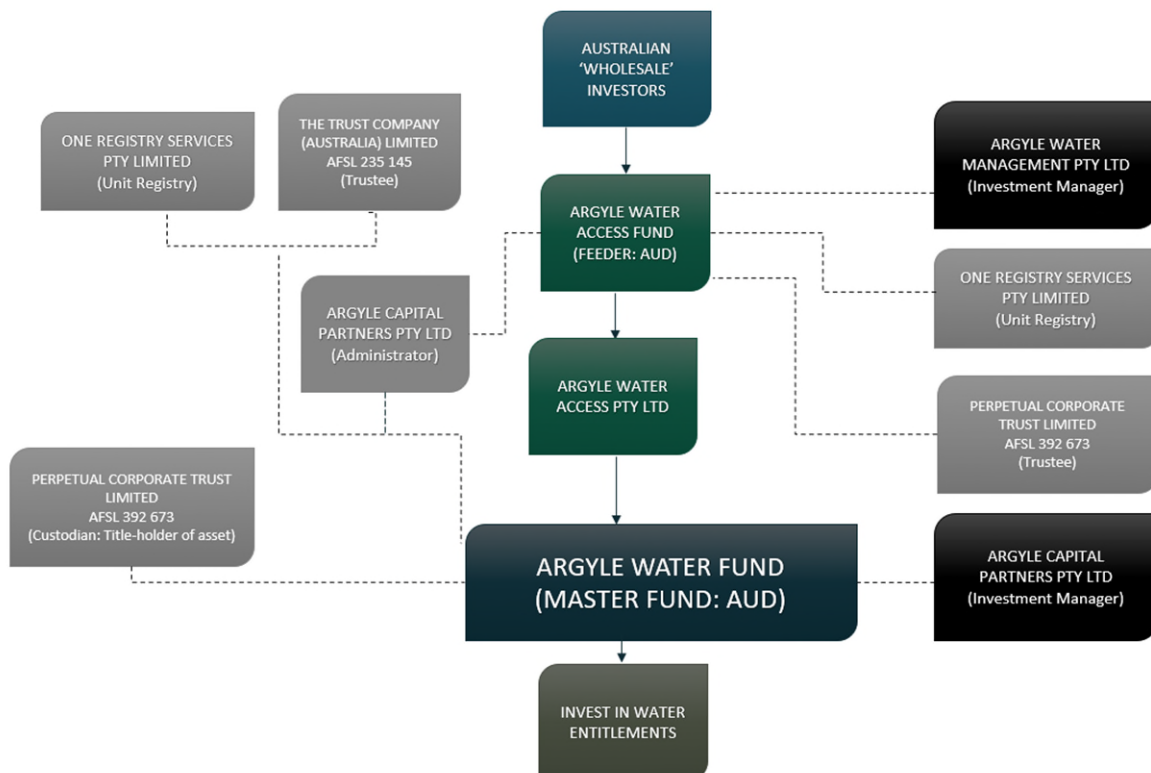
The Trustee is a wholly owned subsidiary of Perpetual Limited, which has been in operation for over 130 years. Perpetual Limited is an Australian public company that has been listed on the ASX for over 50 years. The Trustee holds AFSL 392 673 issued by ASIC, which authorises it to provide financial services associated with operating the Fund and the AWF.

The Trustee has appointed Argyle Water Management Pty Ltd as the Investment Manager of the Fund.

Argyle Water Management Pty Ltd makes investment decisions as to the allotment and redemption of shares in the Argyle Water Company, and in turn, Units in the Argyle Water Fund.

Argyle Capital Partners Pty Ltd ('ACP') acts as the Administrator of the Fund. The Administrator is responsible for the day-to-day administration of the Fund.

ACP also acts as Investment Manager of the AWF. Refer to the Information Memorandum of the AWF for further details about the Investment Manager of the AWF.



## SECTION 6: FEES AND CHARGES

Fees will be borne indirectly by the Fund in respect of its investment in the Fund (through the Argyle Water Company).

No fees will be charged directly to the Fund, but the Fund and the Argyle Water Company may also incur their own operating costs which are not expected to be significant.

It is anticipated that any such fees and expenses will be paid by the Investment Manager of the AWF from its Administration Fee and will not be recovered from the Fund or Fund assets. However, the Trustee is entitled to recover such fees and expenses from the Fund assets if not paid by Argyle.

Refer to the AWF Information Memorandum for a detailed outline of the fees and charges payable by the AWF.

## SECTION 7: KEY RISKS

Investors should carefully consider the risks detailed below before making an application to invest in the Fund. The following list of risk factors is not exhaustive.

As a result of these risks, no guarantee is, or can be, given by Argyle or the Trustee or by any person involved with the proposed investment that returns will be similar to those discussed in this IM.

All investments are subject to risks and generally go down as well as up in value. Adverse changes in value can be significant and can happen quickly. Different types of investments perform differently at different times and have different risk characteristics and volatility.

The Fund is also exposed (indirectly) to risks applicable to the AWF. Refer to the Information Memorandum for AWF for a detailed outline of the risk factors applicable to the AWF.

### MARKET RISK

Negative movements that affect the price of all assets within a particular market may cause losses to the Fund. For example, movements in interest rates, exchange rates, inflation and commodities prices can affect the value of assets in the AWF. The prices of individual water entitlements and water allocations can be volatile, and there may be periods of prolonged poor returns in AWF, resulting in poor returns in the Fund.

### LEGAL, TAX AND REGULATORY RISKS

Legal, tax and regulatory changes could materially and adversely affect the Fund, the Argyle Water Company, the AWF, and their operations. Regulation of investment vehicles such as the Fund is always evolving and therefore subject to change. The effect of any future legal or regulatory change on the Fund is impossible to predict but could be substantial and adverse.

### LIQUIDITY RISK

Due to variable levels of liquidity in the Australian water markets in which the AWF invests, there may be times when it is difficult for ACP to dispose of AWF assets at a fair value and in a timely manner. This may affect a Member's ability to withdraw their investment from the Fund and may reduce the Fund's value.

Timing of the disposal of assets in AWF is critical to realising an optimal return on the Fund's investments. There can be no assurance that there will be a market for the AWF's holdings when the AWF Investment Manager is required to dispose of them in order for the AWF Trustee to meet Withdrawal Requests in the AWF, to satisfy the Withdrawal Requests of the Fund.

An investment in the Fund provides limited liquidity, however liquidity of the Fund's assets and of an investment in the Fund cannot be guaranteed. An application for Units should only be considered by investors who are financially able to maintain their investments and who can afford to lose all or a substantial part of their investment. Investors should be prepared to remain in the Fund for an extended period.

### FUND RISK

Risks particular to the Fund include that the Fund could terminate, and the fees and expenses of the Fund could change. The fees charged in aggregate will likely exceed the fees that an investor would typically incur by investing directly in the underlying assets. There is also a risk that investing in the Fund may give different results than investing directly in the underlying assets due to differences in tax status because of income or capital gains accrued in the Fund and the consequences of transactions by other investors.

### COUNTERPARTY AND SETTLEMENT RISK

The counterparty to a transaction in the Fund may default in the discharge of its obligations due to a lack of funds, or the contravention of regulations (whether inadvertent or deliberate).

### DEPENDENCE ON THE AWF INVESTMENT MANAGER

The success of the Fund depends on the ability of the Investment Manager to develop and implement strategies that achieve the Fund's investment objectives. For example, subjective decisions made by the Investment Manager could cause the Fund to incur losses or miss profit opportunities and the investment team of Argyle could change.

### INCIDENTAL EXPENSES

Government taxes (to the extent applicable) and charges levied by an investor's financial institution (for example, cheque dishonour fees and electronic transfer fees) will be deducted from Application Monies or investment proceeds (as appropriate).

### ADVISER COMMISSIONS

Argyle or the Trustee may pay brokerage or commission to those who are engaged to promote the Fund.

## SECTION 7: KEY RISKS

### **DETERMINATION OF NET ASSET VALUE BY APPRAISAL**

The determination of the NAV of the Fund is reliant on the Unit Price of the AWF. Whilst markets exist for water entitlements and water allocations, providing a mechanism for the regular valuation of water assets, these valuations are not always perfect. This is particularly due to time lags between a transaction and the reporting of that transaction, in markets that are thinly traded and where the values reported for a transaction are inaccurate. An Independent Valuer has been appointed by AWF to value its portfolio on a monthly basis by appraisal, however, the value assigned may be somewhat arbitrary. There is a risk that a higher value is placed on the AWF's assets (and therefore a higher Management Fee is paid) than might otherwise have occurred had a more reliable market price been obtainable.



## SECTION 8: TAXATION

### OVERVIEW

The information provided below is a summary of the Australian income tax and GST implications for Australian resident individuals, companies (other than life insurance companies), trusts or complying superannuation funds for income tax purposes who hold their Units in the Fund on capital account.

The information does not consider the Australian income tax and GST implications for Members who:

- are not Australian residents;
- are exempt from Australian income tax;
- hold their Units in the Fund as trading stock or otherwise on revenue account; or
- are subject to the Australian Taxation of Financial Arrangement rules under Division 230 of the Income Tax Assessment Act 1997 (Cth) ("ITAA 1997").

The information is based on established judicial and administrative interpretations of the ITAA 1997, Income Tax Assessment Act 1936 (Cth) ('ITAA 1936'), Taxation Administration Act 1953 (Cth) ('ITAA 1953') and A New Tax System (Goods & Services Tax) Act 1999 (Cth) ('GST Act') (collectively referred to as the 'taxation law') as at the date of this IM. This summary does not take into account or anticipate changes in the taxation law or future judicial and administrative interpretations of the taxation law.

As the Australian taxation laws are complex and each Member's tax liabilities depend on their individual circumstances, Members should seek their own independent professional tax advice before investing in, or dealing with, their investments in the Fund.

### FLOW-THROUGH OR PUBLIC TRADING TRUST TREATMENT

Where a unit trust is a 'public trading trust' under Division 6C of the ITAA 1936 for an income year, the unit trust will be treated as a corporate entity for certain purposes of the taxation law. The consequence of the Fund being classified as a 'public trading trust' is that the Trustee may be liable to pay tax on the trust's net income at the corporate tax rate and certain distributions by the trust may be frankable.

In order to be a public trading trust, the trust must satisfy both of the following requirements:

- public unit trust; and
- trading trust.

Broadly, whether a unit trust is a public unit trust in relation to a year of income depends on the types of investors holding an interest in the trust. The public unit trust assessment must be considered in relation to each income year. As a result, the classification of the Fund as a public unit trust ultimately depends on the nature and spread of investors, which could change from time to time.

A trading trust is a trust that carries on a trading business or controls the affairs or operations of another person (including a trust) who carries on a trading business. Therefore, in determining whether the Fund is a trading trust, it is necessary to consider whether it carries on a trading business or controls another entity which carries on a trading business. The Fund will not carry on a trading business where its business consists wholly of 'eligible investment business' (subject to certain safe harbour rules for ancillary or incidental assets and activities).

### INCOME TAX STATUS OF THE FUND

It is the Investment Manager's intention that the Fund will be established and operated in a manner that will allow it to be treated as a flow-through trust and be eligible to qualify as an AMIT for Australian tax purposes.

In order for the Fund to be treated as a flow-through trust, it must not carry on a trading business or have 'control' of a trading business, including the business being carried on by the Fund. The Fund is not intended to control the AWF through its indirect ownership (via the Argyle Water Access Pty Ltd) based on its minority ownership of the units in the AWF and the nature of its rights over the AWF. This will ultimately be a question of fact that will depend on the rights exercised by the Investment Manager of the Fund.

Ultimately, the Fund's eligibility for accessing the AMIT regime will depend on the profile and spread of its Members (impacting its ability to satisfy the widely held and closely held requirements for AMIT qualification).

Broadly, this means that the Trustee will not be liable to pay tax on the Fund's taxable income. Instead, the Members will be liable for tax on their respective share of the AMIT's trust components each income year on an attribution basis. The Trustee will notify the Members of the correct tax treatment and trust components distributed each year.

### INCOME TAX STATUS OF ARGYLE WATER ACCESS PTY LTD

The Fund will hold its investment in the AWF indirectly through Argyle Water Access Pty Ltd. Argyle Water Access Pty Ltd will be an Australian resident company subject to corporate income tax at the 30% rate, unless the company qualifies as a base rate entity (BRE).

## SECTION 8: TAXATION

Where the company qualifies as a BRE, it will be eligible for taxation at the lower corporate tax rate, currently 25%. The BRE status of Argyle Water Access Pty Ltd must be determined each income year and will ultimately be subject to the company's 'base rate entity passive income' (BREPI) and aggregated turnover during that income year.

As a Company, Argyle Water Access Pty Ltd is not entitled to a capital gains tax discount on capital gains.

Where AWF is treated as a flow-through trust for income tax purposes (not a "public trading trust" under Division 6C of the ITAA 1936) for an income year, Argyle Water Access Pty Ltd will be liable for tax on the net income of AWF based on its share of the income of the trust to which it is presently entitled. As AWF has accumulated assets over the current fund life, the tax cost base of Argyle Water Access Pty Ltd's units in AWF will be different to the tax cost base of AWF's assets inside the trust. As AWF will determine the net income based on its standalone tax position, including utilising AWF's cost base in the assets of the trust in respect of any capital gains from the sale or realisation of assets, the net income on which Argyle Water Access Pty Ltd is liable to pay income tax could exceed Argyle Water Access Pty Ltd economic gain in one or more income years. Depending on the manner in which the net income is distributed to Argyle Water Access Pty Ltd the effective tax rate on the net income could be in excess of the 30% corporate income tax rate.

### TAXATION OF MEMBERS AND THE FUND

#### *Net income of the Fund*

The Fund's net income for tax purposes will be its total assessable income (including realised net capital gains) calculated as if the Trustee were a resident taxpayer less all allowable deductions.

As an AMIT, the Fund will be required to determine its 'determined trust components' each income year, which broadly reflects the taxable income of the Fund split into various classes of income for tax purposes. These components are then 'attributed' to the Members.

The Trustee of the Fund is not subject to tax in respect of the income and gains it derives provided the Trustee attributes (in full) the 'determined trust components' to Members within three months after the end of each income year and the Trustee limits the Fund's activities to undertaking, or controlling entities that undertake, 'eligible investment business' for Australian tax purposes.

The Fund will provide each Member with an AMMA statement after 30 June each year summarising the amounts and character of the Fund's income that is attributable to their

membership interests. The AMMA statement will also set out the tax-exempted, tax-free and tax-deferred components (if any) of income distributions paid and the amount of any net capital gains arising from the dealings in the Fund's investments.

The member components in the AMMA statement should be included in the tax return of each Australian resident Member and subject to Australian income tax at their marginal tax rate.

#### *Dividends received by the Fund*

The Argyle Water Access Pty Ltd will be subject to Australian income tax on its share of net income from the AWF that it is made presently entitled to during a particular income year, including any capital gains realised by the AWF or the Argyle Water Access Pty Ltd. The Argyle Water Access Pty Ltd should distribute its profits as dividends to the Fund, which holds all of the issued share capital of the Argyle Water Access Pty Ltd. As a result, the Fund is expected to be in receipt of post-tax dividends from the Argyle Water Access Pty Ltd.

Where the Fund receives fully or partially franked dividends from the Argyle Water Access Pty Ltd, Members may receive franking credits as part of their distributions from the Fund. However, the Argyle Water Access Pty Ltd may also distribute unfranked dividends to the Fund, such that no franking credits would be distributed from the Fund to Members. The degree of franking credits attached to distributions will ultimately depend on the franking account balance of the Argyle Water Access Pty Ltd and its management practices to maintain a credit balance in the franking account at the end of each income year.

If the taxable component of the Fund distribution includes a fully or partially franked dividend, Members should be entitled to a tax offset equal to the amount of the associated franking credit, provided certain requirements are met by the Fund and the Member, including the relevant franking credit integrity measures, such as the 45-day holding period rule. Where an unfranked dividend is included in the Fund distribution, no franking credit offset will be available to Members.

Depending on the Members individual circumstances, franking credits may be available as a franking credit tax offset to their respective income tax liability.

#### *Capital gains realised by the Fund*

Where the Fund derives net capital gains to which a Member becomes entitled, the Member may need to include these amounts in their assessable income.

However, given the Fund will invest in the Argyle Water Access Pty Ltd (as its wholly owned subsidiary), its income will

## SECTION 8: TAXATION

generally be limited to dividends received from the company, which will not be treated as a net capital gain.

The Fund may realise a net capital gain from the redemption of shares it holds in the Argyle Water Access Pty Ltd.

Where the Fund realises a net capital gain, the Australian resident Member should be regarded as having derived a capital gain equal to the Member's attributed share of a net capital gain. Where the attributed capital gain includes a discount capital gain component, the Member is required to 'gross up' the amount of the capital gain included in their assessable income by the discount applied by the Fund (i.e., 50%). The Member can then apply any of their available capital losses against the grossed-up capital gain and then apply their own CGT discount factor, if applicable.

In the case of a Member that is an individual or a trust, the CGT discount is 50%. In the case of a complying superannuation entity, the CGT discount is 33.33%. Companies are not entitled to a CGT discount on capital gains.

For completeness, it is noted that the Australian Government has proposed that AMITs will no longer be able to apply the CGT discount method at the trust level. If the proposed change is legislated, the Fund should still identify any CGT gains eligible for discount, so that Members can calculate their CGT discount on any discountable capital gains attributed to them by the Fund. The change will apply from the income year commencing on or after three months following the date of Royal Assent of the enabling legislation. While it is not certain when this change will come into effect, the Australian Government has indicated it is committed to legislating this measure. However, it is noted that this is a technical amendment only and it is not expected the amendments would affect the overall tax position of Members.

### ***Non-assessable distributions by the Fund***

The Fund may make partial returns of capital, not representing a redemption of Units, over its life. Provided the returns of capital are not paid out of profits derived by the Argyle Water Access Pty Ltd, a return of capital should not be treated as an assessable net income distribution to the Members of the Fund. Instead, the amount should be treated as a non-assessable distribution to the Members for income tax purposes.

In broad terms, the non-assessable component (i.e., tax deferred component) represents the excess of the income distributed by the Fund over the taxable component and capital gain component of that distribution. Non-assessable amounts received by an Australian resident Member will generally not be included in that Member's assessable income.

### ***Distributions by the Fund – Member's CGT cost base adjustments***

The cost base a Member has in their units may increase or decrease annually depending on whether, very broadly, the AMIT distributions are more or less than the amount attributed to the Member under the AMMA statement.

That is, the CGT cost base of a Member's units in the Fund will be increased by the amount of the taxable component and capital gain component (grossed up to reflect the capital gains tax discount concession) and reduced by the gross amount distributed to the Member and the Member's share of any tax offsets (including franking credits).

If the cost base of a unit is reduced to nil, any subsequent amount distributed to a Member in excess of the taxable component and CGT gain component will be assessable income for the Member as a capital gain.

Eligible Australian resident Members who are individuals, trustees or complying superannuation entities may be entitled to apply the applicable CGT discount factor to reduce any such capital gain (after the application of any capital losses) if the units in the Fund have been held for at least 12 months from the date of acquisition.

Where the Fund is an AMIT, the AMMA statement Members receive will state the amounts that the Trustee reasonably estimates to be the 'AMIT cost base net amount – excess' and the 'AMIT cost base net amount – shortfall'.

### ***Tax losses made by the Fund***

Any tax losses realised by the Fund cannot be allocated to Members. However, prior year or current year tax losses can be offset against assessable income of the Fund in a future income year provided that certain trust loss integrity tests are satisfied. The tests that need to be satisfied differ depending upon whether the Fund is a 'fixed trust' or a 'non-fixed trust' for Australian income tax purposes.

AMITs are deemed to be fixed trusts and therefore, would need to satisfy the '50% stake test' and the 'income injection test' for tax losses to be deductible. Broadly, the '50% stake test' requires that greater than 50% of the income and capital entitlements in the Fund are held by the same individuals from the beginning of the income year in which the loss was incurred until the end of the income year in which the loss is recouped and at all relevant times during the intervening period.

The income injection test requires that assessable income is not derived by the Fund under a scheme wholly or partly, but not merely incidentally, because the deduction for the tax loss was available.

## SECTION 8: TAXATION

### ***Capital losses made by the Fund***

Any capital losses made by the Fund cannot be allocated to Members. However, prior year and current year capital losses can be offset against capital gains derived by the Fund in a future income year, prior to the application of the CGT discount. The ability to offset capital losses against capital gains is not subject to satisfaction of any specific tests.

### ***Units treated as equity for income tax purposes***

The income tax treatment of distributions made by the Fund to Members will depend on whether the Units are classified as debt or equity interests for income tax purposes.

It is considered that the Units should be classified as equity interests for income tax purposes. Consequently, distributions on the Units should not be deductible, in whole or part, to the Fund.

### ***Disposal of units in the Fund***

The disposal of Units in the Fund will constitute a CGT event for a Member (assuming the Member holds their units in the Fund on capital account).

A Member should make a capital gain in respect of the disposal of Units to the extent that the capital proceeds attributable to the disposal exceed the Member's cost base. Alternatively, a Member should make a capital loss in respect of the disposal of Units to the extent that the capital proceeds attributable to the disposal of the investment are less than the cost base in that investment.

In determining the cost base or reduced cost base of a Member's Units in the Fund, consideration will need to be given to any CGT cost base adjustments under the AMIT regime that had the effect of increasing or decreasing the cost base of Units as noted above.

### ***Redemption of units in the Fund***

Similarly, the redemption of Units in the Fund will constitute a CGT event for a Member (assuming the Member holds their units in the Fund on capital account).

It is generally expected that a redemption of Units in the Fund will be funded by the Trustee from either a buy-back of ordinary shares in Argyle Water Access Pty Ltd or a selective capital reduction with a cancellation of ordinary shares in the company.

The buy-back of ordinary shares in Argyle Water Access Pty Ltd will be split into capital and dividend components received by the Fund. The capital portion could result in a capital gain or loss for the Fund on the buy-back of the shares. The dividend component will be assessable income to the Fund and the

Members may be eligible for a franking credit tax offset in respect of any franking credits attached to the dividend component of the distribution by the Argyle Water Access Pty Ltd.

The dividend component of the distribution from Argyle Water Access Pty Ltd is expected to be determined based on the 'average capital per share' as this is the Australian Tax Office's (ATO's) preferred method for determining the dividend and capital split for an off-market share buy-back. As the Fund will progressively raise capital and subscribe for ordinary shares in Argyle Water Access Pty Ltd, the tax cost base of a Member's interest in the Fund could differ from the Fund's 'average capital per share' in Argyle Water Access Pty Ltd. As a consequence, the 'average capital per share' methodology could result in a dividend component allocated to the redeeming Member that departs from the Member's gain on their interest in the Fund.

If the Fund is subject to the AMIT regime, the Trustee can allocate taxable income on a 'fair and reasonable' basis. This should include the allocation of any capital gains, franked dividends and franking credits realised on the buy-back of Argyle Water Access Pty Ltd's shares to the exiting Member that caused the sale of shares to fund the unit redemption.

If the Fund's Units are redeemed for an amount more than the cost base of the Units, any excess amount that is attributable to a profit (as outlined above) should, on redemption, be treated as an assessable distribution. The amount treated as an assessable distribution should not then be considered in calculating any capital gain or loss for the Member in their hands. Conversely, any residual cost base in the Members Units in the Fund may result in a capital loss.

A capital gain made by an individual, trust or complying superannuation fund Member from the redemption or disposal of the Fund's Units may be eligible for the CGT discount treatment, subject to the comments above. A Member that is a company is not eligible for the CGT discount.

### ***Liquidation of the Fund and Argyle Water Access Pty Ltd***

Where the Fund is liquidated, Argyle Water Access Pty Ltd's interest in AWF will be sold or redeemed based on the NAV. Where AWF redeems Argyle Water Access Pty Ltd's interest based on a sale of trust assets the capital gains arising from the disposal may be allocated to Argyle Water Access Pty Ltd in accordance with the AWF Trust Deed.

As the capital gain will be determined by AWF based on the tax cost base of the liquidated assets, the capital gain distributed to Argyle Water Access Pty Ltd could exceed

## SECTION 8: TAXATION

Argyle Water Access Pty Ltd economic gain in one or more income years. Where all of Argyle Water Access Pty Ltd's interests in AWF are redeemed in the same income year as part of a single transaction, Argyle Water Access Pty Ltd may realise a capital loss from its residual cost base in the AWF units that can offset the capital gain distributed by AWF.

Argyle Water Access Pty Ltd will utilise the after-tax redemption proceeds to fund either a buy-back of ordinary shares or a selective capital reduction with a cancellation of ordinary shares in the company. Refer to the comments above under "Redemption of the units in the Fund" which will equally apply in this scenario.

### **GST**

No GST should be payable by:

- Members on the acquisition, transfer, or redemption of Units; and
- the Fund on the issue of Units or distributions of income or capital to Members.

It is likely that the Fund and Australian resident Members will be unable to fully recover as input tax credits, GST incurred as part of costs associated with the issue, acquisition, transfer, or redemption of Units. The extent of restriction on recovery of input tax credits will depend upon the circumstances of each party, and specific advice should be obtained.

### **QUOTATION OF TAX FILE NUMBER (TFN) OR AUSTRALIAN BUSINESS NUMBER (ABN)**

It is not compulsory for a Member to quote their TFN or ABN. However, if a Member does not provide a TFN or ABN or claim an exemption, the Fund would be required to withhold tax at the highest marginal rate, including Medicare Levy (currently 47%) from payments to the Member.

A Member may quote an ABN rather than a TFN if the investment is made while carrying on a business or enterprise.

## SECTION 9: TRUST DEED

The Fund was constituted by the Trust Deed dated 8 September 2022 and is legally enforceable between the Members and the Trustee.

The terms of this IM and the Trust Deed determine the relationship between the Trustee and the Members and set out the legal rights, duties and obligations of the Trustee and the Members.

They include:

- the rights, interests and liabilities of Members;
- the duties and obligations of the Trustee as the trustee of the Fund;
- the Trustee's powers to delegate its authority as Trustee;
- investment, valuation and borrowing powers, and fees and recoverable expenses;
- Unit issue and redemption procedures;
- convening and conduct of Members' meetings;
- the duration and termination of the Fund;
- rights to distributions; and
- transferring Units to another party.

This IM must be read in conjunction with the Trust Deed. A copy of the Trust Deed is available free of charge on request from Argyle or the Trustee.

The Trust Deed may only be varied if approved by special resolution of the Members or by the Trustee where the variation or amendment does not adversely affect the rights of the Members.

### RIGHTS ATTACHING TO UNITS

As a Member, your rights include, amongst other things, the right:

- to receive any distributions (in proportion to the number of Units which you hold);
- upon termination of the Fund, to receive a distribution of the net proceeds of sale of the Fund's assets (in proportion to the number of Units which you hold at termination);
- to transfer Units to another person in accordance with the Trust Deed and subject to the Trustee's right to refuse to register a transfer;
- (for individuals, on death) for Units to pass to a surviving joint holder, or otherwise to your estate;
- to call a meeting of Members in accordance with the Trust Deed; and
- to receive (following request and once available) an annual statement of the Fund's accounts for the financial year.



## SECTION 10: OTHER INFORMATION

### FINANCIAL POSITION OF THE FUND

The annual financial statements of the Fund will be made available free of charge upon request.

### DISCLOSURE REGARDING NET ASSET VALUE

The Unit Price is calculated at fair value in accordance with the calculation methodology set out in the Trust Deed.

As outlined above, the Fund will prepare its statutory accounts based on Australian Accounting Standards. Differences may arise between the NAV for Unit pricing purposes and the NAV for statutory accounting purposes.

The Trustee will include in the financial report a reconciliation of the NAV for Unit pricing purposes and the NAV for accounting purposes.

### COMPLAINTS RESOLUTION

The Trustee has established procedures for dealing with complaints. If a Member has a complaint, they can contact the Trustee directly by telephone or in writing with details of the complaint and all relevant personal details (including your name and address). The Trustee will use reasonable endeavours to deal with and resolve the complaint within a reasonable time.

### AUTOMATIC EXCHANGE OF INFORMATION

#### FATCA

The United States of America ('US') passed the Foreign Account Tax Compliance Act ('FATCA') which is designed to assist the US in collecting tax revenues from US residents. The Australian Government has entered into an intergovernmental agreement ('IGA') with the US government in relation to the application of FATCA to Australian institutions which include the Trustee in its capacity as trustee of the Fund.

If requested by the Trustee the Investor agrees, and it is a condition of the issue of the Units, to provide certain information required by it or the Trustee/ Custodian to comply with any applicable law, including the US FATCA.

The Trustee will comply with obligations under FATCA, the IGA and any other local laws designed to give effect to FATCA and the IGA (collectively 'FATCA obligations').

If the Trustee fails to comply with its FATCA obligations, then it could result in withholding tax being deducted from the Fund at a rate of 30% on some distributions from the Fund. However, if all relevant information is provided in accordance with the FATCA obligations, then this withholding should not apply.

If a Member fails to provide the Trustee with all necessary information and withholding tax is payable as a result, then the

Trustee may seek to recover any tax withheld from the relevant Member.

### CRS

The Common Reporting Standard ('CRS') is a tax reporting regime developed by the Organisation for Economic Co-operation and Development ('OECD'). Australia signed the Multilateral Competent Authority Agreement with the OECD and implemented the CRS by passing appropriate supporting legislation enabling tax information to be exchanged between tax authorities.

The CRS requires financial institutions to identify and report foreign resident account holder information to their local tax authority, which will, in turn, exchange the information with the tax authorities of participating foreign jurisdictions. The Trustee complies with the CRS requirements.

### MEMBER OBLIGATIONS

As a Member of the Fund you agree to assist the Trustee in meeting its FATCA obligations and CRS obligations by doing the following:

- agreeing to provide any relevant information the Trustee requests from time to time;
- agreeing to notify the Trustee of any changes in information previously provided;
- consenting to the disclosure of information by the Trustee where your Units are held by a person or entity to which the FATCA obligations or CRS obligations relate. This may include the Trustee providing such information to the ATO who may, in turn, provide the information to the US Internal Revenue Service or other foreign tax authority; and
- waive the provisions of any domestic law that would otherwise prevent the disclosure by the Trustee in complying with its FATCA obligations or CRS obligations.

If requested by the Trustee, the Member agrees, and it is a condition of the issue of the Units, to provide certain information required by it or the Trustee/ Custodian to comply with any applicable law, including FATCA.

### ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING ACT 2006

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ('AML Act') regulates financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is administered by the Australian Transaction Reports and Analysis Centre ('AUSTRAC').

## SECTION 10: OTHER INFORMATION

Under the AML Act, the Trustee is required to verify an investor's identity before providing services to the investor, re-identify the investor if they consider it necessary to do so and keep certain documents and records relating to the investor and transactions for prescribed periods.

The Trustee has implemented several measures and controls to ensure they comply with their obligations under the law, including carefully identifying investors and monitoring transactions. As a result of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where the Trustee has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country. This may result in loss of income or principal invested;
- where transactions are delayed, blocked, frozen or refused, the Trustee is not liable for any loss suffered by Members (including consequential loss) because of the Trustee's compliance with the AML Act as it applies to the Fund or with any other law or sanctions of Australia or any other country; and
- the Trustee may, from time to time, require additional information from investors to assist it in this process and transactions may be delayed, blocked, frozen or refused if the information is not provided.

The Trustee has certain reporting obligations under the AML Act, which may include disclosure of an investor's personal information, and is prevented from informing investors that any such reporting has taken place. Where required by law, the Trustee may disclose information gathered to regulatory or law enforcement agencies, including AUSTRAC.

### PRIVACY NOTIFICATION

The *Privacy Act 1988* (Cth) and the *Privacy Amendment (Enhancing Privacy Protection) Act 2012* (Cth) regulates, among other matters, the way organisations collect, use, keep secure and give people access to their personal information.

By completing the Application Form attached to this IM, Members are providing personal information to the Trustee for the primary purpose of this Offer. The Trustee may collect additional personal information in the future. The Trustee may use the personal information for purposes related to the primary purpose of collection, such as administration and providing services to Members in relation to the investment in the Fund. Administration includes monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries.

If a Member does not provide the Trustee with contact details and other information, the Trustee may not be able to process the application or administer and manage the Member's

investment. The information that a Member provides to the Trustee may be disclosed to third parties, such as:

- the ATO and other government or regulatory bodies;
- a Members' adviser or dealer group, their service providers and any joint holder of an investment;
- third party service providers engaged by the Trustee to perform administrative or management services such as distribution, administration, custody, investment management, registry or auditing; and
- those where the Member has consented to such disclosure, or as required or authorised by law. However, it is unlikely the Trustee will disclose a Member's personal information to an overseas recipient.

As well as reporting to you about your investment in the Fund, the Trustee may use Members' contact details to let you know about other investment opportunities. If you would prefer not to receive these communications, then please advise the Trustee.

Members may request access to personal information held by the Trustee or by contacting the Investor Services team at Argyle.

Phone: +61 7 3077 7910

Email: [investorservices@argylegroup.com.au](mailto:investorservices@argylegroup.com.au)

Address: GPO Box 2954, Brisbane QLD 4001; or  
Level 3, 307 Queen Street, Brisbane QLD 4000

The Trustee's Privacy Policy and details on how you may access or update your personal information can be viewed on the Trustee's website: <https://www.perpetual.com.au/privacy-policy>

### ELECTRONIC FORMAT

For investors receiving this IM electronically, a paper copy (including the Application Form) can be provided free of charge by contacting Argyle.

### OFFERS LIMITED TO AUSTRALIA

This IM can only be used by investors receiving it (electronically or otherwise) in Australia.

### UPDATED INFORMATION

This IM may be updated or replaced from time to time. A copy of the current IM is available from Argyle on request at any time, free of charge.

Information contained in this IM may change from time to time. Unless the changed information is materially adverse to investors, Argyle may not always update or replace this IM to reflect the changed information. To find out about any up-to-



## SECTION 10: OTHER INFORMATION

date information not contained in this IM, contact Argyle (contact details are at the end of this IM) for a copy.

### CONSENTS

The following parties have given, and not withdrawn as at the date of this IM, their written consent to be named in this IM in the form and context in which it appears: One Registry Services Pty Limited, EY, Perpetual Corporate Trust Limited, Argyle Securities Pty Ltd, Argyle Capital Partners Pty Ltd, Kain Lawyers, and McCullough Robertson Lawyers.

Perpetual Corporate Trust Limited has not withdrawn its consent to be named in this IM as Trustee of the Fund in the form and context in which it is named. Perpetual Corporate Trust Limited does not make, or purport to make, any statement that is included in this IM and there is no statement in this IM which is based on any statement by Perpetual Corporate Trust Limited.

To the maximum extent permitted by law, Perpetual Corporate Trust Limited expressly disclaims and takes no responsibility for any part of this IM other than the references to its name. Perpetual Corporate Trust Limited does not guarantee the repayment of capital or any rate of capital or income return.

### RELATED PARTIES AND SERVICE PROVIDERS

Argyle and the Trustee may from time to time use the services of related parties and pay commercial rates for those services. Such services may include legal, placement, broking, and investment administration.

### CONFLICTS

Argyle, the Trustee, or their respective principals, employees or affiliates may do any of the following:

- have and continue to have investments in their own name;
- engage in investment advisory activities for others; and
- serve as an officer, director, stockholder, or partner of one or more investment funds.

It may not always be possible or in the best interests of the various persons or funds to whom Argyle gives investment advice or of which Argyle or any of its principals, employees or affiliates serve as an officer, director, stockholder, or partner to take or liquidate the same investment positions at the same time. Argyle has in place conflicts management procedures, details of which are available to investors on request.

## SECTION 11: GLOSSARY

### ADMINISTRATOR

The administrator of the Fund at the date of this IM is Argyle Capital Partners Pty Ltd (ACN 634 933 029)

### APPLICANT

A person or entity who submits an Application Form

### APPLICATION FORM

The Application Form attached to or accompanying this IM

### APPLICATION MONIES

Money received from an Applicant accompanying an Application Form

### ASIC

Australian Securities and Investments Commission

### ARGYLE

Argyle Water Management Pty Ltd  
(ABN 58 683 917 964, AR 001314000)

### ARGYLE WATER COMPANY

Argyle Water Access Pty Ltd (ACN 662 248 204)

### ARGYLE WATER FUND INVESTMENT MANAGER

Argyle Capital Partners Pty Ltd (ABN 36 634 933 029, AR 1277504)

### ARGYLE WATER FUND TRUSTEE

The Trust Company (Australia) Limited

### CGT

Capital Gains Tax

### CLASS

A Class of Units in the Fund

### CORPORATIONS ACT

Corporations Act 2001 (Cth)

### FUND

Argyle Water Access Fund

### GST

Goods and Services Tax

### IM

This Information Memorandum

### INVESTMENT MANAGER

Argyle Water Management Pty Ltd  
(ABN 58 683 917 964, AR 001314000)

### MANAGEMENT COSTS

The Management Fee and Administration Fee referred to in Section 6 (Fees and Charges), but do not include any Performance Fee referred to in Section 6 (Fees and Charges)

### MEMBER

A person or entity that holds Units

### NAV

The Net Asset Value of the Fund

### OFFER

The Offer of Units under this IM

### SECTION

A Section of this IM

### TRUST DEED

The Trust Deed for the Fund dated 8 September 2022, as may be modified, amended, varied or replaced from time to time

### TRUSTEE

Perpetual Corporate Trust Limited (ACN 000 341 533, AFSL 392 673)

### UNIT

A Unit in the Fund

## CORPORATE DIRECTORY

### TRUSTEE

PERPETUAL CORPORATE TRUST LIMITED

Angel Place, Level 18, 123 Pitt Street, Sydney NSW 2000

Phone: +61 2 9229 9000

Web: [www.perpetual.com.au](http://www.perpetual.com.au)

### INVESTMENT MANAGER

ARGYLE WATER MANAGEMENT PTY LTD

Level 3, 307 Queen Street, Brisbane QLD 4000

Phone: +61 7 3077 7910

Email: [investorservices@argylegroup.com.au](mailto:investorservices@argylegroup.com.au)

Web: [www.argylegroup.com.au](http://www.argylegroup.com.au)

### ADMINISTRATOR

ARGYLE CAPITAL PARTNERS PTY LTD

Level 3, 307 Queen Street, Brisbane QLD 4000

Phone: +61 7 3077 7910

Email: [investorservices@argylegroup.com.au](mailto:investorservices@argylegroup.com.au)

Web: [www.argylegroup.com.au](http://www.argylegroup.com.au)

### REGISTRY

ONE REGISTRY SERVICES PTY LIMITED

Level 16, Governor Macquarie Tower,

1 Farrer Place, Sydney NSW 2000

Phone: +61 2 8188 1510

Email: [info@oneregistryservices.com.au](mailto:info@oneregistryservices.com.au)

Web: [www.oneregistryservices.com.au](http://www.oneregistryservices.com.au)

### AUDITOR

EY

111 Eagle Street, Brisbane QLD 4000

Phone: +61 7 3011 3333

Web: [www.ey.com](http://www.ey.com)

### SOLICITORS

MCCULLOUGH ROBERTSON LAWYERS

Level 11, 66 Eagle Street, Brisbane QLD 4000

Phone: +61 7 3233 8888

Web: [www.mccullough.com.au](http://www.mccullough.com.au)

KAIN LAWYERS

Level 27, Chifley Tower

2 Chifley Square

Sydney NSW 2000

Phone: +61 2 8080 9656

Web: [www.kainlawyers.com.au](http://www.kainlawyers.com.au)

# ARGYLE

## GROUP

**Argyle Water Management Pty Ltd**

**Phone** +61 7 3077 7910

**Email** [investorservices@argylegroup.com.au](mailto:investorservices@argylegroup.com.au)

**[www.argylegroup.com.au](http://www.argylegroup.com.au)**