

Denning Pryce Equity Income Fund

Information Memorandum

1st January 2012

CONTENTS

1. About the company
 2. The Fund at a glance
 3. About the Fund
 4. Fees
 5. Risks of the Fund
- Centre: APPLICATION FORM
7. Eligible investors
 8. Tax
 10. Subscriptions and redemptions
 12. Income, distributions and unit pricing
 12. Termination, Auditing of Accounts, Privacy
 13. Legal relationships, The Constitution

Denning Pryce Pty Limited (ABN 67 116 639 251) is the issuer of this Information Memorandum ("IM") and is trustee and investment manager ("Trustee") of the Denning Pryce Equity Income Fund ("the Fund"). Denning Pryce Pty Limited is the holder of Australian Financial Services Licence No. 298851

Investments in the Fund are not deposits with, or other liabilities of, Denning Pryce Pty Limited. They are subject to investment risk, including possible delays in repayment and loss of income or principal invested.

The Trustee does not guarantee repayment of capital from the Fund or the performance of the Fund. Any performance objective that may be referred to in this Information Memorandum is a target objective only, and the Trustee will not be liable to any investor or third party for any failure to achieve or outperform any such objective.

RBC Dexia Investor Services Trust ("RBC Dexia Investor Services") has been appointed as the Custodian and Administrator for the Denning Pryce Equity Income Fund ("Fund")

RBC Dexia Investor Services' role as Custodian is limited to holding assets of the Fund. As Administrator, RBC Dexia Investor Services is responsible for the day to day administration of the Fund. RBC Dexia Investor Services has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with the Custody and Investment Administration Agreements. RBC Dexia Investor Services was not involved in preparing, nor takes any responsibility for this Information Memorandum ("IM") and RBC Dexia Investor Services makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

Investors who are wholesale clients (as defined in the Corporations Act) and who receive this IM in Australia are eligible to invest in the Fund. Unless otherwise determined by the Trustee, any person receiving this IM in a jurisdiction outside Australia is not eligible to invest in the Fund. This IM provides a summary of the main features of the Fund. It is not meant to be a complete recitation of all the provisions of the Trust which are contained in the Constitution. This IM is not intended to be a Product Disclosure Statement (PDS) under Chapter 7 of the Corporations Act 2001 and has not been lodged with the Australian Securities and Investments Commission.

None of the information contained in this information memorandum is intended to be investment advice. You should seek your own professional advice in connection with any investment or proposed investment in the fund.

This IM contains important information. However, it contains general information only and does not take into account your individual investment objectives, financial situation or particular needs. Accordingly, before you invest, you should read this IM carefully and, if necessary, obtain independent professional financial advice. It is also important that you consider the risk factors that could affect the performance of the Fund. Risk factors that should be considered by prospective investors are set out in detail on page 5.

ABOUT THE COMPANY

Denning Pryce Pty Limited is the Trustee and Investment Manager (“Manager”) of the Fund described in this IM dated 1st October 2009.

Denning Pryce (“the company”) is a boutique asset management company that specialises in listed equity and derivatives-based funds management. The company has a five-person Board and independent shareholders. The founding executives are significant shareholders in the company, which began operating in 2006.

Denning Pryce offers investment products that use shares, options and futures to target specific investment returns. The principals each have in excess of twenty years experience in the securities industry.

In September 2006, the company was appointed by Zurich Investment Management Limited as their Strategic Investment Partner.

ABOUT THE PEOPLE

Hugh Denning joined Rothschild Australia in 1995 after 10 years as a derivatives analyst and broker. As a director of Rothschild Australia Asset Management, he was responsible for dealing, risk, portfolio exposure and trade execution for all transactions in equities, derivatives, property trusts, and currency.

Hugh became Head of Risk & Portfolio Exposure Management at BT Financial Group where he was responsible for the integration of the portfolios through changes of benchmarks, mandates, custodians and operations.

Hugh is the author of “Equity Options: Valuation, Trading and Practical Strategies” and has advised Australian institutions on exchange-traded and over-the-counter derivatives.

He has developed software systems for the management, monitoring and trading of option positions and has worked extensively with the ASX and regulatory bodies in the development of derivatives markets.

Michael Pryce joined JBWere in 2001 after a successful career as an options trader and portfolio manager with leading Australian investment banks. Following JBWere’s affiliation with Goldman Sachs, he became Senior Portfolio Manager with Goldman Sachs JBWere Private Wealth Management in which role he applied his derivative and trading experience to asset allocation, portfolio construction and listed options advice.

At Goldman Sachs JBWere, he acted as lead advisor to both private families and corporations, focusing on investment performance for client’s private companies and superannuation funds, and handled significant options transactions on the ASX.

Michael has traded options and invested in the market for over 20 years, and has experience in negotiating all market conditions. He has long been an advocate of the use of options to increase income and reduce risk in share portfolios.

Dan Wilson joined Michael Pryce and Hugh Denning in founding the company. He is an experienced businessman and portfolio manager. Dan has operated a significant portfolio of blue chip shares and options for more than a decade.

THE FUND AT A GLANCE

Investment Objective	The aim of the fund is to deliver gross income of 10% per annum, whilst maintaining lower than market risk and lower than market volatility
Risk Objective	To provide downside protection in falling markets by operating at lower than market volatility
Trustee	Denning Pryce Pty Ltd
Benchmarks	S&P/ASX XFL ('Fifty Leaders')
Recommended time	3 to 5 years
Volatility of returns	Medium
Gearing	The Fund will not use leverage
Minimum Initial Investment	\$200,000
Distributions	Monthly
Management fee	1.281% inclusive of GST, admin & custody fees
Application fee	Nil
Performance fee	Nil
Exit fee	Nil
Unit pricing	Daily
Applications	Daily
Redemptions	Daily

ABOUT THE FUND

Investment Objective

The aim of the fund is to deliver gross income of 10% per annum, whilst maintaining lower than market risk and lower than market volatility.

Investment Approach

The investment strategy of the Denning Pryce Equity Income Fund is based on holding covered call option positions and actively managing those positions.

The Manager's investment approach is to:

- 1. Buy shares**, in the form of an Australian share portfolio, which deliver a primary income stream of dividends with a high level of franking.
- 2. Sell options** against the Fund portfolio, to deliver a secondary income stream from option premiums.
- 3. Buy options**, to control and manage portfolio risk.

Investment Process

Investment Universe

The Fund will primarily invest in ASX Fifty Leaders (S&P/ASX50) equity securities. The Fund will generally not hold stocks in companies that have no liquid options market available on the ASX.

The Fund may hold equity index futures and options.

Stock Selection

A share portfolio of 30 to 50 stocks will be constructed, with shareholdings having regard to index weights. The portfolio may be tilted towards high-yielding stocks.

Individual stock positions will not exceed the higher of 5% of Fund assets and 2.5 times the S&P/ASX50 index weight at the time of initiating the position.

Option Selection

The Fund maintains a portfolio of both bought and sold options over shares and equity index futures.

The Fund's option positions combine to reduce and control equity exposure, increase the income, and lower the volatility of the portfolio.

The objective of the option selection process is to optimise the net level of option premium income

retained whilst managing and controlling equity exposure.

The principle underlying the process is that it is possible to manage preferred portfolio characteristics in terms of time-to-expiry and option strike price. A number of investment return-based filters help to define these portfolio characteristics.

By controlling the overall time to expiry and strike price level of the option portfolio we control the rate of decay of option premium and the level and variability of market exposure.

All option positions contribute to the objectives of the Fund: to deliver income of 10% per annum, capital growth, and significant downside protection in falling markets.

Fund Characteristics

The characteristics of an equity portfolio which has sold components of risk in exchange for an increased income stream (such as the Fund) are:

- higher income
- lower risk
- less volatility
- dampened market exposure

The characteristics of the income stream will depend on market conditions. The Fund has the potential to generate higher-than-market income derived from dividends, retained option premiums and realised capital gains.

By their nature, covered call positions result in a reduction in market exposure when the market rises, and an increase when the market falls. This feature will be a characteristic of the Fund, and control of this risk is an important focus of the investment process.

Target Exposure

Net exposure to the Australian share market will generally be maintained between 45% and 85% of Fund assets.

FEES

Management fee

The management fee (inclusive of GST) is **1.281% of gross assets per annum**. This fee will be calculated daily but deducted monthly. Although the constitution allows the Trustee to recover certain expenses, until further notice all costs and expenses of the Fund (other than expenses of buying and selling underlying assets), as well as fees to and expenses of all service providers, such as the Manager, the Administrator, the Custodian and the Auditor will be met by the Trustee out of the management fee.

Subscriptions & Redemptions

There are **no** application fees.

There are **no** performance fees.

There are **no** exit fees.

Buy/Sell Spread

The Trustee will seek to allocate transaction costs fairly to transacting investors by making an adjustment to the Unit price at the time of application or withdrawal from the Fund. This avoids the adverse impact on existing investors not acquiring or withdrawing Units.

A transaction cost factor of up to 0.35% (buy spread) may be included in the Unit price at which you invest to allow for costs of investing application monies. A transaction cost factor of up to 0.35% (sell spread) may be included in the Unit price at which you redeem from the Fund to allow for costs of raising redemption monies.

These transaction expenses comprise brokerage, stamp duty, exchange fees, clearing fees and the buy/sell spreads (where applicable) on the assets likely to be traded. The Trustee will take into account the brokerage paid on buying and selling the securities and the average buy/sell spreads in normal conditions. Transaction costs are not a payment to the Trustee but in effect a reimbursement to the Fund and may differ from what an individual investor would incur if constructing a similar portfolio.

Fee Changes & Fund Constitution

The fee actually charged is shown above. We may vary the fee(s) charged from time to time. If we propose to increase the fees, we will give you 60 days advance notice. While we are allowed to charge up to the maximum shown in the constitution, we are committed to maintaining fees at a reasonable and competitive level. For completeness of information, the maximum management fee provided for in the constitution is 3%.

In addition the constitution provides that the Trustee is entitled to deduct certain expenses of the Fund from the assets of the Fund. However the Trustee currently intends to meet those expenses out of the management fee charged.

Manager Payments

The Trustee may in its discretion make recurring payments out of its own assets and not as an additional charge to the Fund to unaffiliated financial intermediaries ("Intermediaries") in connection with the promotion, sale, distribution and retention of Units. The payments made by the Trustee may be based on the net asset value of the Fund ("Net Asset Value") as determined by the Trustee from time to time, and may be different for different intermediaries.

Goods and Services Tax (GST)

The Fund may be required to pay GST on management and other fees and expenses. However, where available, the Fund will claim input tax credits for the GST incurred. All references to management fees are quoted inclusive of the net impact of GST to the Fund (ie any GST payable has been reduced by any input tax credits) where applicable at the rate applying on the date of this IM.

THE RISKS OF THE FUND

General risks

The risks explained below are general risks that apply to most investments.

Investment objective risk is the risk that a particular investment objective will not be met through a given choice of investments. An important measure of investment objective risk is the volatility of returns; the greater the volatility, the more likely that returns will differ from those expected across a given time period. This volatility can result in fluctuations in the Unit price and/or amounts distributed to Unit Holders. The main causes of volatility in this Fund are disclosed below.

Investment risk exists because securities are volatile and capable of price fluctuations. A fall in the value of the stock market may be reflected in a fall in the value of assets of the Fund, resulting in a fall in Unit price. This may result in a loss of capital and/or reduced (or zero) distributions.

The repayment of the initial investment, the performance of the Fund and any particular rate of capital or income return are not guaranteed by the Trustee, or any other organisation. There can be no assurance that the Fund's investment objective will be achieved. Investments in shares and options involve risks. Such risks include, for example, political and economic instability, or an inability to obtain reliable financial information about a company.

Liquidity risk exists when particular investments are difficult to purchase or sell, preventing a Fund from closing its positions or rebalancing within a timely period and at a fair price. While every effort is made for the Fund to be able to meet all redemptions, the nature of securities means that, in certain circumstances, the Trustee may not be able to meet all redemption requests when they are received.

Inflation risk is the risk that the prices of goods and services will rise more rapidly than the value of investments.

Manager risk refers to the risk that the manager will not achieve its performance objectives or not produce returns that compare favourably against its peers. It is possible that an investment manager may be negligent, fraudulent or incompetent, which characteristics could adversely effect investment performance.

Share market risk refers to changes in stock prices that may result in loss of capital. Factors that drive changes in share prices include changing profitability of companies and sectors, economic cycles, volume of share issuance, investor demand levels, business confidence and government and central bank controls.

Counterparty risk is the risk of loss due to counterparty default. Counterparties include brokers and clearers of exchange traded securities, futures and options.

Sector risk refers to price fluctuations affecting a particular industry sector, rather than at a particular company or security level.

Country risk refers to potential adverse political or economic developments affecting the return on an investment in a country, being Australia for the purpose of discussing the Fund, which may reduce the value of assets in that country. Examples are recession, war, or political instability.

Derivatives risk. Derivatives are leveraged instruments that can be used to obtain or reduce market exposure. As the market value of a derivative is variable, gains or losses can be incurred and can be greater than in unleveraged positions.

The Fund may use derivatives:

- as a hedge;
- as an alternative to buying or selling the physical security;
- to manage risk;
- to manage portfolio exposure;
- to take advantage of opportunities for profit; and
- by buying put options.

The Fund's investment policy is designed to ensure that:

- short derivatives positions are backed by physical assets or long derivatives; and
- long derivatives exposures are backed by liquid assets or cash equivalents.

Selection of brokers and settlement facilities

The Manager intends to exercise due diligence and prudence in the selection, and monitoring of, brokers, clearing facilities, depositories, back-office administrators, custodians, accountants and other financial intermediaries (collectively, "Third Parties")

Brokerage and soft commission policies

In the selection of Third Parties and in the execution of transactions for the Fund, the Trustee seeks to achieve the most favourable price and execution available under the circumstances. In assessing the terms of a particular transaction, consideration may be given to various relevant factors. These include the market for the security, the difficulty of executing the transaction, the price of the security, the financial condition and expertise of the intermediary, the level of cost of the commission, if any, and the brokerage or research services provided by the intermediary to the Trustee. Subject always to the requirement of most favourable price and best execution, certain services, such as research, are provided to the Trustee in providing investment services to the Trustee by brokers on a bundled basis. Accordingly, the Trustee may pay a higher commission than might otherwise be payable in consideration of such bundled services which assist the Trustee in providing investment services to the Fund, provided that the Trustee determines in good faith that such commission is reasonable in relation to the value of brokerage and research services provided. Such brokerage and research services may apply to the services provided by the Trustee to the Fund or to their other clients.

Borrowings and Securities Lending

Although there is no prohibition on borrowings, the Trustee does not currently intend to enter into long-term borrowing arrangements in respect of the Fund. However the Fund may borrow from time to time in order to manage cash flows, subscription or redemption flows or for extraordinary or emergency purposes. The Fund may lend the Fund's securities to other financial institutions. In lending its securities, the Fund receives additional income while retaining the securities' potential for capital appreciation. As with any extensions of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower of the security fail financially. However any such loans of the Fund's securities will only be made to firms deemed to be creditworthy.

**THE FOLLOWING FOUR PAGE SECTION IS
THE APPLICATION FORM FOR THE FUND**

Please Detach this 4 page Application and Declaration Form

DECLARATION OF STATUS AS AN ELIGIBLE INVESTOR

Please tick the relevant box to confirm qualification as a Wholesale Investor as defined on Page 7 of the Information Memorandum:

I am the trustee of a superannuation fund which has assets of at least \$10 million.

I am investing an initial \$500,000 or more (excluding superannuation - sourced money)

This is a personal investment, not made in connection with a business, and I am providing a certificate from a qualified accountant certifying that I have net assets of at least \$2.5 million (including net assets of a company or trust controlled by me)*

*

This is a personal investment, not made in connection with a business, and I have provided to the Trustee a certificate from a qualified accountant certifying that I have earned a gross income for each of the last 2 financial years of at least \$250,000 a year (including gross income of a company or trust controlled by me)*

*

This is a personal investment made in the name of a company/trust, not made in connection with a business, and I have provided the Trustee with a certificate given by a qualified accountant certifying that I control the company/trust, and that I have net assets of at least \$2.5 million (including net assets of a company/trust controlled by me)*

*

This is a personal investment made in the name of a company/trust, not made in connection with a business. I have provided the Trustee with a certificate given by a qualified accountant certifying that I control the company/trust, and I have earned a gross income for each of the last 2 financial years of at least \$250,000 a year (including gross income of a company/trust controlled by me);

I have, or control, gross assets of at least \$10 million (including any amount held by an associate or under a trust that I manage).

I qualify as a wholesale client for other reasons, set out below:

* Please include Accountant's Certificate, given within the last 2 years, WITH this application

This Application for Investment Form is dated 1st October 2009 and must not be distributed to any person unless attached to the Information Memorandum dated 1st October 2009.

This Information Memorandum ("IM") issued by Denning Pryce Pty Ltd (ABN 67 116 639 251, AFSL 298851) contains important information about investing in Units in the Denning Pryce Equity Income Fund ("the Fund"). This IM should be read before applying for Units in the Fund. Units to which this IM relates will only be issued on receipt of an **Application Form** issued together with the IM and any supplementary documentation. The offer of Units in the Fund is only available to certain classes of investors (see the IM for details).

General Instructions: Send your completed form (and cheque if applicable) to:

Please use a **Black** or **Blue** pen.
 Please print well within the boxes in clear **BLOCK LETTERS**.
 If an item is not applicable, please leave the boxes unmarked.
 If you make an error, please cross out the error and initial the change
 (Please do not use correction fluid).

Denning Pryce Equity Income Fund
C/o RBC Dexia Investor Services
Attention: Unit Registry Department
GPO Box 4537, Melbourne, VIC 2001
and fax to: 02 8262 5492

1 Individual / Joint Applicants

Individual, Applicant 1

Title	Surname
[Grid]	
Given Names	
[Grid]	
Tax File Number (or reason for Exemption)*	Date of birth
[Grid]	[Grid] / [Grid] / [Grid]

Joint, Applicant 2

Title	Surname
[Grid]	
Given Names	
[Grid]	
Tax File Number (or reason for Exemption)*	Date of birth
[Grid]	[Grid] / [Grid] / [Grid]

For Joint Applicants, indicate authorisation required for withdrawals:

(please tick one box)

Either to sign Both to sign

2 Company / Trustees / Partnership / Other Applicant Details (including Associations)

(please tick one box)	Name of Investor (for a trust include name of Trustee AND name of Trust)
Company <input type="checkbox"/>	[Grid]
Superfund <input type="checkbox"/>	[Grid]
Trust <input type="checkbox"/>	[Grid]
Partnership <input type="checkbox"/>	Contact Person [Grid]
Other <input type="checkbox"/>	TFN/ABN* or reason for Exemption [Grid]

*You are not obliged to provide your TFN or ABN, but if you do not do so, tax will be deducted and withheld at the highest Marginal Tax Rate. For a Trust, include TFN or ABN of the trust itself.

3 Address and Contact Details

Address [Grid]

Email [Grid]

Phone (home/mobile) [Grid] Fax [Grid]

Phone (work) [Grid]

4 Investment Details

Amount of Application (\$)

(please tick one box)

Electronic transfer
 or Cheque

Electronic Funds Transfer

Subscriptions should be lodged with: **RBC Dexia Investor Services Australia Nominees Pty Ltd**
 Account Name: **Denning Pryce Applications Account**
 Account Number: **83 705 1002**
 BSB: **012 003**

Reference: <investor name>

Cheque

Please make your cheque denominated in Australian Dollars payable to:

< RBC Dexia/IS Aust Noms P/L - Denning Pryce Applications Account >

Application Form and cheque (if applicable) should be sent to:

Denning Pryce Equity Income Fund
C/- RBC Dexia Investor Services
Attention: Unit Registry Department
GPO Box 4537, MELBOURNE, VIC 2001

5 Distribution Instructions

Reinvest in additional units:
 Pay cash, to nominated account:

Name of Institution:
 Branch:
 Account Number:
 BSB:

Note: This account must be in the name of the investor(s) detailed in section 1 of this form.

If no distribution option is selected, distributions will be reinvested in additional units.

6 Identity Check for AML Regulations*

Please complete one of the following:

- Application is made under AFSL Number
- As an **Individual Applicant** I supply: Date of Birth; Residential Address, certified copies of one Primary photographic identification document, and one additional identification document.
- As a **Trust Applicant** I supply: Trust Type and Country of establishment; a certified extract from the Trust Deed, certified copies of one Primary photographic and one additional identification document for **each** trustee.
- As a **Company Applicant** I supply certified copies of: Company Certificate of Incorporation; Current ASIC Company Statement; one Primary photographic and one additional identification document for **each** Director or signatory.

*** Anti Money Laundering**

Please fax this information to Denning Pryce Pty. Ltd. on 02 9233 72333

7 Signature / Declaration

I/We have read the Information Memorandum dated 1st October 2009 and any supplementary documentation and agree to be bound by the provisions of the Constitution which governs the Denning Pryce Equity Income Fund as amended from time to time and the terms of this Information Memorandum.

I/We confirm that I am/we are Australian resident(s) for tax purposes, or that the Trustee has determined that I am/we are eligible to invest in the Fund.

I/We confirm that I am/we are a wholesale client within the meaning of the Corporations Act in relation to the issue of Units and any other services provided to me/us by the Trustee and will advise the Trustee as soon as practicable if I/we cease to be a wholesale client.

I/we understand that failure to provide information required in this application or any additional application may affect the success of this application or any further application I/we may make to Denning Pryce Funds and/or the ability of Denning Pryce to perform the services described in this IM.

I/We received and accepted this offer in Australia.

If this application is signed under power of attorney, I/we have not received notice of revocation of that power (please supply a certified copy of that power of attorney).

I/We have legal power to make the investment to which this application relates (including where the investment is made on behalf of a trust or superannuation fund).

In the case of Units held by joint investors, this form must be executed by all joint investors.

In the case of Units held by companies, this form must be executed by two directors or a director and a company secretary unless it is a 'sole director and sole secretary' company, where the sole director/secretary should sign in the 'Individual, Applicant 1' field and tick the appropriate box.

Individual, Applicant 1

Signature	Date
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Name (please print)	
<input type="text"/>	
Title (if investor is a company)	<input type="checkbox"/> Director <input type="checkbox"/> Sole Director and Sole Secretary

Joint, Applicant 2

Signature	Date
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Name (please print)	
<input type="text"/>	
Title (if investor is a company)	<input type="checkbox"/> Director <input type="checkbox"/> Company secretary

Now, please return your completed documentation:

Check List:

- Funds Transfer or Cheque
- Auditors Certificate (if required)
- Sections 1 to 7 completed
- Section 6 Identity Documents Faxed

to: **Denning Pryce Equity Income Fund**
c/o RBC Dexia Investor Services
Attention: Unit Registry Department
GPO Box 4537,
Melbourne, VIC 3001

and Fax Copy to 02 8262 5492 **Yes**

Subscriptions should be lodged with: **RBC Dexia Investor Services Australia Nominees Pty Limited**
 Account Name: **Denning Pryce Applications Account**
 Account Number: **83 705 1002**
 BSB: **012 003**

ELIGIBLE INVESTORS

Interests in the Fund are only available to those who meet the criteria of a "Wholesale client", as that term is defined in Section 761G of the Corporations Act.

The following persons/entities are wholesale clients within the meaning of section 761G of the Corporations Act:

A person/entity (the investor):

- who invests an initial \$500,000 or more (excluding superannuation sourced money i.e. money which will be or was in the last 6 months received from a superannuation fund as an eligible termination payment)
- whose interest in the fund (excluding superannuation sourced money) is valued at at least \$500,000
- where the investment is personal and not made in connection with a business and the investor (being a natural person) provides the Trustee with a certificate given by a qualified accountant within the previous 2 years to the effect that the investor:
 - has net assets of at least \$2.5 million (including net assets of a company or trust controlled by the person); or
 - has a gross income for each of the last 2 financial years of at least \$250,000 a year (including gross income of a company or trust controlled by the person);

where the investment is personal and not made in connection with a business and the investor (being a company or trust) provides the Trustee with a certificate given by a qualified accountant within the previous 2 years to the effect that the person controlling the company or trust:

- has net assets of at least \$2.5 million (including net assets of a company or trust controlled by the person); or
- has a gross income for each of the last 2 financial years of at least \$250,000 a year (including gross income of a company or trust controlled by the person);
- who is a professional investor (meaning a person in relation to whom one or more of the following paragraphs apply) or a wholly owned subsidiary of a professional investor that is a body corporate:
 - the person is a financial services licensee;

- the person is a body registered under the Financial Corporations Act 1974;
- the person is a body regulated by APRA, (other than certain specific APRA regulated bodies which are detailed in next item)
- the person is the trustee of:
 - a superannuation fund; or
 - an approved deposit fund; or
 - a pooled superannuation trust; or
 - a public sector superannuation scheme;

within the meaning of the Superannuation Industry (Supervision) Act 1993 and the fund, trust or scheme has net assets of at least \$10 million;

- the person has/controls gross assets of at least \$10 million (including any amount held by an associate or under a trust that the person manages);
- the person is a listed entity, or a related body corporate of a listed entity;
- the person is an exempt public authority;
- the person is a body corporate, or an unincorporated body, that:
 - carries on a business of investment in financial products, interests in land or other investments; and
 - for those purposes, invests funds received (directly or indirectly) following an offer or invitation to the public, within the meaning of Section 82 of the Corporations Act, the terms of which provided for the funds subscribed to be invested for those purposes; or
- the person is a foreign entity that, if established in Australia, would be covered by one of the preceding paragraphs.

TAX

The following information is a broad summary of the basic Australian income tax and Goods and Services Tax (GST) issues applicable to Australian tax residents and tax non-residents investing in the Fund, where their Units are held on capital account. Specifically, this summary does not cover the Australian income tax issues applicable to unitholders who hold their Units on revenue account. This summary is intended as a general guide only and does not represent a complete analysis of all potential Australian taxation issues associated with investing in the Fund.

This summary is based on the information and taxation legislation that is current at the date of issue of this IM. Given the complexity of taxation legislation it is recommended that unitholders obtain independent taxation advice from their professional advisors, particular to their own circumstances.

Taxation of the Fund

The Fund should generally not pay tax on income or gains made by it, provided unitholders are presently entitled to all of the income of the Fund.

If the Fund incurs a revenue or capital loss, such losses will be carried forward by the Fund and will not be available to unitholders. Broadly, trusts with carry forward losses must satisfy certain criteria, before the benefit of deductions for prior year losses become available.

Taxation of resident unitholders

The net income distributed to unitholders will be made up of various amounts, including dividends, interest, capital gains and revenue gains on the disposal of investments. Unitholders will generally be assessed on their share of the taxable income of the Fund, in the year to which their entitlement relates (even though it may be received in the following year and irrespective of whether the income is reinvested into additional Units in the Fund).

Dividend imputation

The Fund will seek to distribute any franking credits attaching to franked dividends. These amounts are not cash amounts but will generally be included in the calculation of a unitholder's taxable income. Depending upon a unitholder's particular circumstances, they may be able to offset the franking credits against any resulting tax liability, or be paid a refund if the franking credits exceed the unitholder's total tax liability.

Capital gains tax

Where the Fund makes a distribution which includes a net capital gain, a unitholder may be required to gross up the net capital gain (that is, add back the

capital gains tax discount concession amount, if any). Unitholders may then apply capital losses to reduce the grossed up capital gain. Finally, where applicable, unitholders may be able to apply the capital gains tax discount to arrive at their net capital gain. This amount should be included in the calculation of the unitholders taxable income.

The redemption of Units from the Fund will generally constitute a disposal for capital gains tax purposes. Where units have been held for at least 12 months, any gain made on the disposal may be eligible for a capital gains tax discount depending on the unitholder's circumstances.

Substantial redemptions

The redemption of Units from the Fund will generally constitute a disposal of the units for capital gains tax purposes. The Trustee may attribute capital gains to a redeeming unitholder, depending on the amount of funds withdrawn (as a consequence of the Fund's disposal of assets to meet the redemption). It is most likely to do so in the case of substantial redemptions.

Capital gains arising from securities sold to meet a substantial unitholders redemption can be distributed to the redeeming unitholder. A substantial redemption is one that is 5% or more of the Fund's Net Asset Value. In these circumstances, the objective would be to ensure that the remaining investors would not be effected by the capital gains resulting from a disposal of assets where both the Fund and the redeeming unitholder makes a capital gain in the relevant financial year. The 5% threshold may be varied by the Trustee with advance notice to unitholders.

Non-assessable amounts

Distributions made to unitholders may include non-assessable amounts, such as tax deferred amounts and capital gains tax discount concession amounts. Tax deferred amounts can arise where the Manager makes certain payments to unitholders and some or all of the payments are not included in the unitholders' assessable income. Although tax deferred amounts are not subject to income tax (and therefore are not required to be included in a unitholder's income tax return), such amounts reduce the capital gains tax cost base of a unitholder's units. This may increase the assessable capital gain or decrease the capital loss a unitholder makes when their units are ultimately disposed of.

However, any capital gains tax discount concession amount distributed to a unitholder should not cause an adjustment to the capital gains tax cost base of a unitholder's units.

Taxation of non-resident unitholders

Non-resident unitholders may have income tax or withholding tax withheld by the Manager, depending upon the nature of the amount distributed and the non-resident unitholder's country of residence. Non-resident unitholders should seek specific tax advice in their country of residence.

Distributions made to non-resident unitholders may be subject to Australian tax where the distribution relates to capital gains made from the disposal of assets by the Fund that has the necessary connection with Australia. However, depending upon a unitholder's circumstances, a unitholder may be eligible for the capital gains tax discount.

Under the capital gains tax provisions, non-resident unitholders should not be subject to Australian tax on capital gains realised on the disposal of their units in the Fund unless the non-resident unitholder and their associates held 10% or more of the units in the Fund at any time within five years prior to disposal.

Tax reform

The Federal Government has proposed in its 2005 Federal Budget that non-residents will no longer be subject to capital gains tax on the disposal of an asset, unless the asset is real property or is used in carrying on a business through a branch in Australia. Currently, non-residents are subject to capital gains tax in respect of the disposal of a range of assets. This proposal if enacted, is not expected to commence until at least the 2006-2007 year.

On 16 December 2005, the Government released an Exposure Draft of a proposed bill, the Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2006, which if introduced into law will amend the taxation laws to introduce a general framework for the taxation of financial arrangements. The accompanying Exposure Draft Explanatory Memorandum expresses that the amendments will apply to financial arrangements acquired after the "start date", which is not defined. If the proposed measures are enacted in a manner which affects the Funds, then it is possible that unrealised income or gains on certain securities may be assessable as income on an accruals basis.

Tax File Number (TFN), exemption and Australian Business Number (ABN)

It is not compulsory for unitholders to quote their TFN or claim an exemption, however, if unitholders do not, the Manager may be required to deduct tax at the highest marginal rate (currently 47%) plus

Medicare Levy (1.5%) from any income payable to the unitholder. If a unitholder has an ABN and is making the investment in the course of carrying on a business, they may wish to quote their ABN instead of their TFN.

Goods and Services Tax (GST)

The acquisition of Units and subsequent disposal or redemption of Units in the Fund will not be subject to GST, regardless of whether or not the investor is registered for GST. In the instance the investor is registered for GST, these transactions will be considered input taxed financial supplies. Furthermore, the receipt of distributions does not give rise to any GST consequences as such amounts are considered to be outside the scope of GST. However, individual investors should seek independent advice with respect to the GST consequences arising from their investments.

Tax statement

To assist in the preparation of a unitholder's income tax return, the Manager will provide unitholders with an annual income statement.

Warning

The taxation information above has been provided by Ernst & Young, which is not required to hold an Australian Financial Services Licence (AFSL) under the Corporations Act 2001 to provide that information. The information is confined to taxation issues and is only one of the matters that must be considered when making a decision about investing in the Fund.

SUBSCRIPTIONS AND REDEMPTIONS

Initial Subscriptions and Additional Investments

The minimum initial investment for the Fund is 200,000 Australian dollars unless waived by the Trustee.

The minimum additional investment for the Fund is 100,000 Australian dollars unless waived by the Trustee. At the time of each initial and additional investment, each new investor or unitholder may need to qualify as a Wholesale Client. Subject to applicable law, the Trustee reserves the right to accept or decline part or all of any investment without giving any reasons.

Subscriptions

Units of the Fund may be subscribed for on a Valuation Day (being a day banks are open for business in Sydney) by submitting an Application Form in good order to the Trustee or Fund Administrator. A faxed Application Form is acceptable; the signed original must be sent promptly.

The price or Net Asset Value of the Units is determined on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Unit at which Units will be bought or sold.

The price of Units issued as a result of an application received by 12 pm Sydney time will be determined based on the next calculated Net Asset Value. The Net Asset Value per Unit is generally calculated as at 4.30 pm Sydney time (the "Valuation Time") on the Valuation Day.

The Unit Price will be calculated in accordance with the Valuation procedures as outlined in the section entitled "Valuation of Units" below.

Payment in cleared funds for the Units subscribed for, must be received in Australian dollars by the account of the Fund by 12 noon Sydney time on the Valuation Day to which the Application applies. The Trustee may vary the notice and payment times in its discretion.

Where it considers it in the interests of unitholders generally, the Trustee may suspend the processing of applications, or the calculation of unit prices for such period of time as the Trustee determines as reasonable, but generally only if it is impractical for the Trustee to calculate the Fund's Net Asset Value, effect particular transactions, or have transaction proceeds repatriated.

All subscriptions must be made on the approved Application Form.

Redemptions - While the Fund is Liquid

While the Fund is liquid, there are no restrictions on the amount of redemption of Units of the Fund up to the full balance of the Investor, other than the right of the Trustee to pro rata redemptions in certain cases as set forth below. The Fund will be liquid if liquid assets account for at least 80% of the Fund's assets. Assets are liquid if the Trustee reasonably expects to realise them within 90 days (which is the period specified in the Constitution for satisfying redemption requests).

Investors may redeem Units of the Fund by submitting a redemption notice in good order to the Trustee or Fund Administrator. Redemption requests received before 12 noon Sydney time on the Valuation Day will generally be processed at the unit prices calculated for that Valuation Day. A faxed submission is acceptable.

Redemption notice must include the following information:

- Date
- Fund name
- Investor number & investor name(s)
- Redemption amount/number of units
- Valid signature(s)
- Business hours telephone number
- Bank account details

Redemption monies will be paid to the account last nominated by the investor, in the name of the investor, unless an **original** signed redemption request specifies another account in the name of the investor. Redemption monies will not be paid to third parties.

The Unit Price will be calculated in accordance with the valuation procedures as outlined in the section entitled "Valuation of Units" below.

Redemption proceeds will generally be made available in Australian dollars by electronic transfer within 7 business days following the Valuation Day to which the redemption applies, or such longer time as is reasonable having regard to the time required for an orderly disposition of the assets of the Fund.

The Trustee may honour certain redemption requests partly or entirely in kind by distribution of Fund securities, if necessary to avoid any adverse impact on the interests of the remaining unitholders. Unitholders should be aware that in the event that there are a small number of unitholders each holding a relatively large percentage of units, redemption of all holdings by a few large holders could have an adverse effect

on remaining unitholders due to higher expense ratios and disruption of the Fund's investment approach.

Where it considers it in the interests of unitholders generally, the Trustee may suspend the redemption of Units of the Fund for such period of time as the Trustee determines as reasonable, but generally only if it is impractical for the Trustee to calculate the Fund's Net Asset Value, effect particular transactions, or have transaction proceeds repatriated.

Please contact the Trustee for further details.

Redemptions - While the Fund is not liquid

If the Fund is not liquid, unitholders do not have a right to withdraw from the Fund. However the Trustee will pay redemption proceeds in such manner and at such time as it considers appropriate having regard to the interests of all unitholders. The Trustee expects that the Fund will generally be liquid.

Minimum account balance

The minimum account balance is 150,000 Australian dollars. Where a redemption request is likely to cause the account balance to fall below the minimum, the Trustee may elect to redeem the unitholders total unit holding.

Valuation of Units

The price or Net Asset Value of the Units is determined on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Unit at which Units will be bought or sold.

The Net Asset Value per Unit is generally calculated as at the 4:30 pm Sydney time on each Valuation Day.

The Net Asset Value per Unit is calculated based on the most recently available information by taking the total value of all the Fund's assets, adjusting for liabilities and then dividing by the total number of Units held by investors on that day.

Listed securities are valued at the last available price of their primary exchange, foreign exchange is valued at the WM Reuters London 4.00 pm rate; cash is valued at face value with interest accrued daily.

Transaction costs are added to the Unit Price to determine the entry price and subtracted to determine the exit price thereby creating a "buy/sell spread". Although a unitholder's Unit balance in the Fund will stay constant (unless there is a transaction), the Unit

price will change according to changes in the market value of the Fund's investments.

Security prices are obtained from independent sources. Securities for which the price determined is not representative of their fair value will be valued prudently and in good faith on the basis of their reasonably foreseeable sale prices as determined by the Trustee.

The values of the Fund's net assets and its Units are calculated in Australian dollars.

INCOME, DISTRIBUTIONS AND UNIT PRICING

Income and Distributions

Income earned by the Fund may be derived from:

- Dividends on the Funds securities;
- Net realised gains or losses on the sale of options and futures contracts or other derivatives; and
- Interest on deposits or other cash equivalent investments

All of the net income and net capital gains of the Fund will be distributed on an annual basis on a per Unit basis to unitholders on record on the relevant distribution date. Unitholders will be entitled on a pro rata basis to all net income and net realised capital gains of the Fund on each distribution date for Australian tax purposes. Unitholders are therefore responsible for complying with their own Australian tax obligations, even though not all of this income and net realised capital gain may be distributed to them in the form of cash.

Unless otherwise requested, any distributions from the Fund will be reinvested into additional Units in the Fund.

When Units are redeemed from the Fund, the Trustee may determine that the redemption price includes a distribution of income, based upon its estimate of undistributed income and realised capital gains, and advise the person redeeming Units of that amount within two months of the end of the Financial Year.

Unit Pricing

The Fund has a Unit price which is variable, reflecting the capital value of the investments in the Fund. As the prices of the underlying securities change, or if net income and/or capital gains are distributed, the Unit price also changes. The Unit price of the Fund reflects the current market value of its assets and all present liabilities of the Fund, including any provision which the Trustee decides should be taken into account such as any fees that have accrued.

Distributable amounts are a component of the unit price. Therefore unit prices normally fall following a distribution. If you invest just prior to a distribution, you may receive some of your investment back immediately as income. Alternatively, if you withdraw from the Fund just before a distribution, you might turn income into a capital gain or reduce your capital losses.

TERMINATION

On termination of the Fund, unitholders are entitled to a proportionate share of the net assets.

AUDITING OF ACCOUNTS

The accounts for the Fund are prepared and audited as at 30 June every year. Interested parties are invited to view copies of the most recent audited accounts of the Fund at the offices of the Manager.

PRIVACY

When you invest with us we need to collect personal information about you. Without that information we may not be able to administer your investment with us.

The personal information we collect about you may be disclosed to people and companies with whom we do business in connection with the Fund, such as our mailing house, the operator of the Fund's registry service, administrators or as required by law. You may be entitled to access the personal information we hold about you by contacting us (see the Trustee details at the end of this document).

MONEY HANDLING

If we are unable to issue an interest in the Fund shortly after application, we must hold any money paid to us in a trust account until we are ready to issue the interest or decline to issue the interest, or until we have to return the money for any other reason. Because monies are expected to remain in this account for only a short period of time, we will retain any interest that accrues in that account. Otherwise, the administrative complication of calculating interest would most likely lead to increased charges

LEGAL RELATIONSHIPS

Managed investment scheme

The Fund is an unregistered managed investment scheme within the meaning of Section 9 of the Corporations Act.

The Trustee

Denning Pryce Pty Limited
Suite 303, 343 George Street
Sydney NSW 2000

The Custodian and Administrator

RBC Dexia Investor Services
Level 17, 2 Park Street
Sydney NSW 2000

RBC Dexia Investor Services Trust ("RBC Dexia Investor Services") has been appointed as the Custodian and Administrator for Denning Pryce Equity Income Fund ("Fund"). RBC Dexia Investor Services' role as Custodian is limited to holding assets of the Fund. As Administrator, RBC Dexia Investor Services is responsible for the day to day administration of the Fund. RBC Dexia Investor Services has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with the Custody and Investment Administration Agreements. RBC Dexia Investor Services was not involved in preparing, nor takes any responsibility for this Information Memorandum and RBC Dexia Investor Services makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

THE CONSTITUTION

The constitution of the Fund provides the framework for its operation and together with the Corporations Act and laws relating to trusts sets out the Trustee's relationship with unitholders. The constitution is available from the office of the Trustee on request free of charge. It deals with, amongst others, the following matters:

- compulsory redemption of Units in some circumstances. This includes accounts with less than a minimum account balance;
- terminating the fund with prior notice;
- limiting the Trustee's liability unless the Trustee fails to comply with its duties or the law requires otherwise.

Your liability under the constitution

The constitution limits a unitholder's liability to the uncalled amount of the units that are held by that unitholder. The Trustee cannot give an absolute assurance about a unitholder's liability because the issue has not been finally determined by superior courts. Investors should refer to the constitution for a complete description. Please contact the Trustee for further details.

FUND COMMUNICATIONS

For Investors the Trustee provides:

- * confirmation of your transactions and quarterly statements;
- * a tax report to help with preparing tax returns; and
- * annual financial statements for the Fund available for viewing at the offices of the Manager.

The Trustee is committed to operating the Fund fairly, efficiently and effectively. However if you have a problem that cannot be resolved by a telephone call, please feel free to contact:

The Compliance Officer
Denning Pryce Pty Limited
Suite 303, 343 George Street
Sydney, NSW, 2000

If you are not satisfied with the company's response please contact ASIC.



Fund Enquiries

The Trustee

Denning Pryce Pty Limited
Suite 303, 343 George Street
Sydney NSW 2000

Telephone: +61 2 9222 1359
Fax: +61 2 9233 7233
Email: exec@denningpryce.com.au

Account Enquiries

For current account information
(recent transactions, balances, Unit prices)
investors should contact:

The Administrator

Denning Pryce Equity Income Fund
RBC Dexia Investor Services
Level 17, 2 Park Street
Sydney NSW 2000