

Australian Masters Yield Fund No 5 Limited
(ACN 161 255 750)
Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Australian Masters Yield Fund No 5 Limited (**Company**) will be held as follows:

Date: **Thursday, 13 November 2014**
Time: **3:15pm (AEDT)**
Venue: **Dixon Advisory**
Level 15, 100 Pacific Highway
North Sydney NSW 2060

Ordinary Business

Financial Statements and Reports of the Directors and Auditor

To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2014.

1) Re-election of Director – Tom Kline

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mr Tom Kline, who retires by rotation in accordance with the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as Director of the Company.”

Note: please see the Explanatory Memorandum for a detailed biography on Tom.

2) Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“In accordance with Section 250R of the Corporations Act, the Company adopts the Remuneration Report as set out in the Directors’ Report.”

Notes:

- (a) The vote on this resolution is advisory only and does not bind the Directors or the Company.
- (b) The Company’s key management personnel and their closely related parties must not cast a vote on the remuneration report unless they are appointed in writing as a proxy for a Shareholder (other than a member of the Company’s key management personnel and their closely related parties) eligible to vote on the resolution and that proxy specifies how to vote on the resolution.
- (c) The Chairman may cast a vote on the remuneration report if appointed in writing as a proxy for a Shareholder (other than a member of the Company’s key management personnel and their closely related parties) eligible to vote on the resolution and where that proxy does not specify how to vote on the resolution only if the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.
- (d) The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

Special Business

3) First Return of Capital

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 256C(1) of the Corporations Act 2001 (Cth) and for all other purposes, the reduction of the share capital of the Company by an amount of up to \$15,000,000 applied equally against each fully paid ordinary share on issue in the Company on the First Record Date is approved.”

Other Information

An Explanatory Memorandum accompanies and forms part of this Notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Proxies

A Shareholder entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies to attend and vote in his/her stead.

A proxy need not be a Shareholder of the Company.

If the Shareholder appoints 2 proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceed that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

Proxies must be:

- (a) lodged by posting them or delivering them by hand to the address specified below; or
- (b) received at the fax number specified below; or
- (c) registered online at www.votingonline.com.au/amyf5agm2014;

not later than 48 hours before the Meeting i.e. 3:15pm (AEDT) on Tuesday, 11 November 2014.

Address: Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001, Australia

Fax Number: 1300 653 459

A form of proxy is provided with this Notice of Annual General Meeting.

Entitlement to Vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Meeting all Shares in the capital of the Company will be taken to be held by the persons who held them as registered holders at 7:00pm (AEDT) on Tuesday, 11 November 2014. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

By order of the Board

Karen Luu
Company Secretary
17 October 2014

Australian Masters Yield Fund No 5 Limited

(ACN 161 255 750)

Explanatory Memorandum

This Explanatory Memorandum relates to the Annual General Meeting of Australian Masters Yield Fund No 5 Limited (**Company**) to be held at **Level 15, 100 Pacific Highway, North Sydney NSW 2060** on **Thursday, 13 November 2014 at 3:15pm AEDT**.

Ordinary Business

Financial Report and Reports of the Directors and Auditor

This item allows Shareholders the opportunity to consider the Financial Report, Directors' Report and Auditor's Report of the Company. Under Section 317 of the Corporations Act, the Company is required to lay these three reports that together comprise the Company's Annual Report before its Shareholders at its Annual General Meeting.

Resolutions 1. Re-election of Director

Under Rule 6.7 of the Company's constitution, one-third of the Directors, or the number nearest to one-third of the longest serving Directors since the last election or re-election, and not including a Director appointed by the remaining Directors either to fill a vacancy or as an addition to the existing Directors, must retire unless re-elected. Each retiring Director is eligible for re-election in accordance with the Company's constitution.

Resolutions 1 provides for the re-election of Mr Tom Kline as Director in accordance with the Company's constitution. See below for details of his background.

Tom Kline

Tom Kline is the Chief Operating Officer of the Funds Management division of the Dixon Advisory Group. He works closely with the Dixon Advisory Group Investment Committee and Corporate Finance teams to deliver investment opportunities for clients. He is Chairman of Australian Masters Yield Fund No 4 Limited and Australian Masters Yield Fund No 5 Limited and a director of the responsible entity for Australian Property Opportunities Fund I & II, Emerging Markets Masters Fund and US Select Private Opportunities Fund I & II.

Before joining Dixon Advisory, Tom was at UBS AG in Sydney. During his time at UBS, he was a member of the Infrastructure and Utilities team and advised on a wide range of public and private mergers & acquisitions and capital market transactions. Prior to joining UBS AG, Tom worked at Deloitte in the Corporate Finance division, working in the Transaction Services, Business Modelling and Valuation teams.

Tom has a Bachelor of Commerce and a Bachelor of Laws (with honours) from Australian National University.

Resolution 2. Remuneration Report

Resolution 2 provides Shareholders the opportunity to vote on the Company's remuneration report (**Remuneration Report**). The Remuneration Report is contained in the Directors' Report. Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with the remuneration of Directors. Under the Company's constitution, each Director may be paid remuneration for ordinary services performed as a Director. However, Alex MacLachlan, Tristan O'Connell and Tom Kline have agreed not to be paid any remuneration for the services they perform as Directors. Under Section 250R(2) of the

Corporations Act, the Company must put the adoption of its Remuneration Report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or the Company.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Annual General Meeting when reviewing the Company's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, at the second of those annual general meetings Shareholders will be required to consider, and if thought fit, pass an ordinary resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors, other than the Managing Director, seek re-election to the Board. Key management personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, other than as holders of directed proxies for Shareholders (other than members of the Company's key management personnel and their closely related parties) eligible to vote on Resolution 2. The Chairman may cast a vote on the remuneration report if appointed in writing as a proxy for a Shareholder (other than a member of the Company's key management personnel and their closely related parties eligible to vote on Resolution 2 and where that proxy does not specify how to vote on the resolution only if the proxy form expressly authorizes the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

The Company encourages all Shareholders to cast their votes on this resolution.

Special Business

Resolution 3. Return of Capital to Shareholders

Resolution 3 authorises the Company to undertake a reduction of capital to return up to a maximum of \$15,000,000 to Shareholders over the period to and including November 2015. Cash to fund these returns of capital will be drawn from redemption on maturity and the proceeds of sale of debt instruments held within the Company's portfolio over the period to and including November 2015 (**Debt Instruments**).

Resolution 3 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for a capital reduction and return to Shareholders of up to a maximum of \$15,000,000. If the maximum return is undertaken, this will represent a return of approximately \$14.84 per Share (based on the capital structure as at the date of this Explanatory Memorandum) (**First Capital Return**).

Reasons for the Capital Return

On 30 June 2014, the Company sold its holdings of convertible notes (**Notes**) and convertible non-cumulative preference shares (**CP Shares**) issued by Ubiquity Power Maintenance Group (**UPMG**), as a result of changing market conditions in which UPMG operates. In total, \$10,500,000 at face value of Notes and \$4,500,000 at face value of CP Shares were sold, with no impact to the Company's net tangible asset value.

Based on the maturity date and redemption proceeds, the maximum amount that may be distributed to Shareholders under the First Capital Return is set out below:

Capital Return	Period	Maximum Amount to be Returned
First Capital Return	To and including November 2014	\$15,000,000

The precise amount to be returned to Shareholders under the First Capital Return cannot be specified at this time as:

The Corporations Act provides that a capital return may only be undertaken with the prior approval of Shareholders if the return:

- a) is fair and reasonable to Shareholders of the Company as a whole; and
- b) the return does not materially prejudice the ability of the Company to pay its creditors.

The funds received may be required to meet ongoing costs of the Company. These costs may include tax payable on interest or capital gains received in respect of the Debt Instruments as well as ongoing management fees and operating costs. The Company may need to retain some funds received on redemption of Debt Instruments to meet these ongoing costs.

Unless appropriate cash reserves are retained, the Company would be required to liquidate other Debt Instruments which, if held to maturity, would be expected to provide a better financial return for the Company. To do so would not, in the view of the Directors, be fair and reasonable to Shareholders as a whole.

Accordingly, the amounts set out in the resolution represent the maximum amount that the Company may return to Shareholders under the First Capital Return. The Company intends to return as much of the cash authorised to be returned under the Resolution as possible, having regard to the above constraints.

If the Company is unable, for any reason, to pay the maximum amount of the capital return approved by Shareholders, it may pay that sum as part of a subsequent Capital Return.

The Board proposes to announce the actual amount to be returned to Shareholders under the First Capital Return no later than 5 business days prior to the relevant record date.

Shareholder approval for the First Capital Return is sought at this Meeting for administrative convenience and to avoid incurring additional costs of convening separate meetings to approve the First Capital Return separately.

Payment of dividends

The Directors anticipate that interest income, together with the profit realised on maturity of the Debt Instruments, net of taxes and expenses will be distributed to Shareholders by way of dividend. The Corporations Act states that dividends need not be paid out of profits of the Company. It is anticipated that dividend payments will be made to coincide with anticipated capital returns.

Who will participate in the Capital Return?

Subject to Shareholder approval, the distribution resulting from the First Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the First Record Date. This return is intended to be paid on or around 5 December 2014.

It is intended that the payment of the Capital Return will coincide with the payment of a dividend.

If the Capital Return is not approved, the excess cash will be retained by the Company or utilised as the Board considers appropriate.

Tax treatment of the Capital Return

The following is a broad outline of the tax consequences for Shareholders associated with the Capital Return. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Shareholder. There are a number of limitations to the outline including that:

1. it applies only to Shareholders who are Australian residents for income tax purposes. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of the Company who acquired their Shares in respect of their employment;

2. it applies only where Shareholders hold their Shares on capital account. It does not apply where the Shares are held on revenue account (eg. shares held by Shareholders who trade in securities or hold Shares as trading stock); and
3. it is based on Australian tax law in effect at the date of this Explanatory Memorandum. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

The Company intends to structure the proposed Capital Return so that each is treated as a return of capital, and not as a dividend, for income tax purposes. As discussed above, the proposed Capital Return consists of the consideration paid for each Debt Instrument as they mature or are redeemed, any profits made on Debt Instruments acquired at a discount to face value will be paid out as dividends. The Company intends to pay a dividend distributing retained profits to Shareholders prior to or at the same time, as it affects the Capital Return.

Shareholders may be liable to pay capital gains tax (**CGT**) in relation to the Capital Return; however this will depend on Shareholders' individual circumstances. An outline of the potential CGT consequences for Shareholders is as follows:

1. if the amount of any of the Capital Return is less than or equal to the Shareholder's CGT cost base of the Shares they hold, the CGT cost base will be reduced by the amount of that Capital Return, but it cannot be reduced below nil;
2. if a Capital Return is more than the Shareholder's CGT cost base, the CGT cost base will be reduced to nil, and the excess amount of the Capital Return will be included in the Shareholder's taxable income calculation as a capital gain; and
3. if applicable, any capital gain can be treated as a discount capital gain where the Shares were purchased by the Shareholder at least 12 months prior to the payment of the Capital Return, and the other requirements of the discount capital gains provisions have been satisfied.

The Company and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Capital Return or in respect of the taxation consequences themselves. All Shareholders should consult their own independent professional tax advisers regarding the tax consequences of the Capital Return.

Effect on the Company

As at the date of this Notice, the Company had 1,011,041 Shares on issue. After the proposed Capital Return, the number of Shares on issue will remain the same but the capital of the Company will be reduced by the relevant Capital Return.

The anticipated effect of the Capital Return on the Company is illustrated in the unaudited pro forma Statement of Financial Position set out below. This pro forma Statement of Financial Position is based on the audited Statement of Financial Position for the Company as at 30 June 2014.

This table is not a consolidated pro forma Statement of Financial Position prepared in accordance with the Corporations Act, the Corporations Regulations 2001, Accounting Standards or any other mandatory financial reporting requirements in Australia. They are provided only to illustrate the anticipated impact on the Company of completion of the Capital Return. The specific assumptions taken in preparing the tables are set out in the notes below the tables.

Illustrative pro forma balance sheet

\$'000 unless otherwise stated

	Statement of Financial Position 30 June 2014	Pro forma Statement of Financial Position First Capital Return
Assets	\$102,408	\$87,405
Liabilities	(\$411)	(\$411)
Net Assets	\$101,997	\$86,994
NTA Per Share (\$)	\$100.88	\$86.04

1. The column headed "Statement of Financial Position 30 June 2014" comprises the audited Statement of Financial Position of the Company as at 30 June 2014.
2. The column headed "Pro forma Statement of Financial Position First Capital Return" has been prepared as if the First Capital Return of \$15,000,000 had been completed on 30 June 2014.
3. All amounts assume that there are 1,011,041 Shares on issue being the number of Shares on issue at 30 June 2014.
4. The previous table does not take into account future dividends. Future dividends will distribute the interest paid on the underlying Debt Instruments and any profits made on Debt Instruments purchased at a discount, less any expenses and taxes of the Company.
5. The above assumes that the Company had paid transaction costs associated with the Capital Return of approximately \$2,500 on 30 June 2014 relating to legal and tax advice and registry fees.

The above table does not take into account dividends expected to be paid following 30 June 2014. Interest will continue to accrue and be paid on Debt Instruments until they mature and are redeemed. Accordingly, the asset base of the Company will increase as interest payments are received after 30 June 2014 and will be reduced by future dividend payments.

The Company intends to seek shareholder approval in the future for additional capital returns for Debt Instruments that mature beyond November 2015.

Under the management agreement between the Company and Walsh & Company Asset Management Pty Limited, the Company pays a management fee of the equivalent of 0.65% (inclusive of GST) per annum of the value of the Portfolio. This fee is payable in advance and calculated on the basis of the value of the Portfolio on 30 June each year. As a result of the Capital Return, the management fee payable in respect of subsequent financial years will be reduced by an amount of 0.65% (inclusive of GST) per annum of the amount of the Capital Return.

As the management fee for the financial year ending 30 June 2014 is payable in advance, the Capital Return will have no effect on the management fee payable by the Company in respect of the financial year ending 30 June 2014.

Alternative return structures

The Directors consider the use of a capital return to be the most appropriate mechanism to return surplus capital to members for the following reasons:

- (a) the capital return procedure was initially outlined to potential investors in the Prospectus. The Directors consider that Shareholders will have invested in the Company on the understanding that a series of capital returns would be proposed in the manner outlined in this Notice of Meeting and Explanatory Memorandum;

- (b) the combination of the Capital Return and payment of a dividend provides the Company with the opportunity to make available the benefits of franking credits on dividends generated from the operations of the Company to the extent that they are available without adding to the income tax liability of Australian resident shareholders receiving further cash from the Company.

Why you might vote against the Capital Return

The Directors unanimously recommend that Shareholders vote in favour of the Capital Return. However, some reasons why a Shareholder may choose to vote against the Resolution approving the Capital Return include the following:

- (c) a Shareholder may consider that the Company is more likely to generate a better financial return through reinvestment of funds realised on maturity of Debt Instruments than through direct investment by the Shareholder; and
- (d) Shareholders who are not Australian residents for tax purposes may not be able to take advantage of the franking credits to be provided by way of dividend or the benefit in the reduction in the CGT cost base resulting from a Capital Return.

Recommendation of Directors

The Directors are of the opinion that the proposed Capital Return is fair and reasonable to Shareholders as a whole and do not materially prejudice the Company's ability to pay its creditors. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

No Director will receive any payment or benefit of any kind as a consequence of the Capital Return other than as a Shareholder of the Company.

Other material information

Other than in this Explanatory Memorandum, there is no other information known to the Company that is material to the decision whether or not to vote in favour of Resolution 3 which has not previously been disclosed to Shareholders.

Pursuant to Section 256C(5) of the Corporations Act, copies of this Notice and Explanatory Memorandum have been lodged with the Australian Securities and Investments Commission.

Glossary

Board means the board of Directors.

Capital Return means a return of capital intended to be undertaken by the Company following the passage of Resolution 3.

Chairman means the chairman of the Company.

Company means Australian Masters Yield Fund No 5 Limited (ACN 161 255 750).

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum to the Notice of Annual General Meeting.

First Record Date means 21 November 2014.

Manager means Walsh & Company Asset Management Pty Limited (ACN 159 902 708).

Management Agreement means the management agreement between the Company and the Manager.

Meeting or Annual General Meeting means this annual general meeting.

Notice means this notice of Meeting.

Share means an ordinary share in the capital of the Company.

Shareholders means Shareholders of the Company.