

CHAIRMAN'S LETTER

16 November, 2017

Dear Unitholder

The Channel Investment Management Limited (**Channel**) Board has resolved to convene a meeting of Unitholders on **Monday 18 December, 2017**. The purpose of the meeting is to consider the appointment of Pinnacle Fund Services Limited (**Pinnacle**) as the new responsible entity of the Solaris Australian Equity Fund (Total Return) (**Fund**) as a replacement for Channel who is proposing to retire as responsible entity. Solaris Investment Management Limited (**Solaris**) will continue to be the appointed investment manager of the Fund and will continue to manage the investments on behalf of all Unitholders.

The change of responsible entity is proposed for the following reasons:

- ❖ A related entity of Pinnacle is a 40% shareholder of Solaris and the proposed appointment of Pinnacle as the new responsible entity of the Fund promotes greater alignment between the parties.
- ❖ Pinnacle has confirmed that it has the back office infrastructure, capital adequacy, experience, and capabilities considered necessary to successfully discharge its obligations as responsible entity of the Fund.
- ❖ Pinnacle intends to provide Unitholders with a platform of investment opportunities as they are currently the responsible entity of several managed investment schemes across multiple asset classes.
- ❖ Pinnacle has confirmed that it will not change the manner in which the Fund operates, and will continue to manage the Fund in accordance with the Fund's existing constitution and compliance plan.
- ❖ Solaris will continue to manage the investments of the Fund on behalf of all Unitholders.

Your vote is important. In order for the change to the responsible entity of the Fund to proceed, Unitholders must pass the extraordinary resolution proposed at the meeting.

The Notice of Meeting and Explanatory Memorandum accompanying this letter contain important information in relation to the proposed extraordinary resolution, including a discussion of the benefits and considerations of the extraordinary resolution. Please read this document carefully in its entirety before making your decision on how to vote at the meeting (whether in person, by corporate representative or by proxy).

If you wish to appoint Pinnacle as the responsible entity of the Fund you should attend and vote at the meeting or complete and sign the **proxy form** attached to this notice and return it in the enclosed reply-paid envelope. The properly signed proxy form must be received by Channel by **11am (Brisbane time) Saturday, 16 December 2017** to be effective.

If you have any queries about the meeting, please call our Client Services team on 07 3259 7650.

Yours sincerely



Glen Holding
Chairman

Channel Investment Management Limited



SOLARIS AUSTRALIAN EQUITY FUND (TOTAL Return)
ARSN 167 220 546

**NOTICE OF MEETING
AND
EXPLANATORY MEMORANDUM**

TO BE HELD ON MONDAY, 18 DECEMBER 2017 AT
Level 25, WATERFRONT PLACE
1 EAGLE STREET, BRISBANE, QUEENSLAND

COMMENCING AT 11.00 AM (BRISBANE TIME)

IMPORTANT RETURN DATES

PROXY FORM: 11.00AM SATURDAY 16 DECEMBER, 2017

THIS DOCUMENT IS IMPORTANT

This document has been issued by Channel Investment Management Limited ACN 163 234 240 AFSL 439007 as responsible entity for the Solaris Australian Equity Fund (Total Return). If you do not understand this document or are in doubt about the action to be taken by you, you should consult your accountant, investment adviser or other professional adviser immediately.

SOLARIS AUSTRALIAN EQUITY FUND (TOTAL RETURN) ARSN 167 220 546

This document is a Notice of Meeting, and Explanatory Memorandum, for a meeting of Unitholders in the Solaris Australian Equity Fund (Total Return). The meeting has been called to consider a proposal to change the responsible entity of the Fund.

This document sets out and discusses the resolution that will be proposed at the meeting.

This document includes:

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❖ A discussion of the resolution to be put to the meeting	6
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A proxy form and instructions for completing and returning the proxy form is enclosed.

YOUR VOTE IS IMPORTANT

Please attend the meeting in person or return your proxy form in the enclosed reply paid envelope. Completed proxy form must be received prior to 11:00am (Brisbane time) Saturday, 16 December 2017

NOTICE OF GENERAL MEETING

Channel Investment Management Limited (**Channel**) ABN 22 163 234 240 AFSL 439007 as responsible entity of the Solaris Australian Equity Fund (Total Return) ARSN 167 220 546 (**Fund**) gives notice that a meeting of unitholders in the Fund (**Unitholders**) will be held:

Time: 11:00 am (Brisbane time)

Date: Monday, 18 December 2017

Place: Level 25, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Business: To consider, and if thought fit, to vote on the following resolution as an extraordinary resolution (**Resolution**):

"That Pinnacle Fund Services Limited ACN 082 494 362 is chosen as the new responsible entity of the Solaris Australian Equity Fund (Total Return) ARSN 167 220 546 in accordance with section 601FL of the Corporations Act 2001 (Cth)."

Date: 16 November 2017

By order of the Board



Glen Holding
Chairman

Channel Investment Management Limited

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Unitholders with information about the proposed Resolution to be put to them for consideration.

You are encouraged to read this Explanatory Memorandum in full before making any decision in relation to the Resolution.

1. RETIREMENT OF CHANNEL AS RESPONSIBLE ENTITY OF THE FUND

Channel Capital Pty Ltd ACN 162 591 568 (**Channel Capital**) the parent entity of Channel has recently undertaken a review of its strategic direction and focus in an effort to promote operational and management efficiencies and to ensure appropriate focus is placed on key areas of its business. Channel Capital is experiencing growth as a boutique incubator, third party distributor and via Channel, responsible entity/trustee for its own aligned and affiliate investment managers.

Channel Capital provides operational services to a number of Australian Financial Services Licensees.

Pursuant to section 601FL of the Corporations Act, Channel may retire as responsible entity of the Fund if it calls a Unitholder meeting to explain its reason for wanting to retire and to enable Unitholders to vote on a resolution to appoint a company to be the new responsible entity.

Channel would like to provide Unitholders with the opportunity to consider being served by a responsible entity whose strategic direction and focus are closely aligned with the appointed investment manager, Solaris (as a result of a related entity of Pinnacle's 40% shareholding in Solaris). Pinnacle also intends to provide Unitholders with a platform of investment opportunities as they are currently the responsible entity of several managed investment schemes across multiple asset classes.

Channel is therefore offering to retire as responsible entity of the Fund and Unitholders are asked to consider and vote on the Resolution to choose Pinnacle as the proposed new responsible entity of the Fund. If the Resolution to appoint Pinnacle as the new responsible entity of the Fund is not passed, Channel will continue to act as responsible entity of the Fund.

Channel also proposes to retire as responsible entity of the 'Solaris Core Australian Equity Fund' (ARSN 128 859 898) and the 'Solaris High Alpha Australian Equity Fund' (ARSN 128 860 159) (**Other Funds**). At separate meetings to be held on 18 December, 2017, unitholders of the Other Funds will also be asked to consider and vote on a resolution to choose Pinnacle as the proposed new responsible entity of the Other Funds (**Other Funds Resolutions**).

Unitholders should note that Solaris and not the Fund is bearing the cost of convening this meeting.

If the Resolution and the Other Fund Resolutions are all validly passed, then Pinnacle will become responsible entity of the Fund and the Other Funds and be responsible for the ongoing management of those funds. Solaris will continue to manage the investments on behalf of the unitholders.

However, the Resolution is not conditional on the Other Funds Resolutions being passed (and, similarly, the Other Fund Resolutions are not conditional upon the Resolution being passed). Therefore, if the Resolution is passed, Pinnacle will become the responsible entity of the Fund even if either or both of the Other Funds Resolutions are not passed (resulting in Pinnacle not being appointed, and Channel continuing, as responsible entity of either or both funds).

2. PINNACLE, THE PROPOSED NEW RESPONSIBLE ENTITY

Pinnacle holds an Australian Financial Services Licence (**AFSL**) (238 371) issued by the Australian Securities and Investments Commission which permits it to act as a responsible entity.

Pinnacle:

- ❖ operates as a corporate trustee and responsible entity for retail and wholesale managed investment schemes;
- ❖ provides services to over 30 managed investment schemes for clients totaling \$8.76 billion in funds under management;
- ❖ provides services to clients whose schemes hold a variety of assets including Australian equities, global equities, bonds, infrastructure assets, global and Australian REITs, derivatives and cash; and
- ❖ has the required AFSL authorisations and capital adequacy to operate as a responsible entity.

About Pinnacle

Pinnacle is a public company.

Pinnacle is the holder of AFSL 238 371 and is trustee or responsible entity of a number of managed investment schemes.

Composition of the Pinnacle Board

The Pinnacle Board comprises four Directors.

A brief summary of each Director's experience and qualifications is set out below:

Ian Macoun (Chairman and Managing Director)

Ian is the founding Managing Director of Pinnacle Investment Management Group Limited; and is also Chairman of Plato Investment Management and a Director of Resolution Capital, Hyperion Asset Management, Palisade Investment Partners, and Solaris Investment Management.

Ian's career to date has included the establishment of Australia's first "multi-boutique" funds management firm (Perennial Investment Partners – founding Managing Director, from 1998), building a major new investment corporation (Queensland Investment Corporation; inaugural Chief Executive – from 1988), and the reconstruction of a major Australian bank's investment operation (Westpac Investment Management; Managing Director from 1993).

His early experience, in more than 10 years at Queensland Treasury, included extensive involvement with many major Australian and International financial market participants, and leading the Queensland Government's commercial participation in many major industrial development projects during the 'boom' years of the late 1970's and the 1980's. He was a First Assistant Under Treasurer, next in line to the head of the Treasury, when he moved to lead and build QIC.

Ian's qualifications include Bachelor of Commerce and Master of Financial Management degrees; CFA Charterholder; Diploma in Financial Services (Financial Planning); Fellow, Australian Society of CPAs; and Fellow, Australian Institute of Company Directors.

Alex Ihlenfeldt (Executive Director)

Alex joined Pinnacle Investment Management in 2011 where he holds the position of Chief Operating Officer, Chief Financial Officer and is a Director of the company and a number of boutiques.

Alex has over 20 years financial services experience in both Australia and overseas and his responsibilities include the provision of the full suite of turn-key, institutional quality non-investment services and well as working closely with the distribution team in product development and support. He is experienced in operating across the full spectrum, from to start up boutiques to mature investment managers.

Alex was intimately involved in the establishment of Pinnacle and each of the boutiques, and was a non-executive Director at Pinnacle's inception in 2006 through to 2009. Prior to joining the Pinnacle he spent 10 years with the Wilson HTM Investment Group as Chief Operating Officer, Chief Financial Officer and Head of Wealth Management.

Alex has a Bachelor of Commerce (Hons), and is a member of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Andrew Finlay (Executive Director)

Andrew joined Pinnacle Investment Management as an equity partner in 2009 and is primarily responsible for building relationships with asset consultants, institutional investors and high-net-worth channels on behalf of Pinnacle's specialist investment managers in Australia and offshore.

In addition to his client responsibilities, Andrew is a Director of Antipodes Partners.

Before joining Pinnacle, Andrew worked at Macquarie Bank for over five years and was based in both Sydney and Hong Kong. Whilst at Macquarie Andrew led the establishment of the 'Macquarie Professional Series', a suite of sub-advised funds managed by world-class, specialist investment managers.

Prior to Macquarie Andrew worked in a variety of financial marketing roles with Deutsche Bank in Australia, and with UBS in Zurich and London.

Andrew has a Bachelor of Commerce from the University of New South Wales.

**Calvin Kwok
(Executive Director)**

Calvin Kwok was appointed legal counsel of Pinnacle Investment Management in 2014. Previously, Calvin practised as a solicitor at Herbert Smith Freehills with expertise in funds management, financial services, M&A and commercial transactions. During this period, Calvin also served a secondment with UBS Global Asset Management in establishing its Australian real estate investment management platform. Prior to joining Herbert Smith Freehills, Calvin worked for Deutsche Bank with its credit derivatives team in Sydney and New York.

Compliance Committee

If the Resolution is passed, Pinnacle's established compliance committee will replace Channel's compliance committee and become the compliance committee for the Fund.

Pinnacle's compliance committee comprises two external members, who are not involved in the management of Pinnacle, and one executive representative.

Third Party Service Providers

On behalf of the Fund, Channel currently has in place third party agreements with RBC Investor Services and FundBPO. In accordance with the provisions of the Corporations Act, these third party service provider agreements currently utilised by Channel in operating the Fund will pass to Pinnacle. As such, Pinnacle will continue to use the third party service providers currently providing services to the Fund and its Unitholders and there will be no change in these arrangements.

General Strategy

Pinnacle does not intend to change the existing strategy of the Fund.

3. DISCUSSION ON THE RESOLUTION

3.1 What are the reasons to vote in favour of the Resolution?

(a) Pinnacle is considered an appropriate party to be appointed responsible entity of the Fund

Pinnacle has the necessary resources and expertise to operate the Fund. Pinnacle has consented in writing to be appointed as responsible entity (if chosen by Unitholders). More information about Pinnacle and its experience is set out in section 2.

(b) Background knowledge

Pinnacle's related party is a 40% shareholder of the appointed investment manager, Solaris. As such, Pinnacle is familiar with the operation of the Fund.

(c) No material change to operations

It is intended that Pinnacle will not change the manner in which the Fund operates, and will continue to manage the Fund in accordance with the Fund's existing constitution and compliance plan.

3.2 What are the reasons to vote against the Resolution?

(a) Disagree with the appointment

Unitholders may disagree with the alignment of interest between a major shareholder and the investment manager secures the best outcome for the future management of the Fund.

(b) Consider Channel better placed as the responsible entity of the Fund

Despite Pinnacle's scale, experience and familiarity with the Fund, Unitholders may consider that Channel is better placed to manage the Fund.

(c) Potential rights of third parties

Channel believes that no third party has any contractual rights which can be exercised as a consequence of the proposed change of responsible entity to the material detriment of the Fund. However, it is conceivable that a third party may take a different view, as may a court or arbitrator if the resulting dispute is subject to determination by a third party. Voting against the Resolution would avoid this uncertainty.

3.3 What happens if Unitholders choose Pinnacle as the new responsible entity?

If this Resolution is validly passed, Channel will then lodge a notice with ASIC in accordance with section 601FL(2) of the Corporations Act asking it to alter the record of the registration of the Fund to name Pinnacle as the new responsible entity of the Fund.

Channel will no longer provide responsible entity services or any ancillary services to the Fund. As the new responsible entity of the Fund, Pinnacle or their chosen delegate or service provider will perform client servicing, investment reporting, compliance and fund administration for the Fund.

RBC Investor Services will continue to act as custodian of the assets of the Fund if Pinnacle is appointed as responsible entity. FundBPO will continue to provide registry services in relation to the Fund.

3.4 Will there be any increase in fees being charged?

Pinnacle has agreed not to take any fees from the Fund for acting as the new responsible entity, but rather will be compensated by Solaris from the management fees that it will charge for acting as the investment manager of the Fund. This reflects the current arrangement between Channel and Solaris.

Further, for wholesale clients who have fee arrangements with Solaris where they pay fees directly to Solaris, those fee arrangements will continue to operate in full force and effect between the Unitholder and Solaris.

3.5 Will there be any impact on the processing of applications and withdrawals?

No, we are assured by Pinnacle that there will be no interruption to the processing of applications and redemptions as a result of the change of responsible entity as these functions will be carried out by Pinnacle or their chosen delegate or service provider.

3.6 Who will pay any costs associated with the appointment of Pinnacle?

Unitholders should note that Solaris and not the Fund is bearing the cost of convening this meeting. Further, if Pinnacle is appointed as responsible entity, any incidental costs associated with the transition from Channel to Pinnacle will be paid by Pinnacle and not from the Fund assets.

3.7 Are there any taxation consequences with the appointment of Pinnacle?

The following discussion is of a general nature only and does not consider the position of particular Unitholders. You should consult your own tax advisor in relation to the tax consequences of the change in responsible entity of the Fund.

There should be no change to the tax treatment of the units in the Fund held by Unitholders where Channel is replaced by Pinnacle as the responsible entity.

The tax treatment of investments held by the Fund should not change. Where the Fund has carry forward revenue or capital losses, those losses should continue to be available subject to satisfying the trust loss rules. Further, the change in responsible entity should not in itself attract the operation of adverse tax provisions.

3.8 Is Channel receiving any payment in relation to the change of responsible entity?

Channel is not receiving any payment in relation to retiring as responsible entity of the Fund.

4. WHAT IF UNITHOLDERS DO NOT CHOOSE PINNACLE?

If the Resolution is not validly passed, Channel intends to continue as responsible entity of the Fund. Channel confirms that it has the experience, resources and expertise to continue to operate the Fund.

Your vote is important

The Resolution is important as it affects who will be responsible for the ongoing operation of your Fund. You are encouraged to exercise your vote on the Resolution by either sending in your proxy form or attending the meeting.

The Resolution is an extraordinary resolution which means that if you do not vote, this is equivalent to voting against the Resolution. Therefore, if you are in favour of the Resolution it is very important that you vote.

VOTING AND ELIGIBILITY

In this notice, **we, us, our** or **Channel**, means Channel Investment Management Limited ABN 22 163 234 240 as responsible entity of the Fund, **Act** means the Corporations Act 2001 (Cth), **Pinnacle** means Pinnacle Fund Services Limited ACN 082 494 362 and **ASIC** means the Australian Securities and Investments Commission.

How can the Resolution be passed by Unitholders?

The meeting must satisfy the quorum requirements of the Fund's constitution. The constitution requires a quorum of at least 4 persons holding or representing in person, by proxy or attorney at least 51% of the Fund units by value. If the quorum is not present within 30 minutes of the scheduled time of the meeting, the meeting will adjourn to Monday 8 January, 2018 at the same time and place of the scheduled meeting. If no quorum is present at the adjourned meeting within 30 minutes of the scheduled time of the meeting, the meeting will be dissolved.

The Resolution will be validly passed as an extraordinary resolution if passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the Resolution (including Unitholders who are not present in person or by proxy). Your vote is important – this means that so long as you are not excluded from voting your votes will count towards the 'total votes that may be cast', and form part of the threshold to calculate the 50% required to pass the Resolution. If you do not vote, this is equivalent to voting against the Resolution. Therefore, if you are in favour of the Resolution it is very important that you vote.

Section 253E of the Act provides that:

"The responsible entity of a registered scheme and its associates are not entitled to vote their interest on a resolution at a meeting of the scheme's members if they have an interest in the resolution or matter other than as a member."

In accordance with section 253E of the Act, to the extent that Channel or its associates have an interest in the Resolution other than as a member, they will be prohibited from voting.

However, we and our associates may, cast the vote of proxies if the proxy appointment specifies the way the vote is to be cast and the vote is cast that way.

Background information

To enable you to make an informed decision on the Resolution, you are provided with:

- ❖ a letter on the proposed Resolution;
- ❖ a Notice of Meeting; and
- ❖ an Explanatory Memorandum, which contains relevant information including a summary of the reasons why Channel wants to retire and information about Pinnacle.

If you have any questions, please contact us on the number below.

We recommend that you read the Explanatory Memorandum carefully before voting on the Resolution.

In the absence of any special circumstances, the register of Unitholders as at the close of business on the business day prior to the meeting date will be taken as evidence of those Unitholders entitled to vote.

How to vote

The vote on the Resolution must be conducted by a poll. Voting papers will be issued when you register before the meeting (see below).

Each Unitholder has one vote for each dollar of the value of the total units in the Fund registered in their name. The value of your units is the amount that would be paid for a unit under the withdrawal provisions of the Fund constitution on the business day prior to the meeting date.

If you hold your units jointly, only one of the joint holders is entitled to vote. If all joint holders are present at the meeting, only the vote of the Unitholder first named in the register of holders will be counted.

You do not have to exercise all of your votes in the same way, and you do not have to cast all of your votes. Please call us if you have any questions.

Voting in person

If you plan to vote in person at the meeting, please arrive at least 15 minutes before the starting time so that we can register your attendance, check the number of votes you are entitled to and issue you with voting papers. Please bring your (unused) Proxy Form with you to assist in the registration process.

Corporations

Corporations wishing to vote at the meeting, other than by proxy, must appoint a representative who must bring with them the original document properly authorising their appointment under section 253B of the Act. A representative should arrive at least 15 minutes before the meeting time so that we can register their attendance and confirm that they have been validly authorised.

Voting by proxy

If you cannot attend the meeting, you have the right to appoint a proxy to attend and vote for you. They need not be a Unitholder. If you appoint two proxies, you may specify the proportion or number of votes your proxy is appointed to exercise. The Chairman of the meeting can act as your proxy if you wish or you can nominate another person to act as your proxy. The Chairman intends to vote any undirected proxies received in favour of the Resolution.

The notes on the enclosed Proxy Form describe how it should be completed. Proxy appointments must be completed, signed, posted and received at the following address before **11.00am (Brisbane time), Saturday 16 December, 2017** for the proxy to be valid:-

Level 25
1 Eagle Street
BRISBANE Q 4000

OR

GPO Box 206
Brisbane Q 4001

OR

Facsimile: (07) 3259 7695

OR Email: clientservices@channelcapital.com.au

Further information

Unitholders with any questions should contact our client services team on 07 3259 7650 Monday to Friday between 8.00am and 5.00pm (Brisbane time).

Information about the results of the voting of the meeting of the Fund and the Other Funds will be posted on Channel's website following those meetings. Unitholders will be informed shortly after those meetings as to whether Pinnacle will be appointed as the new responsible entity of the Fund.