


MACQUARIE FUNDS GROUP
MACQUARIE MASTER CAPITAL STABLE FUND



PRODUCT DISCLOSURE STATEMENT

Dated 13 March 2009

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Investments in the Macquarie Master Capital Stable Fund (the Fund) are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 or any member of the Macquarie Group and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Macquarie Bank Limited nor any member of the Macquarie Group guarantees the performance of the Fund or the repayment of capital from the Fund or any particular rate of return.

Macquarie Investment Management Limited (Macquarie, we, us, our), as the issuer of this Product Disclosure Statement (PDS), invites you to invest in the Fund. This offer is only open to persons receiving this PDS as a hard copy or electronically within Australia.

This PDS contains general advice only and has been prepared without taking into account any investor's objectives, financial situation or needs. Investors should read the PDS carefully and assess whether the information is appropriate for them in respect of their objectives, financial situation and needs. We encourage investors to talk to a financial adviser before making an investment decision.

In this PDS, an administration service or an investor directed portfolio service such as a master trust, wrap account or nominee service is referred to as an 'IDPS'. The trustee or operator of the IDPS is referred to as an 'IDPS operator'.

We consent to the use of this PDS by IDPS operators that include the Fund on their investment menus.

If you are printing an electronic copy of this PDS, you must print all pages including the application form. If you make this PDS available to another person, you must provide them with the entire electronic file or print out, including the application form. The information in this PDS may change from time to time. Where information that changes is not materially adverse to investors, we will update this information by publishing changes on our website at www.macquarie.com.au/updatedinformation. A paper copy of this PDS (and any supplementary documents or updated information) can also be obtained free of charge on request by calling 1800 814 523.

Contents

Fund features at a glance	02
About the Fund	04
About Macquarie	04
Investment strategy	04
What the Fund invests in	06
Fund performance	06
The benefits	07
The risks	07
Fees and other costs	09
Additional explanation of fees and costs	11
Tax	13
How to invest	14
Accessing your money	16
Distributions	16
Unit pricing	17
Keeping in touch with you	17
Our legal relationship with you	18
Enquiries and complaints	19
We respect your personal details	20
About this PDS	20
Contact	

Fund features at a glance

The table below is a summary of the key features of the Macquarie Master Capital Stable Fund and a guide to where more detailed information can be found in this PDS.

About the Fund		Page
What type of investment is this?	A registered managed investment scheme.	04
Who is the responsible entity of the Fund?	Macquarie Investment Management Limited.	04
Who manages the Fund?	Macquarie Investment Management Limited.	04
What is the Fund's objective?	The Fund aims to provide investors with exposure to a diversified portfolio of cash and fixed interest, shares, real estate securities, private equity and infrastructure assets, both in Australia and internationally.	04
Commencement date of the Fund	4 April 1995.	
What is the suggested minimum investment timeframe?	Five years.	04
What does the Fund invest in?	The Fund invests in the Macquarie Capital Stable Fund whose underlying investments include cash and fixed interest, shares, real estate securities and alternative assets.	06
Minimum transaction and balance requirements		
Direct investors		14
Minimum initial investment	\$100,000	
Minimum additional investment	\$10,000	
Minimum balance	\$10,000	
Indirect investors	We suggest you contact your IDPS operator for minimum transaction and balance requirements.	
Fees		
Entry fee (referred to as a 'contribution fee')	No entry fee is payable.	09
Management fee	0.820% pa of net asset value (inclusive of the net impact of Goods and Services Tax (GST)). A performance fee may also be payable.	09
Exit fee (redemptions fee)	No exit fee is payable.	09
Switching fee	No switching fee is payable.	09
Normal expense recovery	Normal expense recovery will not exceed 0.02% pa of net asset value (inclusive of the net impact of GST).	12
Buy/sell spread estimate	Our estimate in normal market conditions is +0.10% of unit price for applications and -0.10% of unit price for redemptions. However, in stressed and dislocated markets, the buy/sell spread may be significantly higher. From time to time, we may vary the buy/sell spread without notice to reflect changing market conditions.	11

Risks		Page
There are a number of risks that may affect the value of your investment. At the date of this PDS, some of the key risks include, but are not limited to, the following:	<p>Volatility risk. The price of the Fund’s investments or the unit price of the Fund itself may go up and down by a material amount, even over a short period of time. Recently, equity markets have generally fallen and have become more volatile; indeed volatility in some markets is at very high levels. Investing in such highly volatile conditions implies a greater level of risk for investors than an investment in a more stable market. You should carefully consider this additional volatility risk before making any investment in the Fund.</p> <p>Cash and fixed income securities risk refers to changes that may affect fixed income and debt markets.</p> <p>Equity market risk broadly refers to the potential for changes in share prices to result in a loss in the value of your investment in the Fund.</p> <p>Alternative asset risk. Alternative assets may include, but are not limited to, investments such as private equity, infrastructure securities and commodities. Investment in such securities can be illiquid and/or subject to large price movements due to the nature of the respective markets.</p> <p>For a full description of these and some other significant risks please see section entitled ‘Risks’ which begins on page 7. You should read the risks section in full and seek your own professional advice in relation to an investment in the Fund.</p>	07
Distributions		
Frequency	Normally quarterly.	16
Unit pricing		
Frequency	Normally daily.	17
Cooling off period		
Direct Investors	<p>If you are a Retail Client (as defined in the Corporations Act) and invest directly into the Fund but decide the Fund is not suitable, you may request a redemption of your units during the 14 day cooling off period.</p> <p>The cooling off period commences when you receive your transaction confirmation or five business days after your units are issued, whichever is earlier.</p>	15
Indirect Investors	You should consult your IDPS operator about any cooling off rights you may have.	
Contact details		
Mail	PO Box R1723 Royal Exchange NSW 1225	
Telephone	Client Service 1800 814 523	
Fax	61 2 8232 4730	
Email	mfg.clientservice@macquarie.com	
Website	www.macquarie.com.au/mfg	

About the Fund

The Macquarie Master Capital Stable Fund provides access to a diversified portfolio of cash and fixed interest investments and a limited exposure to growth assets by investing in the Macquarie Capital Stable Fund. The Fund is designed to provide a consistent level of income and some capital growth. It is not a suitable short term investment.

The Fund is managed by Macquarie Investment Management Limited (Macquarie, we, us, our), which is part of Macquarie Funds Group, a division of the Macquarie Group.

About Macquarie

Macquarie Funds Group is a full service fund manager with over 25 years experience. It offers a diverse range of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds; and fund of funds.

Investment strategy

We actively manage investments within each asset class. We can invest both directly in the market and in other unit trusts that have exposure to a certain market. Our investment management team is responsible for identifying and pursuing investment opportunities within set limits through a combination of:

- > active management within each asset class;
- > tactical asset allocation to meet the risk/return and income/growth objectives of the Fund.

Asset allocation process

We begin by identifying the key economic and market specific factors that are likely to drive market returns over specific time periods. We then assess the risks in each asset class with the aim of improving the risk-adjusted returns of the Fund by altering its asset allocation within specified ranges.

How each asset sector is managed

1. Cash and fixed interest

Macquarie uses an active investment approach in managing cash and domestic, inflation linked and global fixed interest. We use a disciplined investment process that takes full advantage of all sources of value-add, including duration, yield curve, stock selection and sector rotation. We also provide investors with opportunistic exposure to global investment grade securities, emerging markets debt and global high yield debt. These sectors may be managed by specialist external managers. All global sectors are hedged back to Australian dollars.

2. Australian shares

Macquarie's Style Neutral investment approach aims to deliver investment returns that are higher than the performance of the broader Australian share market. We aim to achieve this by taking active company selection decisions based on objective assessments of likely share price movements. The stock selection process includes quantitative analysis of earnings indicators and valuation signals, and is supplemented by a qualitative review overlay by our team of experienced portfolio managers. We also aim to take advantage of market events such as floats, placements and buybacks. The portfolio is constructed with the aim of ensuring it does not demonstrate any particular bias to 'growth' or 'value' style companies, relative to the composition of the broader Australian share market.

3. International shares

Macquarie manages the Fund's international share exposure (excluding emerging markets which is externally managed). Macquarie's style neutral approach to international shares aims to deliver low risk performance enhancements to an indexed international equity portfolio. This is complemented by thematic exposures to topical structural investment trends, managed within strict overall risk limits on particular share positions. We hedge a varying portion of the foreign currency exposure through our Dynamic Currency Hedging process with the aim of reducing the effect of currency volatility on returns over time.

4. Real estate securities

The foundation of our investment process is our comprehensive and ongoing analysis of property markets, using the specialist research and knowledge of our property investment team and our in-house economics team. Our investment philosophy is to add value through active investment management by focusing on the key sources of uncertainty in each of the major real estate securities markets, such as cashflows and earnings, future earnings growth and quality of management.

5. Alternative assets

We provide access to alternative assets primarily through funds managed by specialists alternative asset managers. Alternative assets may include, but are not limited to, investments such as private equity, infrastructure, volatility and commodities.

External investment managers

We may from time to time use external fund managers in specialist areas to complement our expertise.

Ethical investments

Our investment decisions are primarily based on economic factors and we do not specifically take into account labour standards or environmental, social or ethical considerations. However, these considerations may be taken into account if they have the potential to materially affect the value of the investment.

What the Fund invests in

The Fund invests in the Macquarie Capital Stable Fund which in turn invests in each asset sector through one or more funds managed by Macquarie. The underlying investments include cash, fixed interest, shares, real estate securities and alternative assets. The following table gives the benchmark and ranges for asset allocation in the underlying fund, the Macquarie Capital Stable Fund.

Asset Sector	Minimum %	Maximum %	Neutral %
Cash	0	70	35
Fixed interest	0	80	33
Inflation linked bonds	0	10	5
Australian equities	0	20	9
Global equities ¹	0	20	9
Real estate securities ²	0	10	5
Alternative assets	0	8	4

¹ Global equities may include an exposure to emerging markets.

² Includes Australian and Global real estate securities.

The above targets are indicative only. Where allocations are outside these targets, our intention is to re-balance the Fund within a reasonable period after the limits are exceeded.

Fund performance

Performance history and Fund size information can be obtained from:

- > www.macquarie.com.au/performance
- > Client Service on 1800 814 523, 8.30am to 6.00pm, Sydney time, Monday to Friday; or
- > your IDPS operator and financial adviser.

To calculate the performance of the Fund, we comply with the standards set by the Investment and Financial Services Association (IFSA). Performance figures are calculated before tax and after deducting ongoing fees and expenses, using redemption prices, assuming that income is reinvested and that the investment is held for the full period. The performance figures are historical and past performance is not necessarily an indication of future performance. Returns can be volatile, reflecting rises and falls in the value of the underlying investments.

If you are investing through an IDPS, the net performance of your investment in the Fund may be different from the information we publish, due to cash flows specific to your portfolio and any fees charged by the IDPS operator.

The benefits

This Fund offers investors:

- > access to a diversified portfolio of cash and fixed interest investments and a limited exposure to growth assets;
- > tactical asset allocation to meet the risk/return objectives of the Fund.

In general, managed funds (including this Fund) have certain advantages. They can:

- > allow access to investment opportunities, markets and investment expertise that may usually not be accessible to all investors;
- > usually invest for less cost;
- > have access to investment techniques that may not be available to all investors;
- > potentially reduce investment risk through diversification of investments.

The risks

There are risks associated with any investment. Generally, the higher the expected return of an investment, the higher the risk and the greater the variability of returns and the risk of loss of capital. Macquarie's risk management objective is to deliver risk/return outcomes in line with our clients' expectations. However, we cannot provide assurances or guarantees on future profitability and Fund returns, distributions and return of capital.

The most common risks are described below, but there could be other risks that affect the performance of the Fund. You should seek your own professional advice on the appropriateness of this investment to your circumstances. A financial adviser can explain these risks and provide advice based on your financial objectives, time frame for investing and attitude to risk.

Please ensure that you consider the risks of investing in the Fund, including those set out in the section 'The risks'. As well as considering the risks, you should also consider how an investment in this product fits into your overall investment portfolio. By diversifying your investment portfolio, you may reduce your exposure to failure or underperformance of any one investment, manager or asset class.

Volatility risk. The price of the Fund's investments or the unit price of the Fund itself may go up and down by a material amount, even over a short period of time. Recently, markets have generally become more volatile; indeed volatility in some markets is at very high levels. Investing in such highly volatile conditions implies a greater level of risk for investors than an investment in a more stable market. This Fund aims to reduce volatility through diversification across asset classes, however

you should carefully consider this additional volatility risk before making any investment in the Fund.

Cash and fixed income securities risk refers to changes that may affect fixed income and debt markets. A change in factors such as market yields, domestic and international interest rates, perceptions of the credit risk premium associated with certain securities and their issuers, supply and demand pressures, global views on the value within a sector and the maturity of each security may influence the value of such securities and hence your investment in this Fund.

Through its investment in underlying funds, this Fund may be exposed to a wide range of securities including Government debt, investment grade debt, high yield debt, asset backed securities including residential mortgage backed securities, and credit default swaps. The risk of default by the issuers of these securities will vary markedly.

Equity market risk broadly refers to the potential for changes in share prices to result in a loss in the value of your investment in the Fund. This Fund allocates a portion of its investments to companies that are listed on a share market and as a result is exposed to movements in their share prices. Factors that drive changes in share prices may include changing profitability of companies and the sectors and markets in which they operate, economic cycles, volume of share issuance, investor demand levels, business confidence and government and central bank policies.

Alternative asset risk. Alternative assets may include, but are not limited to, investments such as private equity, infrastructure securities and commodities. Investment in such securities can be illiquid and/or subject to large price movements due to the nature of the respective markets. The Manager is free to invest in all, some or none of the stated alternative asset classes or additional alternative asset classes as they see fit and without prior notice to investors.

Property sector risk is the potential for adverse events in the global property market to impact the performance and returns of this Fund. Factors such as the availability of finance, the level of supply of suitable properties, rental yields and Government regulations relating to property may influence the value of property investments and hence this Fund's exposure to the property sector.

Manager risk refers to the risk that this Fund will not achieve its performance objectives or not produce returns that are positive, or compare favourably against its peers on a relative basis. The Manager may allocate the assets of this Fund (within limits) to a variety of investments. The allocation decision implemented by the Manager may impact the returns of the Fund.

Valuation and liquidity risk is the risk that due to liquidity issues and market conditions the carrying value of investments to which the Fund has an exposure (being the underlying value used to generate the Fund's unit price, as obtained from an independent valuation source) may not accurately reflect the liquidation value of such investments. There may often be a limited secondary market within which these securities may be traded. The carrying price at which securities are valued may therefore be different to the actual price achieved upon physically trading such securities.

The securities to which the Fund has an exposure are traded in minimum sized market parcels. They are also subject to supply and demand constraints. This means that the processing of applications and redemptions in to or out of this Fund (which may also require redemptions from underlying funds) will by necessity change the composition of this Fund's or the underlying fund's holdings – both absolutely and relative to one another. Should the Manager be required to process a large redemption, the composition of the Fund or the underlying fund may be altered significantly due to the security sales required. The selection of securities used in processing redemptions will be at the sole discretion of the Manager.

Foreign investment risk exists for the securities of those entities which operate internationally, as well as investments in Australian securities which have international operations. This risk exposes the investments of the Fund to a range of macroeconomic factors which are unique to the country of investment/operation, and may include factors such as political instability, differing tax or legal rulings and potentially rapid changes in asset prices (particularly for emerging economies).

Emerging market risk. The Fund may invest in securities, either directly or indirectly, that provide exposure to emerging markets. Emerging markets are typically more volatile than developed markets. Such investments may expose the Fund to issues such as heightened political unrest, sovereign intervention, securities whose valuations fluctuate widely and the potential for domestic economic management to impact on the viability of operations within that market. There is also the risk that economic growth in emerging markets will decline or cease, adversely affecting the performance of this Fund.

Sovereign risk is the risk of a State invoking policy or regulation that changes the established rights of private sector companies. There is a further risk that the State may prevent or limit the repatriation of foreign capital or the availability of legal redress through the courts. There is also the risk of government intervention in the operation of financial markets, for instance a

forced closure of markets. Such intervention may severely impact the value of any investments this Fund has exposure to that operate within or have some relationship to the affected country.

Currency risk is the risk that fluctuations in exchange rates between the domestic and foreign currencies may impact the value of a Fund's investments. The Fund may gain exposure to securities which return distributions and/or capital in currencies other than Australian Dollars. Such distributions and/or capital returns may be significantly affected due to movements in the exchange rate between the local currency and the Australian Dollar.

Counterparty default risk is the risk of loss due to a counterparty not honouring a financial commitment. Counterparties to this Fund may include the Custodian, option writers, brokers and clearing brokers of exchange traded futures and options, foreign exchange counterparties and swap and structured deal counterparties.

Investment objective risk is the risk that an investor's objectives will not be met by their choice of investments. One measure of risk in an investment is the volatility of returns; the greater the volatility, the more likely that returns will differ from those expected over a given time period. The unit price of this Fund may fluctuate as may amounts distributed to unit holders, including fluctuation over the period between a redemption request being made and the time of redemption.

Derivative / leverage risk. Derivatives are leveraged instruments that are used to obtain or reduce market exposures. As the market value of derivatives is variable, gains or losses can be incurred and can be greater than unleveraged positions. The Fund may utilise derivatives in order to achieve its investment objectives. To reduce the risks of leverage, we ensure that short derivatives positions are backed by a matched amount of similar physical assets and long derivatives positions are backed by a matched amount of liquid assets such as cash equivalents.

Fees and other costs

The information in the tables below is required by law and is designed to help you better understand the fees and costs associated with the Fund.

Did you know?

Small differences in both investment performance and fees and costs can have substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask Macquarie or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in the Tax section of this PDS. You should read all of the information about fees and other costs, as it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
You may also incur a buy/sell spread ¹ when your money moves in or out of the Fund.		
Establishment fee The fee to open your investment.	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment.	Nil	Not applicable
Redemption fee The fee on each amount you take out of your investment.	Nil	Not applicable
Termination fee The fee to close your investment.	Nil	Not applicable
Management costs		
The fees and costs for managing your investment²	The management costs consist of: Management Fee 0.820% pa of net asset value (inclusive of the net impact of GST). ³ Plus Normal expense recovery Normal expense recovery will not exceed 0.02% pa of net asset value (inclusive of the net impact of GST).	The management fee accrues daily and is payable quarterly in arrears. It is deducted from the Fund's assets and is reflected in the Fund's unit price. Normal expenses include items such as custody fees, audit costs, ASIC fees and pricing service provider costs. These expenses are payable when incurred and are reflected in the Fund's unit price.
Service fees⁴		
Switching fee This is the fee for when you switch between investment options. You may also incur a buy/sell spread when switching between investment options.	Nil	Not applicable

¹ See 'Buy/sell spread' under Additional Explanation of Fees and Costs.

² Additional fees may apply, as well as the abnormal expense recovery – see Additional explanation of fees and costs.

³ For sophisticated and professional investors these fees may be negotiated. See 'Differential fees' under section Additional explanation of fees and costs.

⁴ See 'Adviser service fee' under section Additional explanation of fees and costs.

All fees in the table above are shown inclusive of GST, net of Reduced Input Tax Credits (RITCs).

Example of annual fees and costs of the Fund

This table provides an example of how the fees and costs in the Fund can affect your investment over a one year period. You should use this table to compare the Fund with other managed investment products. The example assumes an account balance of \$150,000 invested in the Fund, assuming no variation in the value of your investment over this period. In practice:

- > the actual fee we charge is based on the value of your investment;
- > your investment balance and the value of the Fund will vary daily;
- > the management fee is included in the Fund's return and is not an additional charge to you.

Example		Balance of \$150,000 with total contributions of \$5,000 ¹ during year
Contribution fees ²	Nil	For every additional \$5,000 you put in, you will not be charged a contribution fee.
PLUS management costs (management fee plus maximum normal expense recoveries) ³	0.820%+ 0.02% = 0.840% pa	And , for every \$150,000 you have in the Fund, you will be charged \$1,260.00 each year.
EQUALS cost of Fund		If you had an investment of \$150,000 at the beginning of the year and you put in an additional \$5,000 during that year, you will be charged fees of \$1,260.00. ³ What it costs you will depend on the fees you may be able to negotiate with us.

¹ We are required to use examples based on an additional contribution of \$5,000. However, please note that the minimal additional investment amount for the Fund is \$10,000.

² You may also incur a buy/sell spread when your money moves in or out of the Fund. See 'Buy/sell' spread' under section Additional explanation of fees and costs.

³ Additional fees may apply, as well as the abnormal expense recovery.

Additional explanation of fees and costs

Buy/sell spread estimate

There is a difference between the application and redemption price quoted on any business day, referred to as the 'buy/sell spread'. To ensure that existing investors do not continually bear the transaction costs resulting from the applications or redemptions made by other investors, we charge investors the buy/sell spread when they transact, except in certain circumstances (see below). The buy/sell spread is added to the Net Asset Value per unit when units are applied for to reflect the estimated transaction costs of acquiring the underlying investments.

It is subtracted from the Net Asset Value per unit when units are redeemed to reflect the estimated transaction costs of disposing of the underlying investments.

It is important to note that the spreads are a transaction cost payable by you and retained by the Fund. The spreads are not a payment to Macquarie as manager. Further, the buy spread will not necessarily be the same as the sell spread.

In calculating this spread, we take into account the estimated transaction costs which, in our view, are applicable from time to time. These transaction costs may comprise brokerage, stamp duty, foreign exchange hedging and the buy/sell spreads (being the difference between the bid and offer prices) on exchange traded and non-exchange traded transactions.

The example below is based on an application or redemption of \$150,000 and an estimated buy/sell spread of 0.10%, which is indicative of an estimated spread in normal trading conditions. This may not be the applicable spread at the time of your application or redemption of units:

	Buy /sell Spread	Cost
Application	+ 0.10%	\$150.00
Redemption	- 0.10%	\$150.00

The size of the buy/ sell spread may be varied from time to time without notice, to ensure that non-transacting investors are not adversely impacted by the application or redemption by other investors. For example, a different amount or estimate may apply when brokerage costs or the difference between the bid and offer prices for assets change.

In stressed and dislocated market conditions, the buy/sell spread may increase significantly. Any revised spread will be applied uniformly to transacting investors while that spread applies.

To obtain an indication of the current the buy/sell spreads that may be applicable to an application or redemption from the Fund, please visit: www.macquarie.com.au/daily_spreads.

In addition we may at our discretion reduce the buy/sell spread where:

- > there is a simultaneous purchase and redemption of units of equivalent value by different investors; or
- > an investor subscribes assets (rather than cash) on an application or receives assets (rather than cash) on a redemption.

Reinvested distributions do not incur the buy/sell spread.

Maximum fees we are allowed to charge

The constitution of the Fund provides for the following maximum fees (exclusive of the net effect of GST):

- > a maximum entry fee (referred to in this PDS as a 'contribution fee') of 5.0% of the application amount;
- > a maximum exit fee (referred to in this PDS as a 'redemption fee') of 5.0% of the amount withdrawn;
- > a maximum management fee of 5.0% of the amount invested;
- > a maximum switching fee of 5.0% of the value of the investment switched.
- > a maximum transfer fee of 5.0% of the value of the investment switched.

Expense recoveries

The constitution of the Fund allows certain properly incurred expenses to be recovered directly from the Fund.

However, we have limited the amount of normal expense recoveries to 0.02% pa of net asset value (inclusive of the net impact of GST). Normal expenses include items such as custody fees, audit costs, ASIC fees and pricing service provider costs.

The expenses referred to above do not include abnormal expense recoveries, such as the cost of unitholder meetings, defending legal proceedings, special valuation of assets and the costs of terminating the Fund. These abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any year. However, if they arise, we reserve our right to deduct these expenses from the Fund, as permitted in the constitution.

