

Understanding your AMIT Member Annual (AMMA) Statement

AUSTRALIAN INDIVIDUAL TAX RETURN GUIDE | JULY 2022

This information is to help you understand your Airlie Australian Share Fund (Ticker:AASF) ('the Fund') 2022 AMMA statement and assist you in completing your 2021/22 tax return.

Airlie Australian Share Fund elected into the Attribution Managed Investment Trust (AMIT) regime for 2017/18 and subsequent financial years. The AMIT regime requires that all income attributed to you is summarised on an 'AMIT Member Annual Statement', also known as an AMMA Statement.

HOW TO USE THIS GUIDE

This guide is designed to help you understand your AMMA Statement and to assist you in completing your 2022 Tax Return for Individuals (tax return) and the 2022 Tax Return for Individuals (supplementary section).

ABOUT YOUR AMMA STATEMENT

- Your AMMA statement includes the income attributed to you from the Fund relating to the financial year ended 30 June 2022. You are required to include these amounts in your tax return for 2021/22 financial year.
- If your AMMA statement is for a joint account, it includes 100% of all income attributed to the joint account. You will need to split the income attributed between joint account holders in accordance with your records.
- If you hold other Airlie or Magellan Funds, you will receive a separate AMMA statement for each holding.
- The income attributed may include realised net capital gains resulting from the sale of investments by the fund.
- Your AMMA statement does not include any taxable capital gains or losses that may have resulted from your disposal of units in the fund. If you have withdrawn, transferred or switched units during the financial year, you will need to separately calculate the gain or loss from your investment records and include it in your tax return.

OBTAINING YOUR OWN TAX ADVICE AND COMPLETING YOUR TAX RETURN

We recommend you seek professional assistance when completing your tax return. If you have questions about your tax return, please consult your tax adviser or the Australian Tax Office (ATO). Magellan is not able to provide you with tax advice.

The information in this guide is not tax advice and is not a complete guide to completing your tax return. You should refer to the Individual tax return instructions 2022, which is available from the ATO. Download it from the ATO (www.ato.gov.au/Individuals/Tax-return/2022/) and the online instructions for the 2022 supplementary section (www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/).

Net capital gain	241.36	18A
Total current year capital gains	358.70	18H
Credit for foreign resident capital gains withholding amounts	0.00	18X
CFC Income	0.00	19K
Transferor trust income	0.00	19B
Assessable foreign source income	0.00	20E
Other net foreign source income	0.00	20M
Australian franking credits from a New Zealand franking company	3.75	20F
Foreign Income Tax Offsets *	0.00	20O

SECTION 1: YOUR DETAILS

This section shows the details you provided and reported at the time this statement was generated.

SECTION 2: SUMMARY OF 2022 TAX RETURN (SUPPLEMENTARY SECTION) ITEMS

The following summary does not apply to non-residents, part-year residents, companies, superannuation entities or trustee investors.

There are three items you may need to complete in the Income Section of the 'Tax return for individuals (supplementary section)' for your investment in the Fund. They are:

- Item 13: Partnerships and trusts
- Item 18: Capital gains
- Item 20: Foreign source income and foreign assets or property.

Your AMMA statement has been designed so that the amounts in this section correspond to the amounts you are required to enter in the 'Tax return for individuals (supplementary section) 2022'. Record these amounts on your AMMA statement to the corresponding sections of the 'Tax return for individuals (supplementary section) 2022'.

For example, the first amount under 'Tax return (supplementary) section' of your AMMA statement, 'Share of net income from trusts, less net capital gains, foreign income and franked distributions' (or 'Non primary production income') corresponds to Item 13U in 'Tax return for individuals (supplementary section) 2022'. This means that this amount should be entered in 13U on your tax return.

1. Franking Credits

Since the Fund has elected into the AMIT regime, subject to the Commissioner determining otherwise, members are deemed to be a 'qualified person' in respect of the franked distribution component and therefore do not need to apply the 45 day rule. Accordingly, you are entitled to claim the whole of the franking credits attributed to you.

2. Total current year capital gains

If an amount of 'Total current year capital gains' is shown, you will need to print 'X' in the 'Yes' box at Label G of Item 18.

The 'Capital Gains' section provides additional information about the various capital gain components distributed to you. This information will assist you if you are required to complete the ATO's capital gains tax (CGT) schedule or if you have any current year capital losses or net capital losses from prior years that you can offset against any capital gains you have received.

You may wish to obtain a copy of the ATO publication 'Personal investors guide to capital gains tax 2022'. You can download it here: www.ato.gov.au/uploadedFiles/Content/IND/Downloads/Personal-investors-guide-to-capital-gains-tax-2022.pdf

3. Foreign income tax offsets

The amount of 'Foreign income tax offset' you are entitled to will depend on the amount of foreign tax credits you have received from all sources. If the amount does not exceed \$1,000, you are entitled to a credit for the full amount shown. If the amount is more than \$1,000 you can do one of the following:

1. Simply claim a tax offset of \$1,000.
2. Calculate the amount of foreign income tax offset to which you are entitled. To do this you will need to download the ATO publication, 'Guide to foreign income tax offset rules'. You can download it here: www.ato.gov.au/Individuals/Tax-return/2022/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2022/

SECTION 3: COMPONENTS OF AN ATTRIBUTION

This part provides a detailed breakdown of the income attributed to you for the financial year, on a fund by fund basis. Below is an explanation of each section within this part.

1. Australian income

The details provide a breakdown of Label 13U Non-primary production income and Label 13C Franked distributions from trusts. This information may be necessary for those investors who use the 'Application for refund of franking credits for individuals 2022'.

2. Capital gains

Capital gains discount - Taxable Australian Property (TAP) and Non-Taxable Australian Property (NTAP)

The capital gains tax discount is generally available for gains on the disposal of investment that have been held for at least 12 months. These items show the part of the capital gains attributed to you that are eligible for the capital gains tax discount. The taxable amounts are shown under the Attribution Amount (or Attribution) column. Resident individuals and trusts are eligible for a 50% CGT discount and resident complying superannuation funds are eligible for a 33.33% CGT discount. Companies are not eligible for the CGT discount.

Capital gains other - Taxable Australia Property (TAP) and Non-taxable Australia Property (NTAP)

These items are capital gains attributed to you on the disposal of investments held by the fund which are disposed of within 12 months of acquisition. No adjustment is available for the 50% CGT discount.

Net capital gains

This amount represents the sum of the capital gains (discounted and other methods) which have been attributed to you.

AMIT CGT gross up amount

This item shows the additional amount treated as capital gains of members under ss 276-85(3) and (4) of the Income Tax Assessment Act 1997 ('ITAA 1997'), and is included in the AMIT cost base increase amount. This amount is equal to the sum of the Attribution Amount column for Capital gains discount - TAP and Capital gains discount - NTAP.

Other capital gains distribution

Other capital gains distribution is shown in the Cash distribution column to represent the total amount of cash distributed in relation to all capital gains, other than the amounts already shown in the Cash distribution columns for Capital Gains Discount - NTAP & TAP and Capital Gains other - NTAP & TAP.

3. Foreign income

The 'Foreign income' section includes all foreign income except foreign capital gains.

4. Other non-assessable amounts and cost base details

Other non-assessable amounts have been divided into three categories depending on the nature of the amount. These amounts are not immediately assessable for income tax purposes and are therefore not included in your tax return, however they may require an adjustment to the cost base of your unit holding and will be relevant in working out your gains/losses at the time you dispose of your units in the fund.

Other non-attributable amounts

Other non-attributable amounts are cash distributions and other entitlements from an AMIT that exceed the Attribution amount, to the extent they are not already shown in other components. These amounts

broadly correspond to amounts that for a non-AMIT are categorised, for example, as tax free (other than those amounts that are included in net exempt income) and tax deferred amounts (including returns of capital), and are reflected in the calculation of the AMIT cost base net amount - excess or shortfall. It does not include other capital gains distributions which are shown at the capital gains section.

AMIT cost base net amounts

Under the AMIT regime you are required to adjust your cost base of your units as follows:

AMIT cost base net amount - excess (decrease). You must reduce the cost base and reduced cost base of your units in the Fund by the AMIT cost base net amount - excess. A capital gain may also arise if your AMIT cost base net amount - excess is greater than your cost base of your units in the fund.

AMIT cost base net amount - shortfall (increase). You must increase the cost base and reduced cost base of your unit in the Fund by the AMIT cost base net amount - shortfall.

HOW DOES AMIT AFFECT MY TAX AND CAPITAL GAINS?

Under the AMIT rules, investors will be assessed for tax on the income of the Fund attributed to you, called the Attribution Amount. You must include the Attribution Amount in your tax return. The components of the Fund's distribution will be set out in an AMIT member annual statement (AMMA Statement) that will be issued to unitholders by the end of July 2022.

WHAT IS AN 'AMIT COST BASE NET AMOUNT – SHORTFALL (INCREASE)'?

This is an uplift to the tax cost base of your units in the Fund. Where the Attribution Amount exceeds the cash distribution amount, the excess is an uplift to the tax cost base of your units in the Fund, so when you dispose of your units, a lower capital gain will be realised. This will be shown as an AMIT cost base net amount – shortfall (increase) on your AMMA statement to be issued in July 2022.

Gross cash distribution	1,380.44	1,380.44
AMIT cost base net amount - excess (decrease)		0.00
AMIT cost base net amount - shortfall (increase)		2,896.06

You must increase the cost base and reduced cost base of your unit in the Fund by the AMIT cost base net amount – shortfall.

Please refer to Example 2 on page 6 for a worked example of an AMIT cost base net amount - shortfall (increase).

WHAT IS AN 'AMIT COST BASE NET AMOUNT – EXCESS (DECREASE)'?

This is a reduction to the tax cost base of your units in the Fund. Where the cash distribution amount exceeds the Attribution Amount, the excess is a reduction to the tax cost base of your units in the Fund. This will be shown as an AMIT cost base net amount – excess (decrease) on your AMMA statement to be issued in July 2022 and a higher capital gain may be realised upon disposal of your units.

Gross cash distribution	5,964.63	5,964.63
AMIT cost base net amount - excess (decrease)		4,399.48
AMIT cost base net amount - shortfall (increase)		0.00

You must decrease the cost base and reduced cost base of your unit in the Fund by the AMIT cost base net amount – excess.

Please refer to Example 3 on page 6 for a worked example of an AMIT cost base net amount - excess (decrease).

WILL THIS AFFECT THE WAY I'M TAXED?

This distribution policy will not affect the net tax outcome for investors as the AMIT Rules are designed to be tax neutral. Under the AMIT Rules:

- Investors pay tax on the taxable income that is attributed to them.
- The cost base of units increases to the extent that the taxable income attributed exceeds the cash distributions paid. Conversely, the cost base of units decrease to the extent that cash distributions paid exceed the amount of taxable income that is attributed.

The net result is that investors pay no more or less tax in respect of units held.

We illustrate below that the tax outcome for investors in a fund is neutral before and after applying the AMIT Rules.

Suppose a unit you hold in Airlie Australian Share Fund has a market value of \$1.10 comprising taxable income of \$0.10 and cost base of \$1.00.

	Example 1 (Pre-AMIT)	Example 2 (Post-AMIT)	Example 3 (Post-AMIT)
Unit price on 30 June	\$1.10	\$1.10	\$1.10
Cash distribution CPU	\$0.10	\$0.04	\$0.18
Unit price on 1 July	\$1.00	\$1.06	\$0.92
Amount to include in your tax return	\$0.10	\$0.10	\$0.10
Tax cost base of your unit in the Fund	\$1.00	\$1.06 <i>Tax cost base increase</i>	\$0.92 <i>Tax cost base decrease</i>

IN EXAMPLE 1 (PRE-AMIT)

The investor pays tax based on the taxable income of distributed of \$0.10. There is no gain or loss on the sale of this investment as the market value of the unit post distribution (1 July) equals the cost base.



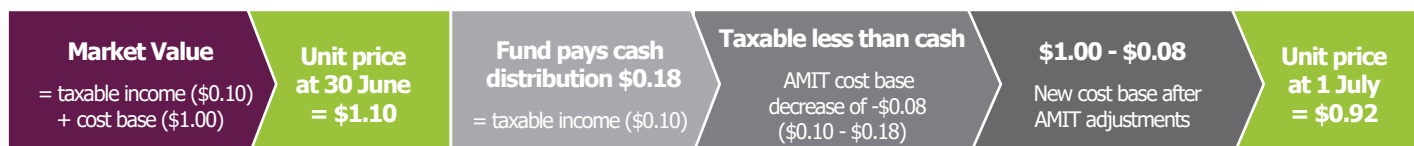
IN EXAMPLE 2 (POST-AMIT)

The investor pays tax based on the taxable income attributed of \$0.10 though a cash distribution of \$0.04 was made. A cost base increase of \$0.06 under the AMIT rules mean there is no gain or loss on sale of the investment as the market value of the unit post distribution equals the cost base of \$1.06.



IN EXAMPLE 3 (POST-AMIT)

The investor pays tax based on the taxable income attributed of \$0.10 though a cash distribution of \$0.18 was made. A cost base decrease of \$0.08 under the AMIT rules mean there is no gain or loss on sale of the investment as the market value of the unit post distribution equals the cost base of \$0.92.



FREQUENTLY ASKED QUESTIONS – AMMA STATEMENT

What is an attribution management investment trust (AMIT)?

An AMIT is a managed investment trust that has made an irrevocable election to apply the new AMIT regime and is eligible. The Airlie Australian Share Fund has elected to opt in from FY2018.

What is the attribution managed investment trust (AMIT) regime?

The Attribution Managed Investment Trust (AMIT) regime is a new taxation system for eligible managed investment trusts (MIT), introduced by the Government in May 2016.

If an eligible MIT (Fund) elects to opt in to the new tax rules, the Fund becomes an 'Attribution Managed Investment Trust' for tax purposes. The Airlie Australian Share Fund has elected to opt in from FY2018.

Notification in relation to the AMIT status of the Fund is made available on our website on 11 July 2022.

Why has the Airlie Australian Share Fund changed its distribution policy?

Historically, Fund Managers have typically distributed an amount at least equal to the taxable income of the fund. Cash distributions may therefore fluctuate year-on-year depending on the Fund's annual tax position. This has led to situations like:

- distributions that were higher or lower than expected depending on the Fund's tax position for that year; or
- nil distributions because the Fund was in net tax losses.

Under the AMIT regime, a fund can choose to distribute a level of cash that is different to its taxable income, without adverse tax consequences. Airlie Australian Share Fund is now in a better position to provide more predictable cash returns on their investments. This will also enable investors to more effectively budget and plan for their income requirements from investments in the Fund.

Why is my cash distribution less than my attribution amount?

The Airlie Australian Share Fund elected into the Attribution Managed Investment Trust (AMIT) regime for FY2018 and subsequent financial years. A key feature under the AMIT regime is the ability to make a cash distribution that could differ to the attribution amount, without adverse tax consequences.

Historically, the annual cash distributions for the Fund differed from year to year, which made budgeting and planning for income requirements difficult for our investors.

Under the AMIT regime, it enables the Fund to determine an approach that offers greater certainty on the amount of upcoming distributions, independent of the Fund's annual tax position. This will also enable investors to more effectively budget and plan for their income requirements from investments in the Fund.

Will this change in distribution policy affect the Fund's performance?

The new distribution policy does not affect the performance of a fund. The total return of a fund is made up of the 'Growth' and 'Distribution' returns. Airlie Australian Share Fund's distribution policy will simply mean the 'Distribution' return will be more predictable compared to the past.

Where can I get more information on the new AMIT regime?

If you have any further tax questions in relation to the new AMIT regime and how that might affect your investment in the Fund, we recommend you consult your tax adviser or refer to the information from the ATO website at www.ato.gov.au/General/Trusts/In-detail/Managed-investment-trusts/Managed-investment-trusts---overview/

For further information on your individual statement please contact your adviser, stockbroker or tax agent/accountant.



Important Information: This material has been prepared by Magellan Asset Management Limited (ABN 31 120 593 946, AFS Licence No. 304 301) trading as Airlie Funds Management ('Magellan'). This material does not constitute taxation advice and should not be relied upon as such. This material has been prepared for general information purposes only and does not take into account your investment or taxation objectives, financial situation or particular needs. If you have any questions in relation to your taxation position, you should seek independent professional advice. The information set in this material is based on information published by the Australian Taxation Office and is considered to be accurate at the time of publication. The taxation considerations in this material are not intended to be a comprehensive statement of present taxation laws and practices and may be subject to change. Neither Magellan nor its related bodies corporate nor their respective directors, officers, employees or agents (collectively, 'Magellan Group') make any representation or warranty as to the accuracy or completeness of any information contained in this material. Magellan Group does not accept any liability, howsoever arising, in respect of the information contained in this material for any error or omission in this material or for any category of loss or damage suffered in connection with your use of the information in this material.