

Dear Investor,

**Fee amendment – Revolution Wholesale Private Debt Fund II (the ‘Fund’)**

An amendment to the fee structure outlined in Fund Information Memorandum (‘IM’) has been proposed by the Trustee of the Fund, Channel Investment Management Limited. The proposed amendment to the fees reflects a necessary change to how the Fund handles excess cash by way of making direct investments outside of cash. The change is aligned with the original intention to charge 0.65% p.a. on all deployed assets while continuing to only charge a 0.15% p.a. fee on undeployed cash. Further detail and explanation is provided below.

When the Fund was originally established, it was expected that it would invest mostly in two types of securities – units in the Revolution Private Debt Fund II (the ‘Underlying Fund’) with any excess funds held as cash and/or cash equivalents.

It was envisaged at the time that there may be circumstances where, from time to time, there was more excess cash than expected and the IM was drafted to allow for that cash to be invested in investment grade securities and Asset-Backed Securities (together ‘Direct Assets’).

Over time, the strategy has proven to be highly successful and, as a result, has experienced very strong inflows of capital at both the institutional Underlying Fund level as well as into the Fund directly. With these inflows, cash holdings within the Fund began to build, diluting short term returns to investors.

In order to manage this cash-drag and protect investor returns, Revolution has opted to devote a significant amount of effort into sourcing and investing in Direct Assets. As a consequence, however, the time and resourcing spent managing these Direct Assets has been well beyond anything initially contemplated.

Pleasingly, the use of Direct Assets has alleviated the issue of holding excess cash as intended, with investors directly benefiting from improved performance outcomes. The Fund, as at 22 March, now has approximately 26% (\$85m) of the total Fund size in Direct Assets.

However, under the existing wording of the IM, a management fee of 0.65% p.a. is charged on the holding of units in the Underlying Fund, with just a 0.15% p.a. management fee applied to all other investments in the Fund.

The 0.15% p.a. management fee was established in recognition of the Fund’s expected holdings in cash and cash equivalents, not Direct Assets. The more frequent use of Direct Assets has resulted in significantly increased investment management costs (when compared to simply holding cash) but this has not been reflected in Fund fees.

Under the terms of the Trust Deed, and for the reasons outlined above, the Trustee is planning to amend the IM and associated fee schedule of the Fund to charge the 0.65% p.a. management fee on both the units in the Underlying Fund and Direct Assets. For the avoidance of doubt, cash and cash equivalents will continue to attract a management fee of only 0.15% p.a.

In addition to the amendment to the fees, the target asset allocation will also be updated in the IM to align with the changes noted above. The new target asset allocation will be:

- 50-100% Underlying Fund units
- 0-50% investment grade securities and ABS
- 0-25% cash and cash equivalents



The effective date of the change will be 22 April 2022. The Trustee intends to issue an updated IM for the Fund on or around the same date. This letter is intended to provide you, the investor, with the required 30 days' notice prior to the increase of any fees.

Should you have any questions or concerns regarding any of the above, please do not hesitate to contact our Client Services team at [clientservices@channelcapital.com.au](mailto:clientservices@channelcapital.com.au) and we will be happy to assist with any queries.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Josh Yeo".

Josh Yeo

Chief Operating Officer  
Channel Investment Management Limited