

Merchant Opportunities Fund

ARSN 111 456 387

NOTICE — PROPOSED CHANGE OF RESPONSIBLE ENTITY

Notice is given that Capricorn Investment Partners Limited ACN 095 998 771 intends to retire as responsible entity of Merchant Opportunities Fund ARSN 111 456 387 and appoint a related company, CIP Licensing Limited ACN 603 558 658 as the proposed replacement responsible entity. CIP Licensing Limited is also a 100% owned subsidiary of CIPL (Holding) Limited.

The purpose of this Notice and attached Explanatory Memorandum is to outline the reasons for the proposed retirement of Capricorn Investment Partners Limited, to provide information about CIP Licensing Limited and to provide Investors with an opportunity to request a vote on the appointment of CIP Licensing Limited as replacement responsible entity.



David French

Managing Director

Capricorn Investment Partners Limited ACN 095 998 771

ACTION REQUIRED OF INVESTORS

Step 1: Read this Notice and the attached Explanatory Memorandum.

Step 2: **If, after reading the Explanatory Memorandum, you accept the change of responsible entity should occur, then you do not need to take any action.**

If you want a vote to be held to consider the appointment of CIP Licensing Limited as the replacement responsible entity, then you should complete the enclosed vote request form and return it to the reply paid address listed on the form.

Merchant Opportunities Fund

ARSN 111 456 387

EXPLANATORY MEMORANDUM

Introduction

The purpose of this Explanatory Memorandum is to:

1. Outline the reasons for Capricorn Investment Partners Limited's proposed retirement as responsible entity of MOF and to introduce a related company, CIP Licensing Limited, as the proposed new responsible entity.
2. Explain that the change of responsible entity will not adversely affect the operation of MOF, because the same key personnel, systems and resources will be used to continue to manage MOF.
3. Explain the implications of not taking any action in response to this Notice and alternatively the implications associated with requesting a vote on the appointment of CIP Licensing Limited as the proposed replacement responsible entity.

Capitalised terms used in this document are defined in the Definitions section at the end of this document.

Recommendation

Capricorn Investment Partners Limited recommends that Investors accept that it be replaced as responsible entity of MOF by CIP Licensing Limited, for the reasons explained in this document.

Investors are recommended to take no action in relation to this Notice, so that the change of responsible entity can be effected efficiently and cost effectively, without having to convene a meeting of Investors (see below).

ASIC relief granted for change of responsible entity

A responsible entity of a registered managed investment scheme is normally required to call a meeting of members if it wants to retire, to explain its reasons for wanting to retire and to enable members to vote on the appointment of a new responsible entity.

However, Capricorn Investment Partners Limited has obtained Australian Securities & Investments Commission (ASIC) relief from this requirement, on the basis that CIP Licensing Limited is a related company and on the condition that Capricorn Investment Partners Limited provides to Investors a notice in accordance with the terms of the relief. Under the terms of the relief, Investors are required to be given the opportunity to request a vote on the choice of the proposed responsible entity.

Reasons for the retirement of Capricorn Investment Partners Limited as responsible entity

As you may be aware, on 24 December 2014, CIPL (Holding) Limited entered into an agreement to buy Capricorn Investment Partners Limited (CIPL) from former owner ILH Group Limited after ILH got into financial difficulty. The sale was successfully completed on 27th February 2015, leaving CIPL (Holding) as a profitable standalone business, owned by many of the people that owned the original CIPL.

Implementing the purchase involved making some structural changes so that CIPL could be separated from ILH Group. One such structural change involved setting up a company that specifically undertakes our financial services licensing activities. This company is called CIP Licensing Limited.

Like the original CIPL, CIP Licensing will be regulated by the Australian Securities and Investment Commission. ASIC has advised that it will grant an Australian financial services licence to CIP Licensing when ASIC is notified of the change of responsible entity.

Capricorn Investment Partners Limited wishes to retire because when it was part of the ILH Group it guaranteed certain debts of the ILH Group. Due to the potential exposure of CIPL to claims by creditors of the ILH Group, the directors of CIPL do not consider that it is in the interests of unitholders for CIPL to remain as the responsible entity. To that end all of the CIPL's former licensing activities will in future be undertaken by CIP Licensing Limited.

What impact will the change in responsible entity have on the operation of the scheme?

As part of the restructure, CIPL (Holding) Limited acquired all of the resources used to operate and manage MOF. All personnel have also moved to CIPL (Holding) Limited and its subsidiary CIP Licensing Limited.

The replacement of the responsible entity with CIP Licensing Limited is not expected to have any impact on the operation and management of MOF because both Capricorn Investment Partners Limited and CIP Licensing Limited are companies within the same group, using the same staff, resources and systems (including compliance, investor services and communications, information technology and asset custody). CIPL (Holding) Limited will provide the same resources to CIP Licensing Limited which have been available to Capricorn Investment Partners Limited. There will be no change in the investment mandate for MOF as a result of the change in responsible entity to CIP Licensing Limited.

MOF will therefore continue to operate in the same way and Investors should not notice any difference to the manner in which the MOF is operated.

Investors are therefore recommended to allow the change of responsible entity to occur; and to take no action in relation to the Notice, so that the change of responsible entity can occur efficiently and in a cost effective manner, without having to convene a meeting of Investors.

Timetable

An indicative timetable for the replacement of Capricorn Investment Partners Limited as the responsible entity is set out below.

Event	Date
21 day notice period expires	30 April 2015
If no vote is requested, then Capricorn Investment Partners Limited will lodge a notice with ASIC of the change of responsible entity	2 May 2015
If a sufficient number of Investors request a vote, then Capricorn Investment Partners Limited will arrange a postal vote, or a meeting of Investors, as soon as practicable.	Notice (if required) to be sent on or about 1 May 2015 Meeting (if required) to be held on or about 26 May 2015

How to request a vote

Each Investor who wants a vote on the choice of responsible entity must tick and return the enclosed vote request form to Capricorn Investment Partners Limited, Reply Paid 564, Rockhampton, QLD 4700, to be received by 30 April 2015. Capricorn Investment Partners Limited will collate all of the requests to vote and determine if a sufficient level of Investors have requested a vote to take place.

If by 30 April 2015, Capricorn Investment Partners Limited receives ticked vote request forms from either:

1. Investors holding at least 5% of the total value of interests in MOF; or
2. 100 Investors, who would be entitled to vote, stating that they wish to vote on the proposed change of responsible entity, then Capricorn Investment Partners Limited will arrange a postal vote or convene a meeting of Investors.

Investors should only complete the vote request form and return it to Capricorn Investment Partners Limited if they want a vote to consider the appointment of CIP Licensing Limited as the replacement responsible entity. If you accept that CIP Licensing Limited should be appointed as responsible entity of MOF, as is recommended by Capricorn Investment Partners Limited, then you do not need to take any action.

What happens if a vote is not required?

If Capricorn Investment Partners Limited does not receive, by 30 April 2015, vote request forms from a sufficient level of Investors requesting a vote, then Capricorn Investment Partners Limited will execute a Deed of Retirement and Appointment with CIP Licensing Limited and lodge a notice with ASIC asking it to alter the record of the MOF's registration to name CIP Licensing Limited as the new responsible entity. Under the conditions of the ASIC relief, the notice must be accompanied by a certificate from Capricorn Investment Partners Limited stating that it reasonably considers that the appointment of CIP Licensing Limited as the proposed responsible entity is in the best interests of the Investors, with a summary of its reasons as to why this is the case. Unless ASIC reasonably believes that the appointment of CIP Licensing would not be the best interest of Investors, ASIC must comply with the notice. The change will take effect on the date when it is officially recorded by ASIC.

What happens if a vote is required?

If Capricorn Investment Partners Limited does receive, by 30 April 2015, vote request forms from a sufficient level of Investors requesting a vote, then Capricorn Investment Partners Limited will arrange either a postal vote or convene a meeting of Investors.

If Capricorn Investment Partners Limited decides to conduct a postal vote, then a voting paper will be sent to each Investor. CIP Licensing Limited will be appointed as the new responsible entity if at least 50% of the total votes that may be cast by Investors who would be eligible to vote at a meeting are cast in favour of the choice.

If Capricorn Investment Partners Limited decides to convene a meeting of Investors, then Capricorn Investment Partners Limited will give Investors at least 21 days' notice of the meeting, at which Investors will consider an extraordinary resolution to appoint CIP Licensing Limited as the new responsible entity. This will require at least 50% of the total votes that may be cast by Investors

eligible to vote at the meeting (including Investors who are not present at the meeting), to be in favour of the resolution.

If a vote is required, then Capricorn Investment Partners Limited encourages Investors to participate in the vote, because the required threshold (50% of all Investors) is quite high. If insufficient Investors vote, then the resolution might not be passed, which means Capricorn Investment Partners Limited will remain as responsible entity. As noted above, the directors do not believe this is in the interests unitholders.

Eligibility and restrictions on Investors to request a vote

The persons eligible to request a vote are those persons who are registered Investors at the time of calculating the number of requests to vote on the replacement of the responsible entity, i.e., as at 30 April 2015.

Investors will be precluded from requesting a vote if they are precluded from voting under the constitution for MOF or under the Corporations Act.

What effect will the change in responsible entity have on MOF?

It is important to note that the change in responsible entity will not affect the nature of your legal rights as an Investor, nor the nature, purpose or practical operation of MOF. From a commercial perspective, the change should be seamless. The only change you may notice is that future correspondence in relation to the Merchant Opportunities Fund will come from CIP Licensing Limited.

Queries

If you have any queries about the proposed retirement of Capricorn Investment Partners Limited and the appointment of CIP Licensing Limited as responsible entity of MOF, or the vote request form, then please contact our Investor Services team on the details below.

Investor Services

Telephone: 1800 679 000

Email: enquiries@capinvest.com.au

Fax: (07) 4922 9069

You may also obtain information about the proposed timing of the retirement of CIPL and the manner in which that retirement will occur on our website at www.capinvest.com.au

Definitions

ASIC	Australian Securities and Investments Commission
Capricorn Investment Partners Limited, or CIPL	Capricorn Investment Partners Limited ACN 095 998 771, the current responsible entity for Capricorn Diversified Investment Fund
MOF	Merchant Opportunities Fund ARSN 111 456 387
CIPL (Holding)	CIPL (Holding) Limited ACN 603 442 959
CIP Licensing	CIP Licensing Limited ACN 306 558 658
Corporations Act	Corporations Act 2001 (Commonwealth)
ILH or ILH Group	ILH Group Limited ACN 120 394 194 A holder of an interest in Merchant Opportunities Fund
Notice	The notice accompanying this Explanatory Memorandum