

**Macquarie Investment Management Limited**

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AFS Licence No. 237492

RSE Licence No. L0001281

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3 August 2017



Dear Investor

**Tenth instalment of proceeds from termination - van Eyk Blueprint Balanced Fund ARSN 103 446 877 (Fund)**

We are writing to advise you of an additional distribution from the Fund to be paid to you by Macquarie Investment Management Limited (**MIML**) as the responsible entity of the Fund.

The tenth instalment of the termination proceeds of 10.55 cents per unit will be distributed to you on or around 3 August 2017. The payment will be made to your nominated bank account. Following this distribution, approximately 93% of the Fund's assets, as at the date of termination of the Fund, will have been realised.

**Update on the realisation of cash holdings in the Borg Fund**

As previously advised, in December 2014 we commenced legal proceedings in the Supreme Court of NSW in relation to the Bear Real Opportunities Fund (**Bear Fund**) and the Borg Fund (**Borg Fund**). We have also been actively working to have the cash held by the Borg Fund distributed to investors in the Borg Fund.

We have successfully resolved the Supreme Court proceedings on the basis that:

- the cash held by the Borg Fund be distributed to investors in the Borg Fund (being the Fund as well as the van Eyk Blueprint Capital Stable Fund and the van Eyk Blueprint High Growth Fund), and
- a further amount be paid to the Fund to settle those proceedings.

The full amount received as a result of the settlement has been distributed to investors in the Fund as part of the payment referred to above.

**Compensation regarding van Eyk Research Pty Limited (van Eyk)**

We have conducted further investigations into certain actions taken and recommendations made by van Eyk, the former investment manager of the Fund, in connection with investments made by the Bear and Borg Funds over their life. During the course of those investigations, we became aware of potential misconduct committed by van Eyk.

This potential misconduct was associated with two specific investments by the Fund - an investment into the Borg Fund in 2014 and a direct investment by the Fund in Australian Wealth Investments over 2013. We have reason to suspect that, unknown to us at the time, van Eyk may have been motivated by an improper purpose when it instructed the Fund to make these investments. Under the *Corporations Act*, MIML, as responsible entity of the Fund, is responsible to investors for any losses to the Fund resulting from van Eyk's misconduct as investment manager of the Fund.

Macquarie Investment Management Limited 'MIML' is not an authorised deposit-taking institution for the purposes of the Banking Act (Cth) 1959, and MIML's obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 or of any Macquarie Group entity. Neither Macquarie Bank Limited nor any member of the Macquarie Group guarantees or otherwise provides assurance in respect of the obligations of MIML.

Following consideration of these matters, we have decided that, rather than waiting for the outcome of any action relating to our investigations, we will compensate the Fund for losses associated with the investments above, including an additional amount of capital calculated with reference to interest. The total compensation is \$3.84 million, which makes up part of the instalment paid to investors in the Fund. This payment compensates the Fund for the losses it incurred as a result of these two investments.

### **Update on the Fund's investment in the Bear Fund**

The Fund's remaining investment is its holding in the Bear Fund, which holds interests in Torchlight Fund LP (**Torchlight**). In our last update in May 2017, we referred to the legal proceedings we are supporting in order to seek to have Torchlight wound up. The proceedings are ongoing. The trial has been partly heard and is expected to be completed over the course of 2017.

We are continuing to support the winding-up proceedings in the Cayman Islands. However, any recovery by the Bear Fund from Torchlight is expected to take a significant amount of time and the amount that will be recovered is unknown. Consequently, we have explored how we might be able to expedite a partial recovery from the Bear Fund for investors.

To achieve this, Macquarie has agreed to loan the Fund:

- an amount equal to approximately 53% of its original investments in the Bear Fund (or \$11.44 million of the total \$21.79 million of the Fund's cash that was invested by the Fund into the Bear Fund), and
- an additional amount of capital calculated with reference to interest.

The full amount of the Macquarie loan is being distributed to investors in the Fund as part of the payment referred to in this letter. The Macquarie loan is an advance ahead of any recoveries from the Bear Fund. The loan:

- prevents the Fund from incurring possible losses from its cash investment in the Bear Fund during 2012 and 2013; and
- ensures that the Fund receives a minimum amount in relation to its first investment in the Bear Fund in 2011.

The Fund only has an obligation to repay the loan from any proceeds that it receives from the Bear Fund – meaning that, if the proceeds received from the Bear Fund are not sufficient to repay the loan in full, then the Fund will not have to pay the shortfall. If the net proceeds that the Fund receives from the Bear Fund (following payment of Fund expenses) exceeds the amount of the loan, then any excess will be paid to investors.

This payment ensures that the Fund has received a minimum amount in relation to its investment in the Bear Fund, regardless of how much is ultimately realised from the Bear Fund.

Investors should be aware that we will need to retain cash from any future amounts recovered from the Bear Fund to fund the legal proceedings that the Fund is or has been involved in and pay other Fund expenses.

### **Valuation of the Fund**

The considerable uncertainty that exists regarding the value of the underlying assets of the Fund remains and we are still not able to resume providing an indicative unit price for the Fund. You should note that the last available indicative unit price for the Fund, from July 2015, may not provide an accurate indication of the current or future value of the Fund. Further, if and when pricing resumes, the indicative unit price for the Fund may fall. Please be assured that we continue to monitor the situation and will inform you if and when we are able to obtain sufficient information from the Fund's underlying investment to resume providing the indicative unit price for the Fund.

### **Further termination proceeds**

Investors should be aware that the total recovery may be less than the Fund's net asset value at the time it was terminated. We assure you that we are continuing to focus on efforts to recover the remaining assets of the Fund, being the holdings in the Bear Fund. This remains a high priority for us.

Macquarie Investment Management Limited

**Need more information**

For more information on how the termination affects your personal situation, we recommend that you speak to your financial adviser or accountant.

If you have any questions about the payment and/or the update, please contact Macquarie Investment Management Client Service on 1800 814 523, email [vaneykblueprint@macquarie.com](mailto:vaneykblueprint@macquarie.com) or visit [macquarie.com/vaneyk-updates](http://macquarie.com/vaneyk-updates).

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Cartwright', with a long, sweeping flourish extending to the right.

Roger Cartwright

**Macquarie Investment Management Limited as responsible entity of the van Eyk Blueprint  
Balanced Fund**