

# FUND UPDATE

## 601 Coronation Drive Fund

ARSN 610 941 654

Date: 26 September 2017

***The purpose of this Update is to update the PDS for the Fund dated 14 June 2017, with information which does not include any materially adverse information.***

One Managed Investment Funds Limited (OMIFL) is the responsible entity (Responsible Entity) for the 601 Coronation Drive Fund ARSN 610 941 654 (Fund).

### Fund Update

The Responsible Entity issued a product disclosure statement for the Fund dated 14 June 2017 (PDS).

The Responsible Entity has updated Section 7 (Fees and other costs) of the PDS for compliance with amendments to the Corporations Regulations made by ASIC Class Order [CO 14/1252] (as amended). ASIC expect these industry wide changes will provide more accurate and consistent disclosure to investors. ASIC expect fee and cost amounts disclosed across the industry will generally increase. The new Section 7 is set out in the attachment.

It is important to note that while changes have been made to the amount of the fees and costs disclosed in the PDS, no new fees or costs are payable by the Fund and investors will not pay more. The changes simply relate to how existing fees and costs are disclosed.

For investor's ease of reference the following sections of Section 7 have been updated:

- Introductory wording in Section 7.2.
- Footnote 7 to the table in Section 7.2.
- The example of annual fees and costs for the Fund in Section 7.3.
- Out of date information in Section 7.4(c).
- Transactional and operational costs information in Section 7.4(n).

**If there are any questions please do not hesitate to contact the OMIFL on 02 8277 0000.**

# SECTION 7 FEES AND OTHER COSTS

Government regulations require us to include the following standard consumer advisory warning. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and costs in relation to this Fund.

## 7.1 Consumer advisory warning

### DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your account 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 the fund 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.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

## 7.2 Fees and other costs

This section shows fees and other costs that you may be charged. These fees and costs are paid from the Fund assets. You should read all information about fees and costs as it is important to understand their impact on your investment. Information with respect to tax is set out in Section 9.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>ESTABLISHMENT FEE</b> The fee to open your investment.	Nil	Not applicable
<b>CONTRIBUTION FEE</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>WITHDRAWAL FEE</b> The fee on each amount you take out of your investment.	Nil	Not applicable
<b>EXIT FEE</b> The fee to close your investment	Nil	Not applicable

Type of fee or cost	Amount	How and when paid
<b>Management costs</b>		
The fees and costs for managing your investment	<b>OFFER COSTS</b> There are no costs and expenses payable by the Fund for this Offer. Costs and expenses including stamp duty associated with the initial offer under the first product disclosure statement for the Fund were \$3,599,511	The Fund Manager has agreed to pay all costs and expenses associated with this Offer including the cost of producing this PDS and any other costs associated with continuing to issue Units and redeem Underwriting Units. The initial offer costs were paid to various service providers and consultants on capitalisation of the Fund (e.g., solicitors, the valuer, and the tax adviser) out of the Fund's assets.
	<b>ACQUISITION FEE</b> 2% of the purchase price of the Property <sup>1</sup>	This was paid to the Fund Manager on completion of the acquisition of the Property out of the Fund's assets.
	<b>RESPONSIBLE ENTITY FEE</b> The greater of \$66,000 (with annual CPI increases) or 0.08% per annum of the Fund's gross asset value <sup>2</sup>	Payable to the Responsible Entity monthly in arrears out of the Fund's assets.
	<b>ONGOING MANAGEMENT FEE</b> Fee of 0.55% per annum of the gross value of the Property from time-to-time <sup>3</sup>	Payable to the Fund Manager monthly in arrears. The Responsible Entity pays the Fund Manager for the ongoing management of the Fund out of the Fund's assets.
	<b>DISPOSAL FEE</b> 1% of the gross sale price of the Property <sup>4</sup>	Payable to the Fund Manager on completion of the sale of the Property or winding up of the Fund out of the Fund's assets.
	<b>PERFORMANCE FEE</b> Up to 20% of the amount by which the IRR to Investors exceeds 10% per annum after the Property is sold or steps are taken to remove the Fund Manager <sup>5</sup>	Payable to the Fund Manager on completion of the sale of the Property or wind-up of the Fund out of the Fund's assets.
	<b>EXPENSES</b> Expected to be 0.19% and up to a maximum amount of 0.35% per annum of the gross value of the Fund assets <sup>6</sup>	Deducted from the income or assets of the Fund and are either paid when incurred to the relevant person, or reimbursed to the Responsible Entity or the Fund Manager.

### Service fees<sup>7</sup>

<b>SWITCHING FEE</b> The fee for changing investment options.	Nil	Not applicable
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### Notes:

1. See Acquisition fee under Section 7.4(a)
2. See Responsible Entity fee under Section 7.4(b)
3. See Ongoing management fee under Section 7.4(c)
4. See Disposal fee under Section 7.4(e)
5. See Performance fee under Section 7.4(f)
6. See Operating costs and expense recovery under Section 7.4(g).
7. Advice fees that are agreed between you and your financial advisor may apply to your investment in the Fund. Refer to the Section 7.4(l) for more detail.

### 7.3 Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for the Fund can affect your investment over a one year period.

You should use this table to compare this product with other managed investment products.

Example		Balance of \$50,000 with a contribution of \$5,000 during year
CONTRIBUTION FEES	Nil	For every additional \$5,000 you put in, you will be charged \$0
PLUS MANAGEMENT COSTS	1.0774% <sup>1</sup>	For every \$50,000 you have in the Fund, you will be charged \$538.71 each year <sup>2</sup>
EQUALS COST OF FUND – ONGOING		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of between \$538.71 and \$592.58 <sup>3</sup>
PLUS OFFER COSTS AND ACQUISITION FEE INCURRED IN THE FIRST YEAR OF THE FUND ONLY	6.5134% <sup>4</sup>	For every \$50,000 you had in the Fund, you would have been charged \$3,256.70 in the first year <sup>5</sup>
EQUALS COST OF FUND – FIRST YEAR ONLY		If you had an investment of \$50,000 at the beginning of the first year of the Fund and you put in an additional \$5,000 during that year, including the offer costs and acquisition fee, you would have been charged a total of between \$3,256.70 and \$3,582.37 <sup>3</sup>

#### Notes:

1. This is the indirect cost ratio (ICR) of the Fund. It is the annual management costs deducted from the Fund represented as a percentage of the average net assets of the Fund for the previous financial year (excluding one-off offer costs and acquisition fees). In any year, the ICR may change and may be higher if expenses increase or if removal, disposal or performance fees are paid. The PDS will be updated for any changes to the ICR and the update may be made by notice on the Responsible Entity's website.
2. This amount does not include offer costs, acquisition, removal, performance or sale fees. Please refer to the explanation of these fees in Section 7.4.
3. Provided your additional application of \$5,000 was accepted by the Responsible Entity and assuming the Fund was still accepting applications. The amount of this fee will depend upon the time during the year your additional application was made.
4. This is the ICR of the Fund for the previous financial year including one-off offer costs and acquisition fee. This amount does not include removal, performance or sale fees. Please refer to the explanation of these fees in Section 7.4.
5. Including the offer costs and acquisition fee, the total cost of the Fund in the first year was 7.5909% of the Fund's net assets. This amount reflects the total cost of the Fund in the first year only.

### 7.4 Additional explanation of fees and costs

#### (a) Acquisition fee

An acquisition fee was paid on completion of the acquisition of the Property, out of the Fund's assets. The fee was 2% of the purchase price of the Property (being \$45,200,000) and equated to \$904,000 and was paid in consideration for the work performed by the Fund Manager for creating the 601 Coronation Drive Fund.

#### (b) Responsible Entity fee

For acting as the responsible entity of the Fund, the Responsible Entity is entitled to a fee equal to the greater of –

- \$66,000 per annum with annual CPI increases, or
- 0.08% per annum of the gross value of the Fund's assets.

If the gross value of the Fund's assets is \$45,200,000, then the Responsible Entity is entitled to a Responsible Entity fee of \$5,500 per month (plus annual CPI increases).

### (c) Ongoing management fee

The Fund Manager is paid an ongoing management fee of 0.55% per annum of the gross value of the Property from time to time. If the gross value of the Property is \$45,200,000, then the Fund Manager is entitled to an ongoing management fee of \$20,716 per month.

### (d) Removal fee

The Responsible Entity will charge a removal fee if:

- it is removed as responsible entity of the Fund within 3 years after 6 April 2016, other than for gross negligence or for a breach of a fiduciary duty to Investors which causes them substantial loss, or
- it retires as responsible entity of the Fund within 3 years after 6 April 2016 at the request of the Fund Manager in accordance with the Investment Management Agreement.

The amount of the removal fee is the amount of the Responsible Entity fee that the Responsible Entity would have received if it had remained the responsible entity of the Fund for 3 years from 6 April 2016.

The amount of the Responsible Entity fee that the Responsible Entity is entitled to be paid is the greater of \$66,000 per annum (with annual CPI increases), or 0.08% per annum of the gross asset value of the Fund. The Responsible Entity's entitlement to this fee is set out in paragraph (b) above.

The amount of the removal fee is determined based on the gross value of the assets of the Fund at the time that the removal fee becomes payable.

An example of the removal fee is as follows.

In this example it is assumed that the removal fee becomes payable 18 months after 6 April 2016, the Responsible Entity fee has increased by 2.5% (being the CPI) and at that time the gross value of the assets of the Fund is \$45,200,000.

Here, the Responsible Entity would be entitled to a removal fee of \$101,475. The removal fee would be calculated as follows:  $(\$67,650)/12 \times 18 = \$101,475$ .

**The example above is provided for illustrative purposes only, and does not represent any actual or prospective removal fee amount. You should not rely on this example in determining whether to invest in the Fund.**

### (e) Disposal fee

This fee is payable to the Fund Manager on completion of the sale of the Property or on winding up of the Fund, out of the Fund's assets. The fee is 1% of the gross sale price of the Property, and is in consideration for the work performed by the Fund Manager in selling the Property.

If the Property is sold for \$45,200,000 then the Fund Manager will charge \$452,000 in respect of the disposal fee.

**This example is provided for information purposes only and should not be considered a forecast of the Fund's performance. You should not rely on this example in determining whether to invest in the Fund.**

### (f) Performance fee

The Fund Manager will be entitled to a performance fee on the sale of the Property for the purpose of winding up the Fund, provided the total IRR to be received by Investors on and from 4 August 2016 exceeds 10% per annum. The performance fee will also be payable if steps are taken to remove the Fund Manager. Actual and expected distributions from the net sale proceeds are included in the calculation.

The performance fee will be equal to 20% of the amount by which the IRR to Investors would exceed 10% per annum (after payment of fees).

As an example, if after selling the Property for the purpose of winding up the Fund, it is calculated that Investors would receive an IRR of 12% (after payment of fees) from their investment in the Fund since 4 August 2016, then the IRR will have exceeded the 10% (after payment of fees) benchmark by 2%. Therefore the Fund Manager's performance fee will equal 20% of that 2% excess. If the 2% excess equalled \$500,000 in dollar terms, then the performance fee payable to the Fund Manager would be \$100,000.

**This example is provided for information purposes only and should not be considered a forecast of the Fund's performance. You should not rely on this example in determining whether to invest in the Fund.**

The Fund Manager will also be entitled to the performance fee if steps are taken to remove it as the manager of the Fund, on an accrued basis.

That is, the Fund Manager would be entitled to a performance fee based on the value of the Fund's assets at the relevant time and using that value to work out what the IRR to Investors would be if the Fund's assets were sold for that value at that point in time. The value of the Fund's assets in these circumstances would be determined by a valuation undertaken by an independent suitably qualified valuer appointed by the Responsible Entity for that purpose.

**(g) Operating costs and expense recovery**

The Responsible Entity and the Fund Manager are entitled to be paid or reimbursed for expenses associated with the establishment and operation of the Fund, such as the costs associated with the administration or distribution of income, and other expenses properly incurred in connection with performing their duties and obligations in the day to day operation of the Fund, such as legal fees, audit and accounting fees and unit registry fees.

**(h) Goods and services tax**

Unless otherwise stated, all fees set out in this section are inclusive of the net effect of Goods and Services Tax (GST). This includes GST net of input tax credits or reduced input tax credits as applicable. The Fund may not be entitled to claim a full input tax credit in all instances. Further information on the tax implications associated with an investment in the Fund and GST can be found in Section 9 of this PDS.

**(i) Waiver or deferral of payment of fees and reimbursement for expenses**

The Responsible Entity and the Fund Manager may, at their discretion, accept payment of lower fees and less reimbursement of expenses than they are entitled to receive, or may defer payment of reimbursement of those fees or expenses for any time. If payment as reimbursement is deferred, then the fee as reimbursement will accrue until paid.

**(j) Changes to fees**

The Constitution allows the Responsible Entity to charge a maximum ongoing management fee of 5% per annum (plus GST) less input tax credits or reduced input tax credits as applicable) of the gross value of the Fund's assets. However, the Responsible Entity will not increase the ongoing management fees from the amount disclosed in this PDS without Investors first approving that increase by passing an Ordinary Resolution at an Investor meeting.

**(k) Wholesale investors**

The Fund Manager may negotiate with 'wholesale clients' (as defined in the Corporations Act), on an individual basis, in relation to rebates on our fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered, they will be paid by the Fund Manager and therefore will not affect the fees paid by, or any distributions to, other Investors.

**(l) Adviser remuneration**

The Responsible Entity does not pay any commission to financial advisers and other intermediaries. If Investors have arrangements with their financial advisers, they are able to direct the Responsible Entity to pay an amount on their behalf to their adviser. To do so, please contact either the Fund Manager or the Responsible Entity.

**(m) IDPS fees**

Indirect Investors should be aware that in addition to the fees and charges described above, they will also be liable to pay fees for those services as described in the offer document or guide for their IDPS.

**(n) Transactional and operational costs**

Transactional and operational costs are costs incurred by the Fund for dealing with, owning and maintaining the Fund's assets. These costs include stamp duty, legal and tax advice, property settlement costs, property management fees, rates, land tax, other statutory outgoings, maintenance expenses, other general outgoings and interest rate hedging costs. The total transactional and operational costs of the Fund are 23.7036% of the Fund's assets under management or \$11,852 for a \$50,000 investment in the Fund. Transactional and operational costs are disclosed based on amounts paid in the previous financial year and in any year will differ depending on the activity of the Fund.