

# FUND UPDATE

## DirectMoney Personal Loan Fund

(ARSN 602 325 628)

Date: 26 September 2017

***The purpose of this Update is to update the PDS for the Fund dated 28 April 2016, with information which does not include any materially adverse information***

One Managed Investment Funds Limited (OMIFL) is the responsible entity (Responsible Entity) for the DirectMoney Personal Loan Fund (ARSN 602 325 628) (Fund).

### FUND UPDATE

The Responsible Entity issued a product disclosure statement for the Fund dated 28 April 2016 (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). The new Section 7 is set out in the attachment.

The changes to section 7 are mainly to reflect the Fund has now been operational for a full financial year. No new fees or costs are payable by the Fund and no changes have been made to the amount of the fees and costs disclosed in the PDS. For investor's ease of reference the following sections of Section 7 have been updated:

- Website address in the consumer advisory warning section
- Footnote 1 to the table in Section 7.2
- the example of the removal fee describe in Section 7.3(4)
- the date in Section 7.3(7)

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

# SECTION 7 FEES AND OTHER COSTS

## 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.

## 7.1 FEES AND OTHER COSTS

This section shows fees and other costs that you may be charged, and are inclusive of the net effect of GST. These fees and costs are deducted from the assets of the Fund as a whole. Information with respect to taxes is set out in Section 8. You should read all information about fees and costs as it is important to understand their impact on your investment.

| Type of fee or cost  | Amount | How and when paid |
|--|--------|-------------------|
| <b>Fees when money moves in or out of the Fund</b>                                 |        |                   |
| <b>Establishment fee:</b><br>The fee to open your investment.                      | Nil    | Not applicable    |
| <b>Contribution fee:</b><br>The fee on each amount contributed to your investment. | Nil    | Not applicable    |
| <b>Withdrawal fee:</b><br>The fee on each amount you take out of your investment.  | Nil    | Not applicable    |
| <b>Exit fee:</b><br>The fee to close your investment                               | Nil    | Not applicable    |

# SECTION 7 FEES AND OTHER COSTS

| Type of fee or cost  | Amount  | How and when paid   |
|--|---|---|
| <b>Management costs</b>  |   |   |
| The fees and costs for managing your investment                              | <b>Investment management fee –</b><br>1.79375% per annum of the gross value of the assets of the Fund from time to time.  | This fee accrues daily and is payable to the Responsible Entity monthly in arrears out of the Fund's assets. It is accounted for in the price of Units and is not charged directly to Investors. The Responsible Entity pays this fee to the Investment Manager.  |
|  | <b>Fund administration fee –</b><br>1.045% per annum of the gross value of the assets of the Fund from time to time.  | This fee accrues daily and is payable to the Responsible Entity monthly in arrears out of the Fund's assets. It is accounted for in the price of Units and is not charged directly to Investors. The Responsible Entity pays itself, the Fund Administrator, the Fund's auditor, other service providers and the Fund's expenses (excluding Abnormal Expenses) out of this fee. Any balance remaining after the payment of these expenses will be paid to the Investment Manager. |
|  | <b>Termination fee –</b><br>The total amount of the investment management fees that the Investment Manager would have received had it been the investment manager of the Fund for a period of 5 years as from the date of termination.  | This is a contingent fee and may never be paid. However, if payable, this fee is payable to the Investment Manager out of the Fund's asset on the date of termination of the Investment Manager. Further information about the circumstances in which this fee will be payable are contained in Section 7.3(3) below.   |
|  | <b>Removal fee –</b><br>The amount of the removal fee is the amount of the fund administration fee that the Responsible Entity would have received if it had remained the responsible entity of the Fund for 3 years from 14 May 2015. 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. | This is a contingent fee and may never be paid. However, if payable, this fee is payable to the Responsible Entity out of the Fund's assets on the day immediately before the Responsible Entity is removed. Further information about the circumstances in which this fee will be payable are contained in Section 7.3(4) below.   |
|  | <b>Expenses –</b><br>The operating costs and expenses of the Fund are paid out of the fund administration fee other than Abnormal Expenses.   |   |
| <b>Service fees</b>  |   |   |
| <b>Investment switching fee:</b><br>The fee for changing investment options. | Nil   | Not applicable  |

# SECTION 7 FEES AND OTHER COSTS

## 7.2 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 1 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 the year  |
|------------------------------|-----------------------|---|
| Contribution fee             | Nil                   | For every additional \$5,000 you put in, you will be charged Nil.   |
| <b>PLUS</b> Management costs | 2.83875% <sup>1</sup> | <b>And</b> , for every \$50,000 you have in the Fund, you will be charged \$1,419.38 each year <sup>1</sup> .   |
| <b>Equals</b> Cost of Fund   |                       | 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:<br>\$1,419.38 to \$1,561.31 <sup>2</sup> |

Notes:

1. This is the indirect cost ratio 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 in the previous financial year (i.e., 1.79375 percent for the investment management fee plus 1.045 percent for the Fund administration fee). In any year, the indirect cost ratio may change and may be higher if the Investment Manager does not pay any Excess Expenses or if the Fund incurs Abnormal Expenses. The PDS will be updated for any changes to the indirect cost ratio and the update may be made by notice on the Responsible Entity's website.
2. Depending on the time during the year when you make the additional contribution.

## 7.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

### (1) Investment management fee

This is the fee for managing your investment and is paid to the Responsible Entity, who will then pay this fee to the Investment Manager. The investment management fee is 1.79375% per annum of the gross value of the assets of the Fund from time to time. This fee is accrued daily and is paid monthly in arrears from the Fund's assets.

### (2) Fund administration fee

This is the fee for fund administration services and is paid to the Responsible Entity. This fee is 1.045% per annum of the gross value of the assets of the Fund from time to time.

This fee is accrued daily and is paid monthly in arrears from the Fund's assets.

The Responsible Entity pays itself, the Fund Administrator, the Fund's auditor, other service providers and the expenses of the Fund (excluding Abnormal Expenses) out of this fee. Any balance remaining after the payment of these parties and expenses will be paid to the Investment Manager.

### (3) Termination fee

Under the Investment Management Agreement, the Investment Manager is entitled to be paid a termination fee if the Investment Manager's appointment is terminated by the Responsible Entity in either of these circumstances –

- where the Responsible Entity decides to terminate the Investment Manager's appointment in circumstances where it ceases to be the responsible entity of the Fund, or

## SECTION 7 FEES AND OTHER COSTS

- a Special Resolution is passed by Investors at a properly convened Investors' meeting directing the Responsible Entity to terminate the Investment Manager's appointment.

If this termination fee becomes payable, then the amount of this fee will be the total amount of the investment management fees that the Investment Manager would have received had it been the investment manager of the Fund for a period of 5 years as from the date of termination. The future investment management fees payable to the Investment Manager at the time of calculation of the termination fee are determined on the basis of the gross value of the assets of the Fund as at the date of the Investment Manager's termination.

If the termination fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.

The termination of the Investment Manager and the appointment of a new investment manager (if any) will not be effective until the termination fee has been paid.

An example of the termination fee is as follows.

In this example it is assumed that the gross value of the assets of the Fund is \$50,000,000 at the time the Investment Manager's appointment is terminated.

The termination fee would be calculated as follows:  $\$50,000,000 \times 1.79375\% \times 5 = \$4,484,375$ .

Therefore, here the Investment Manager would be entitled to a termination fee of \$4,484,375.

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

### (4) Removal fee

The Responsible Entity will charge a removal fee if –

- it is removed as responsible entity of the Fund within 3 years of 14 May 2015, 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 of 14 May 2015 at the request of the Investment Manager in accordance with the Investment Management Agreement.

This fee will represent the amount of the fund administration fee that the Responsible Entity would have received if it had remained the responsible entity of the Fund for 3 years from 14 May 2015. The amount of the fund administration fee the Responsible Entity is entitled to be paid is the greater of 0.13585% per annum of the gross value of the Fund's assets and \$89,661 per annum in the Fund's first year with annual CPI increases. 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 30 months after 14 May 2015 and that at that time the gross value of the assets of the Fund is \$5,000,000.

Here the Responsible Entity would be entitled to a removal fee of \$46,139.11. The removal fee would be calculated as follows  $\$89,661$  increased by CPI is  $\$92,278.22$  and the removal fee is calculated as,  $\$92,278.22/12 \times 6 = \$46,139.11$ .

**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.**

# SECTION 7

## FEES AND OTHER COSTS

### (5) Operating costs and expenses

The operating costs and expenses (excluding Abnormal Expenses) are included in the fund administration fee of 1.045% per annum of the gross value of the assets of the Fund from time to time.

The Investment Manager estimates that, until such time as the Fund reaches a substantial size, the Fund's operating costs and expenses (excluding Abnormal Expenses) will exceed the fund administration fee. Operating costs and expenses of the Fund in excess of the fund administration fee (excluding Abnormal Expenses) are referred to as **Excess Expenses**.

The Investment Manager has agreed to pay any Excess Expenses from its own resources. Therefore to the extent necessary the Investment Manager has agreed to use or waive any fee due to it, or pay additional amounts to the Responsible Entity, to ensure that any Excess Expenses are met. This obligation is contained in the Investment Management Agreement, and the DirectMoney Parent has guaranteed it.

However, should the Investment Manager fail to meet any Excess Expenses, or the DirectMoney Parent fail to honour its guarantee of the Investment Manager's obligation to do so, then any Excess Expenses will be charged to the Fund itself. Investors should be aware that in such circumstances the management costs charged to the Fund will be higher than those disclosed in the example at Section 7.2 of this PDS.

Investors should note that if the Investment Manager does not bear the Excess Expenses, or if the DirectMoney Parent fails to honour its guarantee of the Investment Manager's obligation to do so, then in accordance with its duty to Investors the Responsible Entity will assess the ongoing viability of the Fund, which could result in the Fund being wound up.

### (6) Abnormal Expenses

The fund administration fee will not be used to pay Abnormal Expenses, nor will they be paid by the Investment Manager. Abnormal Expenses are costs and expenses not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. Abnormal Expenses are due to abnormal events and may include (but are not limited to) the cost of convening and hosting a meeting of Investors, preparing a new offer document for the Fund, legal costs incurred by changes to the Constitution or commencing or defending legal proceedings. These costs and expenses will be paid from the assets of the Fund as and when they are incurred.

### (7) Stamp duty on Loan Investments

Stamp duty will not apply to the acquisition of Loan Investments by the Fund in New South Wales, Victoria, Tasmania, the Australian Capital Territory, Northern Territory, Western Australia or South Australia. There is a possibility duty may apply in Queensland. If duty is payable in Queensland then this will be an expense of the Fund.

If payable, stamp duty on Loan Investments acquired by the Fund in Queensland would be calculated based on the tiered rate of duty payable in Queensland, the amount of which is dependent on the value of the transaction.

By way of example in Queensland, on the assumption that stamp duty is payable and that all Loan Investment transactions made over a period (say, 12 months) were aggregated, if the Fund acquired Loan Investments sourced from Queensland with a total purchase price of \$1,000,000 attributable to Queensland sourced Loan Investments acquired during that period, then based on the rates of duty as at 26 September 2017, the amount of stamp duty payable would be \$38,025.

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

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## FEES AND OTHER COSTS

### **(8) Goods and services tax (GST)**

Unless otherwise stated, all fees set out in this Section 8 are inclusive of GST and less applicable reduced input tax credits.

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 can be found in Section 8 of this PDS.

### **(9) Waiver or deferral of fees**

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

### **(10) No fees payable to the Seller, Servicer, DirectMoney Parent, or Credit Manager**

There are no fees payable to the Seller, Servicer, DirectMoney Parent, or Credit Manager by the Fund.

### **(11) Changes to fees**

The Constitution allows the Responsible Entity to charge a maximum investment management fee of 2.5% per annum (plus the net effect of GST) of the gross value of the Fund's assets. However, the Responsible Entity will not increase the investment management fees from the amount disclosed in this PDS without Investors first approving that increase by passing an Ordinary Resolution at an Investor meeting.

### **(12) Wholesale Investors**

The Responsible Entity 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 us and therefore will not affect the fees paid by, or any distributions to, other Investors.

### **(13) Advice fees**

Your financial adviser may charge you fees and costs in addition to those described above for providing you with initial and ongoing advice. These fees and costs are payable separately by the Investor and are not paid out of the Fund. Advice fees apply on an individually negotiated basis, so you should speak to your financial adviser about any advice fee that applies. Details of the fees and costs charged by your financial adviser, as well as the manner in which an advice fee will be paid by you, will be in the financial services guide and statement of advice which your financial adviser will give you. Always discuss fees with your financial adviser.

### **(14) 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 the IDPS.