

LAKEHOUSE SMALL COMPANIES FUND
ARSN 615 265 864
28 May 2020

IMPORTANT NOTICE REGARDING PERFORMANCE FEES

One Managed Investment Funds Limited (ACN 117 400 987) (**Responsible Entity** or **we**), in its capacity as the responsible entity of the Lakehouse Small Companies Fund (ARSN 615 265 864) (**Fund**), provides the following update in relation to the Fund's performance fees.

Change to Performance Fee Calculation

The Responsible Entity provides 30 days' notice that, effective on 1 July 2020, it will change the calculation of the performance fee payable to the investment manager of the Fund, Lakehouse Capital Pty Limited (**Lakehouse**). We are making these changes as we believe they further align performance fee qualification and payment with the interests of investors and the Fund's long time horizon.

Current Calculation Methodology

Currently, Lakehouse is entitled to receive a performance fee which is calculated as 15% (including GST and less RITC) of the lower of:

- a. the amount by which the percentage change in the net asset value per Unit in the Fund (including any distributions paid) (**net return**) over the performance period exceeds the percentage change in the benchmark over the performance period multiplied by the net asset value per unit, and
- b. the amount by which the net asset value per Unit (including any distributions paid during the performance period) as at the last valuation time of the relevant performance period exceeds the high watermark,

multiplied by the number of units on issue as at the last valuation time of the relevant performance period. The benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

Lakehouse can only earn a performance fee if:

- movements in the net return during the performance period exceed the benchmark; and
- the ending net asset value per unit exceeds the high watermark.

Further Lakehouse is entitled to be paid a performance fee when a member redeems units from the Fund as if the redemption day was before the end of a performance period, so crystallising the performance fee which is accrued in the unit price of the redeemed unit.



New Calculation Methodology

The new performance fee calculation extends the potential length of the performance period

- from: currently one year (ending each 30 June),
- to: potentially more than one year (ending on 30 June).

The change means the Fund's cumulative performance during a performance period must exceed both: i) the benchmark, and ii) the high watermark, before a performance fee is payable.

Put another way, underperformance relative to the benchmark during a financial year will be carried forward indefinitely and must be earned back before a performance fee can be drawn. Outperformance relative to the benchmark will be carried across financial years but only until a new high watermark is set.

The formula is also being amended so that if Lakehouse earns a performance fee which is to be calculated by reference to the outperformance in net returns over the benchmark, the value will be multiplied by the net asset value per unit on the last day of the latest period that Lakehouse earned a performance fee rather than the last day of the performance period.

Finally, Lakehouse will not be entitled to potentially be paid a performance fee when a member redeems a unit from the Fund. The benefit of any fee that could have crystallised in relation to a member's unit will be credited back into the Fund. The Responsible Entity notes that since the Fund's inception, Lakehouse has waived its entitlement to earn a performance fee when a member redeems a unit in the Fund.

There are other administrative changes which will be made to the Fund with effect from 1 July 2020, including a change to the distribution frequency.

The Responsible Entity will release a further update on these additional changes in June 2020, to coincide with the issue of an updated PDS.

Questions

If you have any queries in relation to this notice, please contact Lakehouse Capital on (02) 8294 9800 or email investorsupport@lakehousecapital.com.au.

The purpose of this notice is to provide updated information pursuant to ASIC Corporations (Updated Product Disclosure Statements) Instrument 2016/1055 which is not materially adverse to Investors. While this clarification is not considered to be materially adverse to Investors, it should be taken into account when making a decision to invest under the PDS. This notice is issued by One Managed Investment Funds Limited (ACN 117 400 987, AFSL No 297042) as the responsible entity of the Fund.