

Macquarie Investment Management Australia Limited

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AFS Licence Number 238321

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Dear Sir/Madam

Change in management costs - Macquarie Australian Small Companies Fund

Following a comprehensive review, a change to the management costs of the Macquarie Australian Small Companies Fund ARSN 119 853 566 (**Fund**) will be implemented on and from 8 August 2016.

Currently, the Fund's management costs consist of a management fee of 0.923% pa (inclusive of GST and net of Reduced Input Tax Credits) of the net asset value of the Fund.¹ On and from 8 August 2016, the management costs will consist of a management fee and a performance fee.¹ The following changes will apply:

- **Management fee**
The management fee will be reduced to 0.80% pa (inclusive of GST and net of Reduced Input Tax Credits) of net asset value of the Fund. The management fee accrues daily and is reflected in the Fund's unit price.
- **Performance fee**
We will charge a performance fee of 15% based on the Fund's cumulative outperformance (after management fee and expenses) above the return of the S&P/ASX Small Ordinaries Accumulation Index, subject to a high watermark.

If you make an additional investment between 7 July 2016 and 8 August 2016, to the extent that the Fund outperforms or underperforms the Index during this period, such performance will not be taken into account in the calculation of the performance fee.

A 'high watermark' will be set at the Fund's net asset value as at 5 August 2016 to create a base for the performance fee moving forward.

¹ Abnormal expenses may also be payable by the Fund. Where the Fund invests into an underlying fund, the Fund will also bear administrative expenses, if any, for the underlying fund.

Rationale for the change in management costs

- **A reduction in available capacity for the Fund**
We recognise that capacity is a key determinant of the ability to meet the Fund's investment objectives. We have reduced the capacity of the Fund to better allow for the sustainable generation of performance through time.
- **Alignment between the investor and the investment team**
We believe reducing the Fund's capacity and management fee and introducing a performance fee improves the alignment between the Investment Manager of the Fund and investors by increasing the investment team's ability and incentive to generate performance over the long term.

The reduction in the management fee is designed to offset a portion of the overall costs associated with the introduction of the performance fee for the Fund. We are confident that the Fund's management costs will continue to remain competitive compared to our peers post the change.

Need more information

A copy of the Product Disclosure Statement and Information Booklet reflecting the change in management costs is available at [macquarie.com.au/pds](https://www.macquarie.com.au/pds) or by contacting us.

If you have any questions about the Fund or would like further information regarding the change, please contact Macquarie Investment Management Client Service on 1800 814 523 or email mim.clientservice@macquarie.com.

Yours sincerely



Graham Maiden
Head of Client Service
Macquarie Investment Management