



## Amendment to performance fee arrangement to benefit WMK shareholders

May 19, 2015

WMK's Board has sought and received agreement from the Investment Manager, to revise the Company's current performance fee arrangement. The change will introduce a 'perpetual high water mark', which will ensure that Watermark Funds Management Pty Limited (**Manager**) will not be entitled to receive a performance fee until such time as losses accrued during any prior financial year have been recouped.

The Board considers that the current performance fee structure is not consistent with best practice, in that the Board's intention is to incentivise the Manager to deliver portfolio returns in excess of its stated goals, while ensuring that the Manager is not unfairly remunerated after periods of weaker performance. Upon considering a wide array of comparable funds, the Board identified the absence of a 'high water mark' as one aspect of the Company's fee arrangement that did not align with its peer group.

A 'high water mark' is a standard component of many performance fee arrangements which ensures that any previous portfolio losses are recovered before an investment manager is entitled to accrue a performance fee. The Board feels this change will strike a better balance in respect of the payment of performance fees going forward. Importantly, due to the consistently strong performance of the Company's investment portfolio in the 12 months after listing, there would have been no difference to the fees paid to the Manager had this arrangement been effective from the date of listing.

Yours sincerely,

Matthew Kidman  
Chairman