

# Unit Pricing and Valuation Policy

**Issued by:**

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# Contents

## Overview

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Introduction  
Policy scope  
Outsourcing arrangements

## Unit pricing – registered managed investment schemes

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How do we calculate our unit prices?  
What type of discretions do we exercise?  
Are our discretions reasonable?  
What records will we keep?  
What if discretion is not in the policy?  
Our discretions – the policy

## Unit pricing – additional discretions for listed or quoted registered managed investment schemes

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What type of additional discretions can apply to listed or quoted registered managed investment schemes?

## Policy Updates

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Will the policy be regularly updated?

# Overview

## Introduction

Perpetual Trust Services Limited and The Trust Company (RE Services) Limited (together Perpetual) are the Responsible Entity of various registered managed investment schemes (Scheme). This document provides guidance on how Perpetual will exercise the discretions permitted under the Constitution of each Scheme to determine the issue, application price and withdrawal price (the policy) for a unit in a Scheme.

## Policy scope

For registered managed investment schemes this Policy is designed to meet the requirements of:

- ASIC Class Order CO 05/26 'Constitutional provisions about the consideration to acquire interests' as amended for a scheme that became a registered scheme before 1 October 2013;
- ASIC Class Order CO 13/656 'Equality of treatment impacting on the acquisition of interests';
- ASIC Class Order CO 13/657 'Discretions affecting the amount of consideration to acquire interests and withdrawal amounts' for a scheme that became a registered scheme after 30 September 2013; and
- ASIC Class Order CO 13/655 'Provisions about the amount of consideration to acquire interests and withdrawal amounts not covered by [CO 05/26] for a scheme that became registered after 30 September 2013 (collectively the Class Orders).

The Class Orders allow Perpetual to set the consideration to be paid for interests and determine a matter that affects the method or formula used to calculate the unit price of Perpetual's schemes -the discretion- where the conditions under the Class Orders are met. This includes the documentation of Perpetual's policy on the discretions permitted under the Constitution of each Scheme.

This Policy sets out the circumstances in which the Responsible Entity's discretion is exercised and aims to ensure that:

- Issue prices and unit prices are calculated fairly and equitably;
- The process of calculating unit prices is transparent and consistently applied; and
- The methodologies adopted are reviewed at appropriate intervals and revised as necessary to meet commercial and regulatory requirements.

The exercise of any discretion is subject to the general duties of a Responsible Entity under Section 601FC of the Corporations Act, to act in the best interests of unitholders and to exercise a degree of care and diligence that a reasonable person would exercise in that position.

## Outsourcing arrangements

The discretions permitted under the Constitution of each Scheme are exercised by Perpetual. Although the functional elements of the unit pricing process are generally carried out by a third party, Perpetual is not able to outsource its responsibility to Scheme members regarding the

calculation of unit prices. The ultimate responsibility for ensuring that unit prices are determined appropriately lies with Perpetual.

## Unit pricing – registered managed investment schemes

### How do we calculate our unit prices?

#### *Issue Price, Application Price and Withdrawal Price*

The formulas to be used for calculating issue price are set out in the Scheme's Constitution. Generally, for an issue price this is a fixed dollar amount.

#### *Open ended unlisted or quoted registered managed investment schemes*

The application or withdrawal price will be determined by a formula. Generally, this is the net asset value divided by the number of units on issue taking into account any transaction costs which may be permitted by the Scheme Constitution and PDS (Product Disclosure Statement) or Information Memorandum.

If the Constitution permits classes or series of units then a formula will also be stated in the Constitution outlining how the application or withdrawal price of each class or series is calculated. Generally, this is the net asset value referable to that class or series divided by the number of units in that class or series taking into account any transaction costs which may be permitted by the scheme Constitution and PDS or Information Memorandum.

#### *Closed ended listed registered managed investment schemes*

Following the primary issue of units in the scheme, a closed ended listed scheme will not undertake unit pricing for those units and provide application or withdrawal prices with the exception of instances where a capital raising has occurred. All transactions in those units occur in the secondary market.

### What type of discretions do we exercise when determining application and withdrawal prices or net asset values?

In accordance with the above, Perpetual has identified the following discretions that it is likely to exercise for each scheme:

- determining the value of assets and liabilities of a Scheme;
- estimating an allowance for transaction costs and/or modifying the disclosed transaction cost amount;
- determining entry, exit or switching fees;
- allocating assets and liabilities between classes;
- rounding unit prices and units;
- determining a time at which assets and liabilities are valued; and

- determining a time at which unit prices are determined.

### **Are our discretions reasonable?**

This Policy has been developed in accordance with commercial practice and industry standards, some of which are outlined in relevant guidance issued by the Financial Services Council, the Australian Securities and Investments Commission and the Australian Prudential Regulatory Authority. Therefore, Perpetual considers that it is reasonable to exercise the discretions in accordance with this Policy. Further details as to how we may apply our discretions are set out below.

### **What records will we keep?**

In accordance with the Class Orders, Perpetual will retain the policy for seven years after the Policy ceases to be current. Perpetual will also retain documentation of circumstances where the exercise of discretions are not covered by the Policy or involves a departure from the Policy.

### **What if a discretion is not in the policy?**

If Perpetual exercises a discretion for which there is no documented policy current at the time or in a way that involves a departure from this Policy, Perpetual will prepare a document that sets out the following:

- the date on which the discretion was exercised;
- if the discretion was exercised by a nominee, the identity of the nominee;
- how the discretion was exercised;
- an explanation as to why it was reasonable to exercise the discretion the way it was exercised; and
- if the discretion was exercised in a way that was not consistent with the scheme property being valued in accordance with ordinary commercial practice, an explanation as to why it was impracticable to do so.

### **Our discretions**

This section outlines the discretions Perpetual will generally exercise in calculating the application price and withdrawal price and a net asset value for an registered managed investment scheme.

#### *Determining the value of assets and liabilities for a Scheme*

Perpetual has the discretion to determine how the assets and liabilities are valued including the valuation methodology and the timing of the valuation. The value of the assets and liabilities determine the net asset value for the Scheme.

The assets of the Scheme include all investment assets, capital, income property and rights of the Scheme, but generally exclude application monies which have not yet been unitised. Liabilities generally include both management and performance fees and other expenses such as audit costs, postage and the preparation of tax returns.

**For quoted** units of the on ASX or Cboe trading platform which are an Exchange Traded Managed Fund (ETMF), an indicative net asset value (“iNAV”) is also prepared. This represents an indicative value for Scheme assets and may be updated for price movements of the Scheme underlying investment through live market prices or proxy instruments where possible.

For closed ended listed registered managed investment schemes which are investment entities a net asset value or net tangible asset is published on the ASX.

The outsourced provider has in place policies governing the valuation methods and sources to be used for the valuation of assets and liabilities of the Scheme. This is agreed with the responsible entity at the set-up of the Scheme.

On occasions a departure from the outsourced provider’s valuation policies may be required. This may occur in a number of circumstances including, but not limited to:

- When there has been market event or disruption which means that the last price or valuation obtained may not reflect the fair value;
- Where there is a corporate action event that impacts the market price in a way that it does not represent a fair value of the asset; or
- The last price is stale or infrequently traded and there is information in the market regarding the asset, which may mean that the stale price may not reflect the fair value.

Any departure from the outsourced providers policies governing valuations agreed with the Responsible Entity at set up must be treated as a departure from this Policy and documented accordingly.

### *Transaction Costs*

Transaction costs are generally those costs associated with acquiring and selling assets. Transaction costs associated with the acquisition and selling of assets due to receipt of application and redemptions are charged to unitholders through a buy/sell spread. The bid and offer prices for quoted units on the ASX or Cboe trading platform incorporate the transaction costs and include the buy/sell spread and the market makers’ fee (separate fee payable to the market maker).

The transaction cost (buy/sell spread) is not paid to the Responsible Entity as a fee but is added to an application unit price or deducted from a withdrawal unit price so that the amount remains in the Scheme for the benefit of the existing/remaining unit holders. If a transaction cost is charged, the amount will be detailed in the PDS or Information Memorandum.

The Responsible Entity can exercise its discretion by reducing or waiving the transaction cost detailed in the PDS or Information Memorandum. In circumstances where no transaction costs are incurred because there is no trading of underlying assets (for example where an application or withdrawal request is funded by an in-specie transfer of assets or the application relates to a distribution reinvestment) Perpetual may waive or reduce the buy/sell spread. Decisions to waive the buy/sell spread will be treated as a departure from this policy and documented accordingly.

### *Determining entry, exit or switching fees*

Investors may be charged entry, exit or switching fees. These fees may be deducted from the application monies or withdrawal amount to reasonably reimburse the Responsible Entity for the cost of administering entry and exit from the Scheme. These fees are generally allowed for in the Constitution of each Scheme as a specified percentage, although the Responsible Entity may accept lower fees or not charge these fees.

You can find out what the entry, exit and switching fees are by referring to the relevant Scheme's PDS or Information Memorandum. Any changes to these fees will be communicated to investors in accordance with the regulatory requirements.

Perpetual may use its discretion to reduce or waive the fee stated in each Scheme's PDS or Information Memorandum. It is not possible to describe a precise methodology on how the entry, exit and switching fees are determined, however, the amount of entry, exit or switching fees charged depends on market practice and competition. Decisions to reduce or waive the fee will be treated as a departure from this Policy and documented accordingly.

#### *Allocating assets and liabilities between classes and series*

Some Schemes have a provision under their Constitution to allow for the issue of different classes and series of units. This will require assets and liabilities to be allocated between the different classes and series of units in order to ensure that the net asset value of each class or series of units is accurately determined, so that the application price and withdrawal price of each class or series of units can be calculated.

Perpetual will allocate assets and liabilities of a scheme between unit classes and series where there is more than one unit class or series in issue. The allocation will be done so as to ensure all assets and liabilities are allocated fairly in accordance with the Scheme's Constitution and PDS or Information Memorandum.

#### *Rounding unit prices and units*

Perpetual has discretion to round units, unit prices and bid and offer prices for quoted units on the ASX/Cboe trading platform. These will be rounded up or down to the number of decimal places specified in that Scheme Constitution or as determined by Perpetual in accordance with market practice.

Where rounding has resulted in fractions of units that are not allocated to members, any excess will remain in the relevant Scheme at all times.

Perpetual considers that this Policy as it relates to the rounding of prices and units in a Scheme is reasonable on the basis that:

- it is consistently applied for when determining the prices of units and number of units in a Scheme; and
- the methodology is consistent with market practices.

#### *Determining a time at which unit prices are calculated*

Perpetual has discretion under each Scheme's Constitution to determine when unit prices are calculated.

For units quoted on the on ASX or Cboe, units can be purchased/sold when the market is open in accordance with the relevant exchange rules.

For open ended unlisted schemes Perpetual has exercised its discretion to determine that the unit price of each scheme will generally be calculated daily, weekly or monthly as stated in the scheme's PDS or Information Memorandum. Where the valuation and pricing frequency is other than daily for a open ended unlisted scheme i.e. the valuation and pricing frequency is weekly or monthly, the Perpetual entity may exercise its discretion to allow an additional valuation point. Any departure from a scheme's specified valuation time in the PDS or Information Memorandum will be treated as a departure from this Policy and must be documented accordingly.

Unit pricing can be carried out using forward pricing or historical pricing:

- Forward pricing is when applications to buy and sell units are processed using a price based on asset data effective after the applications have been received.
- Historical pricing is when applications to buy and sell units are processed using a price calculated prior to the receipt of applications.

For units quoted on the ASX/Cboe trading platform, bids and offers placed on market by Perpetual's appointed market maker on its behalf will be subject to the ASX/Cboe Rules.

For open ended unlisted schemes, unless otherwise stated in the scheme's PDS or Information Memorandum, Perpetual calculates unit prices by using forward pricing.

When using a forward pricing methodology for open ended unlisted schemes, a cut-off time must be applied to determine which transactions will receive a particular unit price. Cut-off times are set out in each scheme's PDS or Information Memorandum. Cut-off times are applied to the time when the transaction is received and accepted by the Perpetual entities.

Applications or withdrawal requests received before the cut off time on a pricing day will receive the relevant price for that day. Transaction requests received after the pricing cut-off time are processed using the unit price calculated on the next pricing day following the receipt of the transaction request.

There may be circumstances, where Perpetual determines that the value of a scheme's assets or liabilities cannot reliably be calculated and to process transactions would give rise to inequities between transacting and non-transacting members. In such circumstances Perpetual may determine that it is in the interest of members to suspend the calculation of unit prices. Decisions to suspend unit prices will be treated as a departure from this policy and documented accordingly.

Transactions received during the period of suspension will be processed using the unit price applicable on the first pricing day after lifting the suspension.

#### *Determining a time at which assets and liabilities are valued*

Perpetual has discretion under each scheme's Constitution to determine when the scheme's assets and liabilities are valued. The frequency with which assets and liabilities are valued

depends on the nature of the assets of the scheme but for open ended unlisted schemes it will generally be at a time following the cut off time for the receipt of applications and withdrawals.

Where units are quoted on the ASX or Cboe during each ASX trading day the iNAV will be published at regular intervals, to take into account any movement of the prices of securities that comprise the Scheme 's investments.

Perpetual may exercise its discretion to calculate the value of the assets and liabilities of a scheme:

- more frequently (but no more than once a day) or less frequently, if there is a significant market movement or another event which leads Perpetual to believe that the value of the assets or liabilities (as the case may be) is not appropriately reflected in the most recent valuation of the assets and liabilities or if required by the scheme administrator;
- more frequently than once a day, if there is a substantial change in the character of the scheme or if required by the relevant service provider; and
- at a different time, if required by scheme administrator or if there is a change in the nature of the assets of the scheme which necessitates such a change.

Perpetual considers that this Policy, as it relates to the time at which the value of assets and liabilities of a scheme is determined, is reasonable on the basis that:

- it ensures scheme assets is valued at regular intervals appropriate to the nature of the asset; and
- it is consistent with current market practices relating to the valuation of assets and liabilities.

## Unit pricing –additional discretions for listed or quoted registered managed investment schemes

### **What type of additional discretions do we exercise for listed or quoted registered managed investment schemes?**

The issue of further interests in listed schemes or schemes quoted on the ASX or Cboe platform must be completed in accordance with the scheme's Constitution, the Corporations Act and ASX or Cboe Listing Rules. In addition the relevant Class Order provides further discretion to Perpetual when determining issue prices for certain transactions which may involve the issue of further interests. The Class Orders may be only applied where there is a provision in the scheme's Constitution enabling the Perpetual to set the consideration to be paid to acquire interests.

The circumstances may include:

- Placements
- Rights Issues
- Share purchase plans
- Forfeited interests
- Issues prices for stapled securities
- Buy-back
- Other

Where discretion is to be exercised under a Class Order, Perpetual's policy is to check that the discretion is permitted under the scheme Constitution and that the ASIC Class Order relief conditions are met. Any such discretion must be documented.

## Policy updates

### Will the policy be regularly updated?

This Policy may be updated from time to time. The policy is generally reviewed on an annual basis to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes, to the extent that they are applicable. You may request a copy of the most current version of the policy at no charge by contacting us on 02 9229 9000.

*Disclaimer:*

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