

# Unit Pricing Policy

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# Unit Pricing Policy

## 1 Purpose of Policy

This document details the considerations and calculations used by APN Funds Management Limited (**APN FM**), as the Responsible Entity (**RE**), in determining unit prices for our unlisted registered managed investment schemes. It also sets out the principles that APN FM adheres to in exercising judgement on certain aspects of the unit pricing calculations.

Our Policy may change from time to time and we will ensure that the latest Policy is available upon request to any investor of the relevant scheme.

## 2 Overview

It is important that our investors have access to and understand how the unit prices for their investments are determined. This is outlined in each of the schemes' Constitutions and described in their respective product disclosure statements (**PDS**).

This Policy also ensures that we comply with the regulatory requirements set out by the Australian Securities and Investments Commission (**ASIC**). ASIC requires that the determination of the issue and redemption price under the terms of the Constitution of a Corporations Act registered managed investment scheme be independently verifiable.

ASIC recognises that Responsible Entities commonly exercise discretions in calculating unit prices and has therefore provided conditional relief from the Corporations Act within ASIC Class Orders 05/26 and 13/655 (**the Class Orders**) and are as follows:

For managed investment schemes that became a registered scheme:

- (i) before 1 October 2013, ASIC Class Order 05/26 allows the Responsible Entity to exercise discretion to decide a matter that affects the value of a factor included in the formula for determining issue and redemption prices under the Constitution of the relevant scheme; and
- (ii) after 30 September 2013, ASIC Class Order 13/655 allows the Responsible Entity to provide a formula or method that is to be used to determine the issue and redemption prices under the Constitution of the relevant scheme, provided that the Responsible Entity meets certain requirements.

This Policy sets out how we fulfil these requirements and also outlines the circumstances in which the RE's discretion is exercised and aims to ensure that:

- 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 RE 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.

## 3 Applicable Schemes

This Policy applies to all our unlisted registered managed investment schemes. However not all of the discretions outlined below apply to all of our schemes and so we have classified our schemes into the following categories:

- Continuous issuer schemes – “**Open Securities Funds**”
- Non-continuous issuer open-ended schemes – “**Closed Direct Property Funds**”

- Terminated schemes currently in wind-up – “**Terminated Funds**”

Please refer to Appendix 1 for a detailed product listing for each of the above categories. These categories will be referred to where appropriate throughout this Policy.

## 4 Unit Price – Current Unit Value

Generally, the formula or method for the calculation of issue and redemption prices contained in each fund’s Constitution is based on the value of the fund’s property less any liabilities divided by the number of units on issue. Allowances may be made for expenses that are associated with acquiring and disposing of fund property.

$$\text{Current Unit Value} = \frac{\text{Net asset value}}{\text{Number of units on issue}}$$

### **Net Asset value**

The net asset value (**NAV**) is defined as the gross asset value (**GAV**) of the fund less its liabilities, including the liability for any distribution declared, but not yet paid, to investors on the day on which NAV is determined.

Determining NAV can involve an exercise of discretion by APN FM in order to determine the value of the fund’s assets and where applicable, to assign a value to those liabilities which have not been quantified at the time of calculation.

Generally, APN FM will use Australian International Financial Reporting Standards (**AIFRS**) to determine the value of assets and liabilities and the value assigned to accruals and provisions for expenses. However, other methods and discretions may be exercised as set out below under “Valuation methods”.

### **Gross Asset Value**

A fund’s GAV is the sum of the value of all its assets plus any amounts which, in the opinion of APN FM, should be included as an asset for the purpose of making a fair and reasonable determination of the value of the fund having regard to AIFRS ordinary accounting principles.

### **Liabilities**

Generally, APN FM will use AIFRS ordinary accounting principles to determine liabilities. However, as stated in the ASIC & APRA Good Practice Guide, changes to AIFRS has meant that a financial instrument can only be recorded as equity if the instrument does not include a contractual obligation to deliver cash to another entity. Because a unit pricing product provider has a contractual obligation to deliver cash to investors when a unit in the fund is redeemed, for financial reporting purposes investor entitlements are recorded as liabilities rather than equity in the financial statements.

For unit pricing purposes, amendments to each fund’s Constitution have been made in accordance with ASIC Class Order 04/1575 so that the definition of liabilities excludes any amount representing investors’ capital and other amounts representing the value of rights attaching to units in a fund, regardless of whether characterised as equity or debt in the financial statements of that fund.

APN FM considers this to be reasonable as it reflects current market practice and is equitable for new, existing and exiting investors.

## 5 Unit Prices

APN FM considers the valuation methodology outlined below to determine the issue price and withdrawal (redemption) price is reasonable as it is consistent with each fund’s Constitution and current PDS.

***Issue (application ) price***

The issue price of a unit, including units issued under a fund's distribution reinvestment plan, is determined by reference to the pricing methodology stated in each fund's Constitution and, unless provided for otherwise, the formula is:

$$\text{Issue Price} = \text{Current Unit Value} + \text{Transaction Charge}$$

***Withdrawal (redemption) price***

The withdrawal (redemption) price of a unit is determined by reference to the pricing methodology stated in each fund's Constitution and, unless provided for otherwise, the formula is:

$$\text{Withdrawal Price} = \text{Current Unit Value} - \text{Transaction Charge}$$

**6 Discretions*****Valuation methods***

Generally, APN FM will use the AIFRS to determine the value of assets and liabilities (including accruals and provisions for expenses and future allowances for expenses not yet incurred). However, APN FM may determine alternative valuation methods and policies, which may change from time to time, for each category of assets and liabilities.

The following alternative valuation methods and policies are currently applied by APN FM for the purpose of calculating a fund's NAV (as applicable):

- Purchased assets are initially recorded at cost (excluding transaction charges).
- Securities listed on domestic and international securities exchanges are valued at their independently determined market price and are marked to market daily. Where these securities are thinly traded APN FM may exercise valuation discretion by comparing the securities initial cost against its average traded price over a period commensurate with the nature of the holding and then determine whether any permanent increase or diminution in value has occurred.
- Investments in unlisted securities are re-valued at least twice a year by reference to the latest financial information provided by the fund's Fund Manager. APN FM may consider independent valuation research from reputable independent experts from time to time as well as known changes to the value of underlying assets which have not yet been recognised in a fund's financial statements. Where APN FM, acting in good faith, reasonably believes that the latest financial information provided by the fund's Manager does not accurately reflect the fair value of the unlisted security, the security will be valued according to AIFRS at its NAV based on its most recently published financial statements.
- Direct property assets are valued in accordance with APN FM's Property Valuation Policy (available on request). This Policy requires that all direct property assets are valued at Fair Value at each balance date. Fair Value is determined at least once every 3 years by an appropriately qualified independent valuer. In the intervening periods Fair Value is determined by APN FM, acting in good faith, after considering all relevant market-based information and circumstances. However, where APN FM believes that there have been significant changes in the value of the direct property assets, an appropriately qualified independent valuer will be engaged at each reporting period in consultation with the scheme auditor to value the direct property assets in accordance with ordinary commercial practice and AIFRS. Although the revaluation cycle for direct property assets may not be in line with the unit pricing cycle, this is the industry approach and represents a reasonable compromise between the expense of obtaining valuations of direct property assets and the likely movement of the value of those direct property assets.



- Where the value of a liability is uncertain at the time of calculation, APN FM will value the liability in accordance with ordinary commercial practice and AIFRS.

APN FM considers the above alternative valuation methods and policies to be reasonable for the purpose of calculating a fund's NAV.

### ***Transaction charges***

Transaction charges are an amount determined by APN FM in relation to a unit which reflects a fair estimate of costs incurred or that would be incurred for:

- the purchase or acquisition of assets on the issue (application) of units in the relevant fund; or
- for the sale or disposal of assets on the withdrawal (redemption) of units in the relevant fund.

An asset that has been acquired or disposed of will have quantifiable transaction charges. The costs of an acquisition or disposal yet to be incurred will not have a final value. APN FM will exercise its discretion in assigning a value to the transaction charges likely to be incurred. In exercising its discretion, APN FM will rely on an estimate or quote received in respect of the likely transaction charges to be incurred.

Examples of the types of costs associated with the purchase or sale of fund assets are stamp duty on asset acquisitions and other government charges, legal fees incurred, finance costs, responsible entity fees and brokerage fees on listed investments.

The difference between the issue price and withdrawal price is known as the buy/sell spread. By utilising a buy/sell spread the costs associated with members entering or leaving the relevant fund do not fully fall on those members remaining in the relevant fund. The application of the buy/sell spread therefore aims to ensure that each investor bears the same proportion of transaction charges associated with their entry to, or exit from, a fund.

APN FM considers the Policy on transaction charges to be reasonable as an allowance for transaction charges is recommended in the ASIC & APRA Good Practice Guide as a means of retaining equity between new, remaining and exiting members.

### ***Allocating assets, liabilities, revenue and expenses between classes of units***

Where APN FM has discretion under a fund's Constitution to issue different classes of units and to determine the rights, liabilities, obligations and restrictions that attach to each class, the respective fund's constitution and/or PDS will set out how the assets, liabilities, revenue and expenses are allocated between classes. Where the allocation basis applied involves a degree of judgement, APN FM will allocate in accordance with ordinary commercial practice and AIFRS.

APN FM considers the allocation of assets, liabilities, revenue and expenses between classes of units in accordance with their rights, liabilities, obligations and restrictions to be reasonable when calculating a unit's NAV.

### ***Management Fees***

When management fees are allowed for in the unit price (i.e. the fee is deducted from the fund's NAV), the fee must be within the range specified in the governing documents (constitution and PDS) of the scheme.

Management fees allowed for in the unit price are accrued and are paid from the fund as frequently as specified in the governing documents of the fund.

### ***Frequency of unit pricing***

#### **Open Securities Funds**

The unit price for each fund is calculated daily at the close of business for every Australian Stock Exchange (**ASX**) Trading Day as per the ASX Trading Calendar.

For example,

Public Holiday	Date	ASX Trading Day	Calculate daily unit price?	When to calculate unit price?
New Year's Day (National)	1 January	Closed	No	N/A
Friday before the AFL Grand Final (Melbourne only)	TBC	Open	Yes	Next business day in Melbourne

The unit price for each fund is determined on the following business day (except the GREIT Fund) in Melbourne and is generally available by 11.00am. The prices are posted on our website as soon as they are finalised.

For the GREIT Fund, the unit price is determined two business days after the unit pricing date to allow for the settlement of international trades. For example, unit price for 2 January is determined and released on 4 January.

Unit applications or withdrawals requests received and accepted by APN FM by 4.00pm on a Melbourne business day will be processed at the next determined issue price. The date applied based on this rule is referred to as the 'transaction effective date' (**Effective Date**).

APN FM may delay or refuse the withdrawal of units if, in the reasonable opinion of APN FM, it is in the best interests of the unitholders as a whole that the withdrawal be delayed or refused as outlined in the fund's Constitution.

The timeframes for acceptance of applications and withdrawals are necessary to enable the unit pricing process to function efficiently. APN FM considers this Policy to be reasonable as this timeframe does not systematically disadvantage any identifiable unitholder or groups of unitholders, is in accordance with ordinary commercial practice and is a practical and cost-effective approach used for unit pricing.

#### Closed Direct Property Funds

The unit price for each fund will be calculated as at each statutory reporting date. The prices are posted on our website as soon as the fund's financial statements for that statutory reporting date have been audited.

A unit price will also be calculated as at the date of each future capital raising event as required. This unit price will be made available to investors and remain constant during the raising period or until such time as the required allocation has been exhausted.

Withdrawal prices will also be calculated for those funds offering limited redemption facilities and will be available to investors during the redemption period for which they apply.

#### Terminated Funds

The unit price for each terminated fund is calculated at each statutory reporting date. The prices are posted on our website as soon as they are finalised.

#### ***Suspension of unit pricing***

APN FM will suspend unit pricing if there are conditions, whether internal or external, which mean that it is not appropriate to declare a unit price. This will only be applicable if it is in the best interest of the unitholders as a whole to take such action. Unit pricing will not recommence until such time as APN FM believes any deficiencies have been rectified. APN FM will provide unitholders with notification of any suspension of unit pricing.

Any applications and withdrawals received during the suspension period will be processed at the next available price subject to normal considerations.

While APN FM has established processes and procedures that are designed to limit any material issues, it is not possible to rule out these occurring. In order to maintain reasonable equity between unitholders it is necessary to have the ability to suspend unit pricing until the identified deficiencies have been rectified.

APN FM considers the suspension of unit pricing to be reasonable as it safeguards the interests of unitholders and is in accordance with ordinary commercial practice.

### ***Rounding of unit pricing***

#### Rounding of unit price

The issue (application) price, withdrawal (redemption) price and reinvestment price will be rounded to four decimal places. Application price will be rounded up and withdrawal price will be rounded down to four decimal places.

#### Rounding of number of units

The number of units to be issued or proceeds of a withdrawal will be calculated using the rounded issue (application) price or withdrawal (redemption) price respectively and in accordance with the relevant fund's constitution. The number of units issued will be rounded down to the nearest two decimal places. Proceeds of a withdrawal (redemption) will also be rounded down to the nearest cent. Any remaining monies will become an asset of the relevant fund.

APN FM considers this to be reasonable as the Policy is in accordance with the fund's Constitutions and ordinary commercial practice

## **7 Deviations**

APN FM is required to keep a record of any discretion exercised that is not covered by this Policy or which deviates from this Policy. The exercise of a discretion by APN FM that is not covered by, or deviates from this Policy will be documented in writing in accordance with the Class Orders and retained for a period of seven years. These documents (if any) recording the exercise of a discretion by APN FM are available free of charge on request.

APN FM considers the ability to depart from this Policy as reasonable as it safeguards the interests of unitholders in the event that conditions arise that have not been outlined in this Policy.

## **8 Backdating Unit Prices**

Backdating occurs when an application or withdrawal is processed two or more days after the Effective Date. APN FM backdates transactions where necessary to ensure that the transacting unitholders receive value for the appropriate effective date consistent with the obligations to the unitholder as outlined in a fund's Constitution and PDS.

As the price may differ between the Effective Date and the processing date, the backdating of a transaction may have a positive or negative impact on the fund. Impacts of backdating are not borne by the transaction unitholder but are borne by non-transacting unitholders. To ensure fair treatment of all unitholders, APN FM will monitor the occurrence of all backdating and will assess whether compensation is required to be paid to the fund in accordance with the thresholds of the APN Error Rectification and Compensation Policy.

## **9 Error Rectification**

Unit pricing errors or errors that have a unit pricing impact are rectified in accordance with the APN Error Rectification and Compensation Policy. This Policy has been drafted in accordance with Regulatory Guide 94: Unit Pricing: Guide to Good Practice and is available from our website.



## **10 Outsourcing**

All aspects of unit pricing are performed in house with the exception of the custody function which is outsourced. APN FM obtains appropriate supporting documentation to verify that the third-party custodians used have appropriate controls in place and said controls are operating effectively, this documentation comes in the form of audited GS007 controls reports.

## **11 Questions**

If any member of APN Staff has any questions from time to time about the subject matter or requirements of this policy, that person should contact Head of Accounting (Managed Funds) in the first instance.

## **12 Changes to Policy**

APN will review this policy periodically to ensure it remains appropriate to the legal and regulatory framework in which APN operates. Any changes will be communicated to APN Staff and posted on APN's intranet site and/or website (as deemed appropriate).

## **13 Definitions**

**APN** means APN FM, APN Fund, APN PG and any related bodies corporate.

**APN FM** means APN Funds Management Limited.

**APN Fund** means any managed investment scheme managed by APN FM or any other member of the APN Group.

**APN PG** means APN Property Group Limited.

**APN Staff** means and includes any director, officer, senior manager or other employee of APN PG or APN FM and any other employee of or consultant to an APN Entity as designated by the board of APN PG or APN FM.

## **Appendix 1**

### **Open Securities Funds – *Continuous issuer funds***

- APN Property For Income Fund (ARSN 090 467 208) **(PFIF)**
- APN Property For Income Fund No.2 (ARSN 113 296 110) **(PFIF2)**
- APN AREIT Fund (ARSN 134 361 229) **(AREIT)**
- APN Asian REIT Fund (162 658 200) **(ASREIT)**
- APN Global REIT Income Fund (642 411 292) **(GREIT)**

### **Closed Direct Property Funds – *Non-continuous issuer open-ended funds***

- APN Regional Property Fund (ARSN 110 488 824) **(REGI)**
- APN Development Fund No. 2 (ARSN 125 786 227) **(DF2)**

### **Terminated Funds – *Terminated funds currently in wind-up***

- APN Champion Retail Fund (ARSN 127 948 127) **(CRF)**
- APN Coburg North Retail Fund (ARSN 160 546 529) **(CBG)**