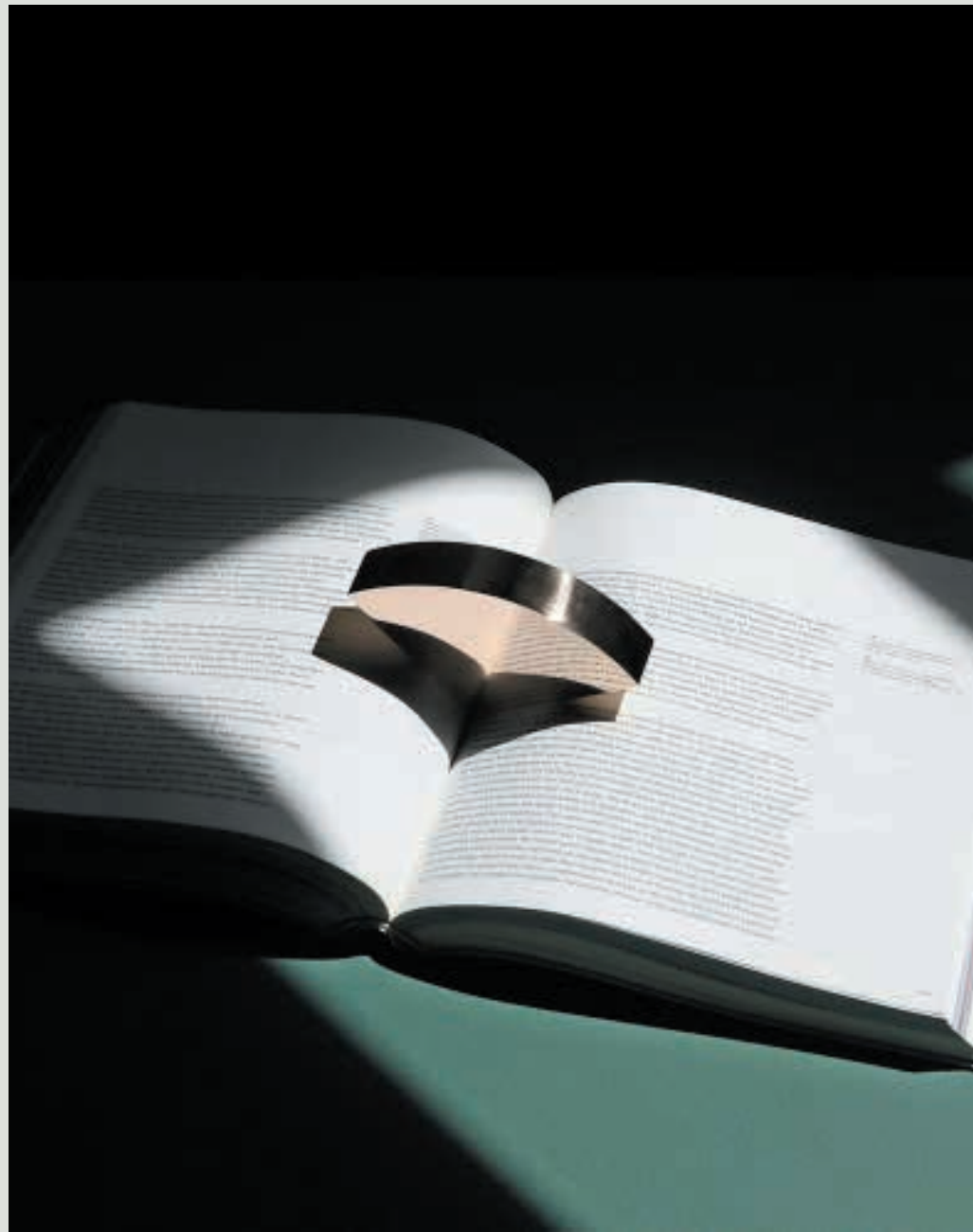




# Unit Pricing Policy

May 2021



MAAM RE Limited (**MAAM RE**) is the responsible entity of various registered managed investment schemes (**Schemes, MA Financial Group Funds or Funds**). This policy document sets out the policies on discretions of MAAM RE under the constitution of each Scheme relating to the price at which interests in the Schemes are issued (**Application Price**) and withdrawn (Withdrawal Price) and has been prepared in order to comply with ASIC Class Orders CO 13/655 and CO 13/657 (each a **Class Order**).

The constitution of each Fund provides its responsible entity with certain discretions to calculate the relevant Application Price and Withdrawal Price. The exercise of any discretion by MAAM RE as a responsible entity is subject to the general duties of a responsible entity under Chapter C of the *Corporations Act 2001 (Cth)* (**Corporations Act**), specifically part 5C.2 of Chapter 5C (**General Duties**). In addition the Class Orders permit, under particular circumstances MAAM RE as responsible entity of a Fund to decide certain matters relating to the method or formula which is used, under the relevant Fund's constitution to determine the unit price of that Fund.

MAAM RE, in exercising any pricing discretion as responsible entity of a Fund must comply with the following regulatory requirements:

- the Class Orders;
- the General Duties;
- the Corporations Act;
- relevant Accounting Standards; and
- Joint ASIC and APRA Unit Pricing Guide to Good Practice (ASIC RG 94).

The purpose of this document is to:

- establish a framework for meeting the regulatory requirements of the Class Orders and ASIC guidance in respect of any Fund;
- particularise the times where MAAM RE may be required to exercise its discretion in determining unit prices; and
- where applicable, assist MAAM RE in ensuring that such discretion is properly exercised in accordance with all applicable regulatory requirements.
- This policy document applies to each registered managed investment scheme of which MAAM RE is the responsible entity.

## 1. Review cycle, version control and communication of changes

This policy document will be reviewed annually by the Financial Controller and at any other time as necessary to ensure this policy document remains current and in accordance with applicable legal and regulatory requirements. In addition, this policy document must be updated as necessary to respond to changed circumstances, for example changes in market conditions and strategic direction. Any changes made to this policy document shall be conducted by the Financial Controller, reviewed by the Compliance Committee and approved by the MAAM RE Board.

## 2. Notification

This policy document is available on the MA Financial Group website: <https://moelisaustralia.com/>. In addition, MAAM RE notifies all unitholders in each MAAM RE Fund that they may obtain copies of this policy document at no charge by contacting the manager of the relevant Fund.

## 3. Application Price for Units

MAAM RE will calculate the Application Price for Units in accordance with the provisions of each of the MAAM RE Funds' constitutions and Product Disclosure Statements (**PDS**). The formulas adopted for determining application unit prices in the Scheme constitutions are generally based on dividing a value representing the Scheme's net asset value by the number of units on issue (with an adjustment to add any transaction costs). However, alternative methodologies may apply depending on the terms of the particular Scheme constitution.

## 4. Withdrawal Price for Units

MAAM RE will calculate the Withdrawal Price for Units in accordance with the provisions of each of the MAAM RE Funds' constitutions and PDSs. The formulas adopted for determining withdrawal unit prices in the Scheme constitutions are generally based on dividing a value representing the Scheme's net asset value by the number of units on issue (with an adjustment to deduct transaction costs). However, alternative methodologies may apply depending on the terms of the particular Scheme constitution.

## 5. Relevant discretions in relation to Application Prices and Withdrawal Prices

Calculating the Application Price and the Withdrawal Price involves the exercise of various discretions. These may include:

- The method for determining the value of the assets and liabilities of a Fund
- How often and when the value of the Funds' assets and liabilities are determined
- How often and when unit prices will be calculated and take effect
- The circumstances and timing for the suspension of unit pricing and the subsequent resumption of unit pricing
- The rounding methodology used
- The methodology for calculating transaction costs
- When fees and expenses are accrued and how expenses are allocated between classes of units in the Funds
- The methodology for determining the amount of distributable income
- Error rectification
- Determining cut-off times.

For the Withdrawal Price, this may include variables such as transaction costs associated with a large redemption request – for example more than 5% of the units on issue for any Fund.

MAAM RE will act reasonably in exercising any discretion and with the aim of seeking to achieve equitable and fair outcomes for investors.

## 6. Specific policies associated with the discretions that MAAM RE may exercise

### Determining the total net asset value of a fund

Under the constitution of each Fund, the net asset value is calculated as the value of the gross assets less the liabilities excluding the application amount in respect of applications that have not been accepted by the responsible entity.

MAAM RE has discretion to determine how the assets are valued including the valuation methodology and the timing of the valuation. Asset valuation methodologies are generally developed in accordance with FSC Standard No. 9 Valuation of Scheme Assets and Liabilities and Australian Accounting Standards.

The assets of a Fund include all investment assets, capital, income, property and rights of the Fund. The liabilities of a fund include all borrowings, contingent liabilities, accrued fees payable, provisions and any other relevant liabilities of the Fund. Other assets and liabilities in a Fund, which may include taxes, provisions, fees and rebates, are valued in good faith in accordance with industry standards. In particular:

- Fees will be accrued on a daily basis
- Expenses will be accrued daily using a reasonable estimate of annual expenses, with reconciliations and adjustments to reflect actual (rather than estimated) expenses occurring at least annually
- Where performance fees are charged, they will be accrued daily. The performance fee methodology (if applicable) is outlined in the Fund's PDS.
- Tax liabilities are calculated in accordance with relevant taxation laws. As tax is paid in the hands of the investor, a tax provision is not included in the unit price for the fund, and
- The unit price of the Fund does not take into account tax credits collected by the funds. Tax credits will generally be distributed to investors at each distribution period.

The above principles are general in nature and an alternative method for determining net asset value may be used where required or permitted by the constitution of a Fund. Where MAAM RE uses a different method to determine net asset value other than one required by the relevant constitution, such must be determined in accordance with the regulatory requirements set out above and having regard to the nature of the relevant Fund's assets and its operation.

### Selection of valuation methodology

Valuation of Scheme assets are governed by the constitution of the relevant Fund, which allows MAAM RE to determine the value of a Scheme's assets. The following represents a summary of the valuation policy used by MAAM RE in relation to a Scheme's assets:

- Valuations of assets that are actively traded on a recognised securities exchange are generally determined by reference to the latest available market price, normally represented by the official closing price. The market prices are sourced by MAAM RE's appointed custodian and administrator from independent third-party information providers.

- Valuations of assets that are infrequently traded on a recognised securities exchange may be determined by reference to the latest available market information where no market price is available.
- Valuation of assets that are an interest in a managed investment scheme that is not listed or quoted for dealing on any financial market will be valued as the redemption price of the interest (excluding any allowance for transaction costs) as quoted by the manager, trustee or responsible entity of the scheme plus any income entitlements accrued at that date
- In the event where a market price is unavailable or a different valuation approach is more appropriate to determine valuation, MAAM RE will consider the use of an adjusted valuation method in accordance with the valuation methodology that is relevant to the asset.
- Valuations of assets that are real estate assets are determined by an independent valuer or by MAAM RE's opinion of value in accordance with the relevant Scheme's valuation policy.
- Valuations of assets that are held to collect contractual cash flows are determined as the outstanding amount of the asset plus any accrued interest, unless determined by MAAM RE that an alternative fair value designation is more appropriate. Credit assets are assessed for credit impairment.

### How often and when the value of a Fund's assets and liabilities are determined

MAAM RE is permitted to cause an asset of a Fund to be valued at any time and must do so as and when required by the relevant constitution and the Corporations Act. MAAM RE will calculate the value of the assets and liabilities of a fund at intervals specified by MAAM RE in a Fund's PDS. MAAM RE may exercise its discretion to calculate the value of the assets or liabilities of a Fund:

- More frequently or less frequently if MAAM RE believes it is reasonable to do so;
- At a different time if there is a change of circumstances that necessitates the change.

### How often and when unit prices will be calculated and take effect

MAAM RE or the Scheme's outsourced provider will calculate the unit price of a Fund at intervals specified by MAAM RE in a Fund's PDS or as determined by MAAM RE in accordance with the Fund constitution, at least as frequent as it is possible to buy or redeem units in the relevant Fund. Where there is discretion in relation to a Fund to determine the frequency of unit pricing, MAAM RE will consider relevant factors including the frequency of transactions and the nature and availability of valuations for underlying assets of the Fund. The release of a unit price may be delayed if there is uncertainty as to the correctness of a component of the unit price.

Generally, unit transactions (including application and withdrawal requests) will be processed using the price applicable to the date the request was received, considering applicable cut-off times as set out in a Fund's PDS. In some circumstances, where permitted by applicable law, the Fund PDS and in accordance with the Fund constitution, it may be necessary or appropriate for a unit transaction to be "backdated" to ensure transacting investors receive appropriate value for the effective date of their application or withdrawal requests. Any price adjustments will be made only where there is a reasonable basis for such adjustments and appropriate records will be kept of the decision to adjust prices.

### **Suspension of valuation and pricing**

It may be necessary for MAAM RE to determine, where it is in the best interests of members to do so:

- to suspend valuation of the Funds' assets and liabilities where the value of assets and liabilities cannot be appropriately valued or estimated; or
- to suspend the processing of transactions where unit prices cannot be appropriately determined.

Application and withdrawal requests received during these times will be processed using the unit price applicable on the first day after MAAM RE has lifted the suspension.

### **Rounding Methodology**

Where MAAM RE has a discretion under a Fund's constitution to round the unit prices calculated, the issue price and withdrawal price will be rounded up or down to the number of decimal places specified in the constitution or as determined by MAAM RE in accordance with market practice. Where rounding has resulted in fractions of units that are not allocated to investors, any excess will remain in the relevant fund at all times.

### **Transaction costs**

Estimated transaction costs may be allocated when an investor buys or sells units in a Fund by incorporating a buy/sell spread in the relevant entry and/or exit unit price. The application of transaction costs must be in accordance with the General Duties in order to ensure fairness between members who are transacting and those who are not, ensuring that investors are not actually or potentially adversely impacted as a result of a redemption or application for units.

A buy/sell spread is a cost charged to enter (apply for units in)/exit (withdraw units in) a Fund. This aims to ensure that other investors do not pay the transaction costs associated with a particular investor entering or exiting a Fund. MAAM RE does not benefit from buy or sell spreads. 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) MAAM RE may waive or reduce the buy/sell spread. The buy/sell spread will be determined on an amount which MAAM RE considers to be a fair allowance for the costs of buying/selling the assets of a Fund. These costs are reviewed regularly, and the calculation of the relevant amount will vary depending on the type of assets held by the relevant Fund.

The buy/sell spread associated with each MAAM RE Fund is disclosed in the Fund's PDS.

### **Allocations between classes of units**

Where there is more than one class of units in a Fund, MAAM RE is required to allocate the assets and liabilities of the Fund between relevant classes to ensure the net asset value of each class is accurate and fair. MAAM RE will follow the respective strategy for each fund to determine the appropriate allocation of assets, liabilities, revenue and expenses between classes.

### **Fees and expenses**

MAAM RE will calculate fees and expenses in accordance with the provisions of the Fund constitution and PDS. MAAM RE reserves the right to charge a fee up to the maximum amounts stated in each Fund's constitution. The management costs include Responsible Entity fees, investment management fees, performance fees, custodian fees, administration fees, indirect costs and other expenses but exclude extraordinary expenses such as litigation costs, the cost of convening an investors' meeting and other costs (as reasonably determined by MAAM RE). The management costs are calculated and accrued daily. The accrued fees are paid in arrears from the assets of each Fund at least quarterly. The management costs reduce the net asset value of the relevant Fund and are reflected in the unit price for that Fund.

Where provided for in the relevant Fund's constitution, there may be a performance fee payable in relation to a fund (and if so this will be disclosed in the Fund's PDS). Subject to the Fund's constitution MAAM RE will determine the appropriate methodology for calculating performance fees, including detailing the testing and review of the methodology to ensure it is appropriate to the particular fund.

### **Determining distributable income**

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period.

The distributions each investor receives are generally assessable income and can be made up of both income and realised capital gains. Distributions are generally calculated based on the Fund's net distributable income at the end of the distribution period divided by the number of units on issue. This gives a distributable income amount per unit. Each investor's distribution entitlement is then determined by multiplying the number of units held by the distributable income amount per unit. An investor who invests during a distribution period may get back some of their capital as income.

### **Dealing with Large Redemptions Requests**

Where an investor makes a large withdrawal request (as set out in the Fund's PDS, but generally 5% or more of the units on issue at the start of the relevant distribution period for the relevant class), their withdrawal proceeds may be taken to include a component of distributable income.

## Errors

Where an error occurs in relation to the valuation of assets or liabilities or the calculation of a unit price, MAAM RE:

- must review the error as soon as reasonably possible to determine the effect on investors during the relevant period and whether investors should be reimbursed or whether MAAM RE has overpaid an investor (in which case MAAM RE may, if entitled, seek to recover any overpayment);
- must consider whether any investors who have withdrawn their investment from the relevant fund should be contacted;
- may retroactively change the relevant unit price where it believes a revised price more accurately reflects fair value;
- must maintain a record of any pricing errors identified and documentation supporting the results of the reviews and action taken.

## Are our discretions reasonable?

Unless otherwise specified, each discretion has been developed in accordance with industry standards, some of which are outlined in relevant standards and guidance notes issued by the Australian Securities and Investments Commission (**ASIC**) and Australian Prudential Regulation Authority (**APRA**) Unit Pricing Guide to Good Practice. MAAM RE accordingly believes it is reasonable to exercise each discretion under this policy.

## 8. What records will we keep?

In accordance with the Class Orders, MAAM RE will retain this policy for seven years after this policy ceases to be current. MAAM RE will also retain documentation of circumstances where the exercise of discretions are not covered by this policy or involves a departure from this policy and these will be available from us free of charge.

## More information

For more information call the MA Financial Group Client Services team on **02 8288 5594** or email **MAclientservices@mafinancial.com**