

Unit Pricing Discretions Policy

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Unit Pricing Discretions Policy

1. Purpose and Application

Pendal Funds Services Limited (**Pendal**) is the responsible entity of various registered managed investment schemes (**Funds**). The Unit Pricing Discretions Policy (**Policy**) sets out the guidelines and principles in relation to how Pendal will exercise the discretions allowed under the constitution of each Fund in relation to the application and withdrawal price of units.

This Policy is not a complete description of all matters affecting unit prices and should be read along with the Product Disclosure Statement (**PDS**) and the constitution for the relevant Fund (**Constitution**).

2. Regulatory Requirements and Industry Standards

The Policy is designed to meet the requirements of:

- ASIC Corporations (Managed investment product consideration) Instrument 2015/847 (**Instrument**) for a Fund that became a registered scheme before 1 October 2013;
- ASIC Corporations (Discretions for Setting the Issue Price and Withdrawal Price of Interests in Managed Investment Schemes) Instrument 2023/693 for a Fund that became a registered scheme after 30 September 2013; and
- ASIC RG 94: Unit Pricing: Guide to Good Practice

3. Use of third parties

Whilst Pendal outsources all of the functional elements of the unit pricing process to third party service providers, Pendal, as responsible entity of the Funds, retains ultimate responsibility for ensuring that unit prices are determined appropriately and that assets are valued appropriately. To this end, Pendal has in place appropriate monitoring processes in relation to both the service providers and the unit pricing function.

4. Discretions

The following discretions may be exercised in calculating the application and withdrawal price of units for each Fund:

- Estimating an allowance for Transaction Costs (defined below)
- Determining the time at which unit prices are calculated
- Rounding unit prices
- Determining the timing of valuation of assets and liabilities and unit price calculations
- Determining a valuation method
- Fees and Expenses
 - Entry & exit fees
 - Management Fees

- Performance Fees
- Expenses
- Allocation of assets and liabilities, revenue and expenses across classes of units
- Suspending Withdrawals
- Backdating Unit Prices
- Unit Pricing Errors

4.1 Transaction Costs

In most cases the constitution of a Fund provides that the application and withdrawal price of a unit may be increased by a Transaction Cost allowance (the buy/sell spread). **Transaction Costs** are Pandal's estimate of the total transaction cost that the Fund would incur to buy more assets for the Fund in the case of an application or to sell the required assets in the event of a withdrawal. These Transaction Costs are allocated when an investor buys or sells units in a Fund. This process is intended to ensure that other unit holders do not pay the Transaction Costs associated with a particular investor buying or selling units in a Fund.

The amount of the Transaction Costs is based on an estimate of the costs incurred historically on transactions for the Funds, as well as Pandal's experience in buying or selling similar assets. Other factors that are considered when determining the buy/sell spread:

- brokerage costs
- government charges (such as stamp duty)
- other costs directly associated with the acquisition or disposal of assets of the kind held within the relevant Fund, such as settlement, market impact, valuation, legal or clearing costs
- buy/sell spreads of any underlying funds.

In some cases where no or lower Transaction Costs are incurred because there is reduced trading or no trading of underlying assets (for example where an application or withdrawal request is funded by an in-specie transfer of assets), Pandal may waive or reduce the buy/sell spread.

Pandal believes that exercising its discretions in this way is reasonable because it ensures that existing unit holders are not unfairly or unreasonably advantaged or disadvantaged by the incoming/outgoing unit holder.

4.2 Cut Off Times

Pandal may determine a cut-off time for each Fund for applications and withdrawals which in turn determines the entry/exit prices that will apply to a particular application or withdrawal. All applications/withdrawals deemed effective for a particular day receive the unit price effective for that day. Pandal has discretion to amend cut-off times if it deems it necessary, for example to allow sufficient time for the processing of applications and withdrawals, however, it is expected this would only occur in unusual and rare circumstances.

Pandal believes that exercising its discretions in this way is reasonable because it ensures that investors are able to apply for or withdraw units at prices that reflect the reasonably current market valuations.

4.3 Rounding

Pendal is permitted to round unit prices under each Constitution. Unit prices are generally rounded to 4 decimal places for all Funds.

Pendal believes that exercising its discretions in this way is reasonable as it is consistent with industry standard practice and ensures a high degree of unit pricing accuracy.

4.4 Timing and calculation of assets and liabilities and calculating unit price

Pendal has discretion under a Fund's Constitution to determine when the Fund's assets (and liabilities) are valued. Pendal has exercised its discretion to determine that the assets will generally be valued on a daily basis (except for Funds with monthly valuations for which the timing of the valuation is specified in either the Constitution or the PDS) based on the end of business day market values and prices available for those assets. Pendal may utilise its discretion to value investments on an intra-day basis in unusual circumstances such as extreme market volatility.

For some investments held by the Funds, an up-to-date value for certain assets may not be available at the end of a business day. For these assets, Pendal may use the most recently obtained value, or may adjust that value by reference to comparable investments or movements in market indices or other factors.

Pendal has discretion, in certain circumstances, to suspend the valuation of assets (for example where Pendal determines that the value of a Fund's assets cannot reliably be calculated and to process transactions would unfairly advantage/disadvantage some unit holders).

Pendal also has discretion under a Fund's Constitution to determine when unit prices are calculated. Pendal has exercised its discretion to determine that the unit price of each Fund will generally be calculated on a daily basis, with the exception of some Funds for which the unit price is calculated monthly due to the nature of the assets held by these funds. In conjunction with this, Pendal also has discretion, in certain circumstances, to suspend the unit prices.

Pendal believes that exercising its discretions in this way is reasonable because it ensures that valuations are carried out as frequently as is necessary to ensure that units are priced accurately and result in equality and fairness between new and established investors.

4.5 Valuation Methods

Investment assets are valued using the following guidelines:

- security prices are obtained, where possible, from independent security pricing services and these are based on market prices at the end of business day where the asset is traded on a regulated market.
- where there is no market value or we reasonably believe the value obtained is not the fair market value of the asset or where the security price is not available from an independent source or is not traded on a regulated market, the valuation of that asset is determined in good faith in accordance with industry standards, considering all relevant factors which may affect the security price.
- where assets are traded infrequently, the valuation of that asset is determined in accordance with FSC Guidance Note. 26 'Asset Valuation for Infrequently Valued Assets'.
- a number of Funds invest in funds operated by external fund managers. The valuation of investments in funds operated by external managers for unit pricing purposes is reliant on the timely provision of unit prices from external managers. When prices from external managers are not available in time for the calculation of Pendal's unit prices, Pendal prefers to delay the calculation of prices until the information becomes available. Pendal may also consider other approaches depending on administrative or system requirements, the length of time since the last available price, and other considerations.

In valuing the assets and liabilities of each Fund, Pandal applies valuation practices which are consistent with ordinary commercial practice and industry standards for valuing the relevant kinds of assets and liabilities. Where a liability is payable over an extended period of time, Pandal may make provision for the value of the liability and adjust the unit price of the relevant Fund to reflect this provision. Liabilities affecting more than one Fund are apportioned by Pandal equitably amongst the affected Funds.

Pandal believes that exercising its discretions in this way is fair and equitable as it ensures to a practicable extent that a just value is attributed to the assets of each Fund and that investments are valued consistently and fairly between Funds and in different pricing periods.

4.6 Fees and Expenses

Pandal may determine the time and amount of fees in accordance with the relevant Constitution and PDS. Pandal believes that exercising its discretions in this way is reasonable because it ensures fees and expenses are consistent with the relevant Constitution and that fees and expenses are fairly allocated to the Funds and equitably apportioned between unitholders in those Funds.

Entry & exit fees

The Constitution generally provides for a maximum entry or exit fee and Pandal generally charges a lower fee than the maximum. The applicable fees are set out in the PDS.

Pandal may also vary or waive entry or exit fees for specific investors where permitted under ASIC and other regulatory policy and legal requirements.

Entry and exit fees, including any variation or waiver of those fees are charged outside the relevant Fund and do not affect unit prices of that Fund.

Management Fees

Management fees are charged for each Fund within the range specified in the Constitution and accrue in the unit price on a daily basis. The applicable fee will be set out in the PDS.

Pandal may also vary or waive management fees for specific investors where permitted under ASIC and other regulatory policy and legal requirements. If management fees are varied or waived, this occurs outside the relevant Fund and does not affect the unit price.

Performance Fees

Where performance fees are charged they are calculated and accrued in the unit price on a daily basis. Performance fees are generally payable only if the performance of the Fund has exceeded the agreed performance hurdle set out in the Constitution or PDS. Any applicable performance fee and the way in which they are calculated will be set out in the PDS.

Pandal may exercise its discretion to vary or waive performance fees for specific investors where permitted under ASIC and other regulatory policy and legal requirements. If performance fees are varied or waived, this occurs outside the relevant Fund and does not affect the unit price.

Expenses

Unless the PDS for the relevant Fund states that Pandal will meet the expenses of the Fund from its management fee, Pandal will recover from the relevant Fund the expenses of administering and investing the assets of the Fund. Expenses are apportioned between Funds based on the actual expenses incurred relating to that specific Fund. Where Fund expenses are not attributable to one particular Fund, they are apportioned on an equitable basis.

Where the fees for a Fund are stated in its PDS to be inclusive of expenses, or where the Constitution limits the expenses that the Fund can incur, Pandal will bear the cost of any expenses which arise and exceed these amounts.

4.7 Allocation of assets and liabilities, revenue and expenses across classes of units

Where a Fund has issued more than one class of units, Pandal may exercise its discretion over the allocation of assets, liabilities, revenues and expenses to the classes, as set out below:

- Where the Fund has more than one class of units, but the same fees and expenses are applicable to each class, fees and expenses are allocated equally to all units, irrespective of class.
- Where the Fund has more than one class of units with different fees and expenses, the Fund's assets, liabilities and investment income are allocated to each class proportionally based on the size of each class.

Pandal believes that exercising its discretions in this way is reasonable as it ensures that assets, liabilities, revenues and expenses of the Fund are allocated fairly between the classes.

4.8 Suspending withdrawals

In some circumstances (for example a significant disruption to financial markets or where large numbers/values of redemption requests have been received), Pandal may exercise its discretion to suspend the ability of investors to withdraw from a Fund following the approval of the Board of Pandal. In circumstances such as these, unit prices will generally not be available and the withdrawal price applicable to any withdrawal received during the suspension will be determined at the next valuation time after the suspension is lifted.

4.9 Backdating unit prices

Backdating occurs when the unit price given to a transaction is different to the most current unit price. Backdating can occur as a result of extended processing turnaround times, processing errors and after distribution periods.

Pandal may backdate transactions, where necessary, to ensure transacting investors receive appropriate value for the effective date of their application or withdrawal requests (including switch requests). As prices differ between the effective date and processing date, the backdating of transactions may have a positive or negative impact on the Fund. Impacts of backdating are borne by the Fund, thereby potentially impacting non-transacting investors. Pandal monitors the backdating transactions daily.

During a distribution period, unit prices cannot be accurately determined until the distribution is completed and an ex-distribution price is issued. Consequently, transactions are backdated once catchup unit pricing is available to ensure these transactions receive the correct value.

4.10 Unit Pricing Errors

In circumstances where unit pricing errors have been identified, Pandal has an established policies and procedures in place with regard to rectifying such errors. These policies and procedures take into account the relevant standards and guidance notes including RG94: 'Unit Pricing Guide to Good Practice'.

5. No documented Policy or departure from this Policy

Where Pandal exercises a discretion:

- in relation to which Pandal has no documented policy or
- in a way that involves departure from this Policy,

Pandal will retain records containing details of the exercise of the discretion including:

- the date on which the discretion is exercised;
- who is the nominee or person making the decision;
- how the discretion is exercised;
- an explanation of why it was reasonable to exercise the discretion the way it was exercised; and
- if the discretion was not exercised in a way which was consistent with scheme property being value, or the market price of interests being worked out, in accordance with ordinary commercial practice - an explanation why it was impracticable to do so.

6. Record Keeping

Pendal will retain records for seven years which document the exercise of a discretion where there is no documented policy or in a way that involves a departure from this Policy. All investors in a Fund may obtain copies of the documents at no charge.

7. Reasonable exercise of discretion

Pendal must act reasonably in exercise any of the discretions set out in this Policy.

8. Variations to this Policy

Pendal may vary or replace any term of this Policy in relation to a Fund without prior notice to investors. Where the variation is material, Pendal may notify investors of the variation in writing or through its investor website.

9. Updating the Policy

The Policy is generally reviewed on an annual basis and may be updated from time to time to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes.

The current version of the Policy can be found on our website at www.pendalgroup.com.

PENDAL

The Policy has been prepared by Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.