

National Mutual Funds Management Ltd Unit Pricing Discretions Policy

What you need to know

Overview	<p>In addition to the trusts of which it is the trustee, National Mutual Funds Management Ltd (NMFM) has been appointed by ipac Asset Management Limited (IAML), which is the responsible entity of numerous registered managed investment schemes, to provide investment management and associated services for its schemes. It is responsible for implementing this policy in relation to its own trusts and IAML schemes.</p> <p>The Policy sets out the circumstances in which NMFM and IAML discretion is exercised and aims to ensure that:</p> <ul style="list-style-type: none"> • 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. <p>The exercise of any discretion is subject to the general duties of IAML and NMFM under Section 601FC of the <i>Corporations Act</i>, 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.</p>
Objective	<p>The Policy is designed to meet the regulatory requirements of ASIC Corporations (Managed investment product consideration) Instrument 2015/847 (Instrument), as amended, relating to Schemes registered prior to 1 October 2013, and ASIC Class Order 13/655 (and associated Class Orders) (Class Orders) including for Schemes registered on or after 1 October 2013. The Instrument and Class Orders allow IAML and NMFM to decide a matter that affects the method or formula used to calculate the unit price of the Schemes (the discretion) when the conditions under the Instrument or Class Orders are met. The Policy sets out the documentation relating to IAML's or NMFM's discretion as required for reliance on relief under the Instrument or Class Orders.</p>
Scope	<p>This Policy defines the NMFM approach to the exercise of unit pricing discretions. All staff including Directors, officers, employees, temporary agency staff, contractors and outsourced service providers must comply with this Policy and meet the Policy Principles and the Policy Requirements..</p>
Outsourcing	<p>The Custodian has a risk and control framework in place to verify the validity of unit prices produced by the unit pricing process. While the functional elements of the unit pricing process, for most Schemes, are carried out by the Custodian, the ultimate responsibility for ensuring that unit prices are determined appropriately lies with IAML and NMFM.</p>
Impacted entities	<p>ipac Asset Management Limited ("IAML"); and National Mutual Funds Management Ltd (as trustee).</p>
Policy owner	<p>Head of Investment Operations</p>

Policy approver	Group Executive Superannuation & Investments
Review and assessment	The Policy may be updated from time to time. The Head of Investment Operations will review this Policy biennially to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes. Delegation to approve material changes to the policy has been given to Group Executive Superannuation and Investments from NMFM and IAML.
Monitoring	The effectiveness of controls is assessed through the completion of regular control self-assessment by business units with operational responsibility for the different elements of unit pricing.
Record keeping	<p>NMFM and IAML must ensure that adequate records are maintained in relation to this Policy (including without limitation error rectification) and the exercise of any discretion relating to unit pricing and that those records are retained for seven years after they cease to be current.</p> <p>If there is a departure from this Policy, then a document must be prepared outlining:</p> <ul style="list-style-type: none"> • The date on which the discretion was exercised; • If the discretion was exercised by a nominee, a statement to that effect which identifies the nominee; • How the discretion was exercised; • An explanation why it was reasonable to exercise the discretion in that manner; and • If the exercise of the discretion is inconsistent with the ordinary practice of scheme property being valued or the market price of interests being determined, an explanation of why the responsible entity has been unable to do this.
Effective date	5 th December 2023.
Review date	December 2025 (or as required).

1. Background

National Mutual Funds Management Ltd (NMF) manages various Schemes' assets in accordance with the NMF Asset Valuation Policy and NMF Unit Pricing Discretions Policy. IAML which is the Responsible Entity of numerous managed schemes has delegated certain functions, including valuations and unit pricing, to NMF as Investment Manager.

This document is known as the NMF Unit Pricing Discretions Policy (**Policy**) and it sets out the principles used by NMF and IAML to calculate unit prices for the managed investment schemes. This Policy sets out how the discretions allowed under the constitution of each Scheme are exercised by NMF and IAML in relation to the unit pricing methodology including application and withdrawal prices of units.

2. Policy principles

2.1 General

The unit price is the Net Asset Value (NAV) divided by the number of units on issue adjusted for other factors such as transaction costs and rounding.

The calculation of a unit price is performed in accordance with each Scheme's Governing Documents and may also be based on industry practice (Financial Services Council and ASIC/APRA standards) together with this Policy.

This Policy has been developed in accordance with relevant industry standards, such as:

- ASIC/APRA Unit Pricing: Guide to good practice (RG94) (latest version was issued in August 2008);
- FSC Guidance Note No. 48 (dated 30 November 2022) – Scheme Pricing. This Guidance Note specifies the principles that should be adopted in the calculation of Scheme prices. It is based upon, and replaces, Standard 8 (that had the same title) and incorporates the same principles as in that Standard but as recommendations rather than setting requirements; and
- FSC Guidance Note No. 51 (dated 30 November 2022) – Errors in Pricing/Crediting Rates When Determining Scheme Interests – Correction and Compensation. This Guidance Note sets out minimum recommended practices when incorrect prices have been calculated and transacted upon and for determining when compensation is required that arises as a result of incorrect unit prices. It is based upon, and replaces, Standard 17 (that had the same title) and incorporates the same principles as in that Standard but as recommendations rather than setting requirements.

The Policy may change from time to time.

2.2 Equitable unit pricing process

This Policy seeks to ensure the process of determining Scheme prices in relation to a Scheme is equitable. An equitable unit pricing process treats all types of investors fairly; it does not favour:

- Transacting (incoming or outgoing) or non-transacting (continuing) investors;
- Current or future generations of investors; and
- Different classes of investors.

2.3 Net Asset Value

The NAV for a given business day is generally determined by valuing all of the assets of a Scheme and subtracting the value of liabilities of the Scheme. The RE may determine:

- the valuation processes and methodologies for each category of assets and liabilities;
- the valuation point that assets and liabilities are valued; and
- the NAV at any time (which may be more than once a day).

Asset valuations are determined in accordance with the NMF Asset Valuation Policy.

Accruals for assets and liabilities are provided for within the NAV when they have a known value or a value that can be reliably estimated.

Liabilities are generally defined as all present liabilities of the Scheme including any provision which is decided should be taken into account in determining the liabilities of the Scheme. Liabilities generally include but are not limited to borrowings, derivative

financial instruments, management fees, performance fees and other expenses. Asset accruals, such as income receivable for dividends, rent and interest may also be subject to estimation based on the latest available information.

In Schemes where there is more than one class of units offered to unitholders, the allocation of the Scheme assets, liabilities, revenue and expenses for each class is generally calculated based on the proportion of the NAV of the Scheme to which the class relates. Where a particular expense (e.g. management fees or performance fees) is exclusive to a particular class, the expense applicable to each class of units will usually be determined independently, pursuant to the Governing Documents of the Scheme.

Discretion may be exercised in assigning a value to certain Scheme assets and liabilities for the purpose of determining the NAV

3. Unit pricing methodology

3.1 Unitisation and unit price calculation

Unitisation occurs when a group of investors pool their money to buy a collection of assets that are then held within a pooled structure often referred to as a unit trust or fund. To keep track of each investor's proportional share of the net assets, initially a number of units are issued, and each investor (unitholder) is allocated a number of units in proportion to their contribution of money to the pool. To keep track of the dollar-value of the investor's share of the net assets, the units are priced at various intervals.

The calculation of a unit price is performed in accordance with the Scheme's Governing Documents and is generally the NAV divided by the number of units on issue. The unit price may also include additional transaction cost factors to cover costs of buying/selling underlying assets (e.g. buy/sell spreads and other entry/exit price mechanisms). In practice, NAVs used in unit prices are influenced by many factors including:

- Asset and liability valuation methodologies;
- Timing and frequency of asset/liability valuations;
- Tax calculation (current tax, deferred tax);
- Frequency of pricing; and
- Cut-off times for the measurement of NAV – timing of application and withdrawal cashflows (e.g. which unit price to use).

In certain instances, management may use discretion and judgement within the unit pricing process to achieve fair and reasonable outcomes for unitholders. Instances where this may occur include:

- Selecting valuation methodologies for assets and liabilities;
- Determining a time at which assets and liabilities are valued;
- Determining a time at which unit prices are calculated;
- Estimating an allowance for transactions costs;
- Determining entry, exit or switching fees;
- Allocating assets, liabilities, revenue and expenses between classes of units; and
- Rounding unit prices.

When discretions and judgements are required in the unit pricing process, they need to be well-founded and exercised by appropriate staff. Where relevant, this document sets out guiding principles that should be considered in exercising discretion.

3.2 Valuation

The NAV for a given business day is generally determined by valuing all of the assets of a Scheme and subtracting the value of liabilities of the Scheme. Discretion is exercised to determine how the assets and liabilities are valued.

Asset valuation principles, processes, and methodologies, including frequency of valuations, are set out in the NMFM Asset Valuation Policy.

3.3 Frequency of pricing

New unit prices are set daily (Sydney or Melbourne business day depending upon the relevant Scheme), except when the Governing Documents of the Scheme specify otherwise. When it is considered impractical or not in the best interest of unitholders to price daily, unit pricing may be calculated less frequently than daily in accordance with Governing Documents.

The release of a unit price may be delayed if there is uncertainty as to the correctness of one of the components of the unit price. When the delay is greater than 24 hours, refer to Section 6 on Suspension of Unit Pricing.

Calculation of the unit price for listed assets occurs after the close-of-markets on the Effective Date.

3.4 Transaction costs

In most cases the Governing Documents of each Scheme provide that application and withdrawal prices may be adjusted by a transaction cost allowance (e.g. a buy/sell spread or other application/withdrawal price mechanisms), that is an allowance for the costs of acquiring assets (in the case of issuing units) and disposing assets (in the case of redeeming units).

The transaction cost allowance (which is a pre-determined estimate for buy/sell spreads or an estimate of actual transaction costs associated with an identified transaction) is set according to the transaction costs associated with transacting the types of assets in which the Scheme invests. The quantum of the allowance will be influenced by the experience of the costs involved in trading these assets or the costs that the Scheme has actually paid, and will be reviewed annually, or more frequently when circumstances require, to ensure they remain appropriate.

The practices undertaken are aimed at ensuring that existing unitholders are not unreasonably advantaged or disadvantaged by the incoming/outgoing unitholder. NFMF and IAML determines whether a transaction cost allowance should apply and the basis of calculating the allowance. Any profit or loss arising from the application of the transaction cost methodology will benefit or be borne by the Scheme.

The allowance may be waived or reduced in circumstances when an application and/or a withdrawal request does not require assets to be bought or sold, hence no transaction costs are incurred, or when an application or withdrawal is advantageous to the Scheme. Examples of such circumstances include:

- An in-specie asset transfer (applications and redemptions);
- A simultaneous purchase and redemption of units of equivalent value by different investors,
- An investor transferring between unit classes,
- A distribution reinvestment

3.5 Management fees

When management fees are allowed for in the unit price (i.e. the fee is deducted from the Scheme's NAV), the fee must be calculated in accordance with the Governing Documents of the Scheme.

Management fees allowed for in the unit price are accrued and are paid from the Scheme as frequently as specified in the Governing Documents of the Scheme.

3.6 Performance fees

When performance fees are allowed for in the unit price (i.e. the fee is deducted from the Scheme's NAV), the fee must be calculated in accordance with the Governing Documents of the Scheme.

A performance fee is only calculated and accrued within a unit price when:

- During or at the end of the relevant performance period the performance of the Scheme has exceeded the agreed performance hurdle set out in the Governing Documents of the Scheme;
- It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation; and
- Where applicable, any underperformance for any previous performance period not previously recovered has been recovered by the performance in the current period.

3.7 Rounding adjustments

In most cases the Governing Documents of each Scheme provide that application and withdrawal prices may be rounded as determined up to a maximum of 1%. Application and withdrawal prices will be stated to 5 decimal places, with any excess being directed to the Scheme.

When a client instruction is received requesting a certain dollar (or other currency) value to be redeemed or transferred, the number of units will be rounded down to the nearest whole number unit. When rounding has resulted in fractions of units that are not allocated to unitholders, any excess will remain in the Scheme.

3.8 Verification and release of unit prices

The Custodian has a risk and control framework in place to verify the validity of unit prices produced by the unit pricing process. Each unit price is verified for correctness by performing checks on the movement in the unit price relative to the Scheme's benchmark within specified tolerances. Unit price movements are checked for each Scheme's unit prices as follows:

- The difference in the movement in unit price compared to an appropriate market index or benchmark (where there is an appropriate market index or benchmark); and
- For Schemes which are comprised of holdings in underlying trusts, the daily unit price movement is checked against the Scheme's benchmark and weighted movement of the underlying trusts' unit prices.

When a tolerance amount is exceeded, or there is other doubt about the correctness of a unit price, the unit price becomes a queried unit price. The Custodian is required to perform analysis to verify why the tolerance breach(es) have occurred in order to gain an explanation for the unit price movement.

4. Applications and withdrawals

4.1 Cut-off times

The cut-off time for determining application and withdrawal prices in relation to the receipt of application and withdrawal requests is usually specified in the Governing Documents of the Scheme. Generally, the standard cut-off time is 1pm on a Sydney business day. The date applied based on these rules is known as the "transaction effective date" (Effective Date).

An alternative time may be determined for particular Schemes when considered appropriate.

If a Scheme is low in cash and/or has significant illiquid assets, then a large redemption may mean that there is not enough cash to pay the exiting unitholder on the day of the redemption.

It is considered the exercise of discretion in determining cut-off times reasonable as it:

- Allows sufficient time for processing applications and withdrawal requests; and
- Ensures an equitable process that treats all unitholders of the same class equally and unitholders of different classes fairly.

All applications/redemptions deemed effective for a particular day receive the unit price effective for that day.

4.2 Forward pricing

Unit prices for applications and withdrawals are determined based on forward pricing. Forward pricing is when applications and redemptions of units are processed using a unit price based on NAV data effective after the application/redemption request has been received.

4.3 Distribution Reinvestment Plans (DRP)

In most cases the Governing Documents of each Scheme provide information about the Scheme's DRP that may be in operation including details about the date of the election into the DRP, date of the income entitlement and the date that the reinvestment price is calculated. It is considered that each Scheme's reinvestment process does not materially disadvantage any particular investor.

5. Backdating unit prices

Backdating occurs when a transaction is processed two or more business days after the Effective Date of the application or redemption request. Transactions may be backdated where necessary to ensure that the transacting investors receive value for the appropriate Effective Date consistent with obligations to the investor as outlined in the Governing Documents of the relevant Scheme.

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 Scheme. Impacts of backdating are not borne by the transacting investor but are borne by non-transacting investors. To ensure fair treatment of all unitholders, the occurrence of all backdating will be monitored and assessed to determine whether compensation is required to be paid to the Scheme.

For the purpose of determining a material loss, a minimum basis point impact per transaction has been allocated to each asset class at which funding will occur. This is based on the Net Asset Value (NAV) of the scheme on the transaction date when the backdated transaction was included in its value:

Asset Class	Minimum basis point threshold for funding
Cash	5 basis points
Fixed Interest	10 basis points
All other assets	30 basis points

6. Suspension of Unit Pricing

The suspension of unit pricing and/or the processing of applications and redemptions will be considered when the view is formed that the valuation of a Scheme's assets or liabilities cannot be reasonably calculated and may produce an inequitable outcome for unitholders.

Suspension of the calculation of unit prices and/or the processing of applications and redemptions will be considered during certain circumstances, including but not limited to:

- When there is a significant market event (defined as a drop of approximately 10% in a relevant share market, or the prolonged closure of, or trading restriction on, a share market or foreign exchange market, e.g. 3 days or more);
- When there is a disruption to the IT environment or infrastructure necessary to calculate a reliable estimate of the value of assets, liabilities or unit prices;
- When force majeure events mean that a reliable estimate of the value of assets, liabilities or unit prices valuations cannot be determined;
- When there are issues relating to satisfying a withdrawal request by investors to redeem their units (e.g. when there are liquidity constraints or it is not in the best interests of other unitholders as a whole);
- When not to do so may cause NMFM or IAML to commit or participate in an offence at law; and
- When a material amount of securities, by value, in the Scheme cannot be reliably valued and the price would be potentially unfair between unitholders (including transacting investors).

Calculation of unit prices and/or the processing of applications and redemptions will resume when appropriate values of assets, liabilities and unit prices can be determined that will produce an equitable outcome for all unitholders. When resumption of unit pricing occurs, suspended transactions will receive the next available unit price.

NMFM will maintain appropriate communication with the relevant RE Board, internal and external stakeholders. The NMFM and IAML will maintain appropriate communication with investors, advisers and regulators during any suspension period.

7. Error rectification

Unit pricing errors or errors that have a unit pricing impact are rectified in accordance with the NMFM Unit Pricing Error Compensation Policy ("Compensation Policy") and the Unit Pricing Compensation Calculation Methodology ("Compensation Methodology"). The Compensation Policy and Compensation Methodology have been drafted in accordance with the relevant standards and guidance notes issued by the Financial Services Council (FSC) and ASIC/APRA:

- FSC Guidance Note No.51; and
- ASIC/APRA Unit pricing: Guide to good practice (RG94).

8. Interactions with related documents

The documents listed below support this Policy.

BNP Paribas Securities Services – Unit Pricing Policy	FSC Guidance Note No. 51: Errors in Pricing/Crediting Rates When Determining Scheme Interests – Correction and Compensation
NMFM Asset Valuation Policy	ASIC/APRA Unit pricing: Guide to good practice (RG94)

NMFM Unit Pricing Error Compensation Policy	FSC Guidance Note No. 48: Scheme Pricing
Unit Pricing Compensation Calculation Methodology	

9. Compliance with this Policy

This Policy sets out the minimum standards required. In addition to meeting the minimum requirements of this Policy, you will also need to comply with any local or entity specific requirements, policies, and procedures where they exceed the requirements of this Policy. Where other obligations are inconsistent with this Policy, these inconsistencies should immediately be referred to the Policy Owner.

Where there are specific jurisdictional requirements, and these differ to the Policy requirements, the following approach must be adopted:

- Where specific jurisdictional requirements exceed the Policy, the jurisdictional requirements are to be adhered to in addition to the NMFM Unit Pricing Discretions Policy requirements;
- Where specific jurisdictional requirements are less onerous than outlined in the NMFM Unit Pricing Discretions Policy, the requirements of the Policy must be adhered to;
- Where specific jurisdictional requirements are inconsistent with the NMFM Unit Pricing Discretions Policy, this is to be escalated and reported to the Policy Owner; and
- Generally the more conservative of the two – Policy or jurisdictional requirement – is adopted.

Failure to comply with the Policy poses regulatory risk to AMP in both Australia and abroad and can result in both civil and criminal penalties as well as reputational and other damage.

Any instances of non-compliance with this Policy should be treated in accordance with the [Incident, Issue and Breach Management Policy](#).

Where you have a concern that a serious breach of this Policy has occurred or will occur, and that pursuing your concern through the normal channels will be personally damaging, you should report your concern in accordance with the [Whistleblowing Policy](#).

10. Terms and conditions

This Policy does not form part of any contract of employment or engagement and does not give rise to any contractual obligation by the AMP Group. This Policy may be amended, replaced or revoked at any time by AMP at its discretion.

11. Definitions

In this Policy, words and phrases have the meaning provided below.

	•
AMP Investments	• Refers to the AMP Investments business group, which is responsible for managing registered and unregistered schemes of which NMFM is investment manager.
Custodian	Refers to BNP Paribas Fund Services Australasia Pty Ltd (ACN 002 655 674) trading as BNP Paribas Securities Services (BNP) or any other entity appointed to administer and provide custodial, accounting and unit pricing services for the Schemes (appointed Custodian).
Scheme	Refers to a managed investment scheme registered with ASIC, any fund, asset or group of assets under management or an unregistered trust for which a Responsible Entity or Trustee has governance, management and operational responsibility.

Governing Documents

Refers to the constitution, offer document or other governing documents of each Scheme.
