

# Unit Pricing Discretions Policy

30 September 2019

Issued by Colonial First State Investments Limited ABN 98 002 348 352 AFSL 232468.

This Policy has been prepared to comply with Class Order 05/26 as varied by Class Order 05/1236 for Funds registered before 1 October 2013 and for Funds registered on or after that date; Instrument 2015/847 issued by the Australian Securities & Investments Commission and Class Order 13/655.

## Legal Disclaimer

This Policy only relates to Colonial First State Wholesale Index Funds and is current as at the date of issue. When referring to this Policy, you should ensure that the copy you are referring to is the most recent version available from CFS. This Policy does not form part of any product disclosure statement or information memorandum and should not be relied upon by investors when making investment decisions in relation to the funds specified in this Policy.

## Contact Us

If you have any queries in relation to this Policy or you require further information, you can contact us by:

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In this document we refer to	As
Colonial First State Investments Limited	Colonial First State, CFS, we, our or us
Product Disclosure Statement	PDS
Net Trust Value	NTV
Funds	Colonial First State Wholesale Indexed Australian Bond Fund Colonial First State Wholesale Indexed Global Bond Fund Colonial First State Wholesale Indexed Property Securities Fund Colonial First State Wholesale Indexed Australian Share Fund Colonial First State Wholesale Indexed Global Share Fund

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## 1. Purpose of the Unit Pricing Permitted Discretions Policy

The purpose of this Unit Pricing Permitted Discretions policy is to outline:

- the methodology used to calculate the unit prices for the Funds
- the discretions that we are allowed to exercise that affect the calculation of the unit prices of the Funds;
- the circumstances in which we may exercise the pricing discretions and our policy on how we propose to exercise the discretions.

## 2. Unit Pricing Methodology

The entry and exit prices of units is calculated by taking the total value of Fund assets less Fund liabilities (“Net Trust Value”) at the valuation time, dividing it by the total number of units on issue and then adjusting the prices (where applicable) to include an allowance for transaction costs.

The unit price for a Fund will change according to changes in the Net Trust Value and the total number of units on issue for that Fund.

Investments and switches into a Fund are processed using an entry price (generally the unit price is increased for the transaction cost allowance).

Withdrawals and switches out of a Fund are processed using an exit price (generally the unit price is decreased for the transaction cost allowance).

The methodology described above allows us to exercise certain discretions in the calculation of the unit prices of the Funds. The circumstances in which we may exercise these discretions and our policy on how we propose to exercise these discretions are set out below.

## 3. Unit Pricing Frequency

Under each Constitution, CFS may calculate the Net Trust Value as at any time. This is not limited to once a day. Our policy is to calculate unit prices on each NSW business day as at the close of trading of all markets on that day. This ensures that investors are transacting using prices that have been calculated using the most recently available investment valuations. The policy is consistent with ordinary commercial practice and is reasonable.

In some circumstances, including, but not limited to, market suspension, restrictions, closure or in case of an emergency we have the power to suspend the calculation of unit prices.

Instructions for withdrawals and switches out of a Fund that we receive during a period of such suspension will be deemed to have been received immediately after the suspension has been lifted.

We will not accept investments and instructions for switches into a Fund that we receive during a period of such suspension and will return the money to investors. This is consistent with ordinary commercial practice and is reasonable.

## 4. Transaction Cut-Off Times

### **All Funds (other than suspended, illiquid or terminated Funds)**

We have the discretion to nominate transaction cut-off times by which investment and withdrawal requests need to be received in order to receive the next determined unit price.

Our current policy is that if we receive any valid investment or withdrawal request by the relevant transaction cut-off time (Sydney time) on a NSW business day, the investor will receive the next determined unit price.

For funds received electronically, the unit price used will be the one effective the date we receive the funds in our bank account.

Any valid transaction requests that we receive after the relevant transaction cut-off time will be processed using the next applicable unit price.

Details of transaction cut-off times are set out in the relevant PDS or Information Memorandum. For closed Funds, you can obtain details of the relevant transaction cut-off times by contacting CFS.

The relevant transaction cut-off times are reasonable in the circumstances as they allow reasonable time for processing investments and withdrawals and are in accordance with ordinary commercial practice.

### **Suspended Funds**

In some circumstances we have the power to suspend the processing of withdrawals, switches or investments.

Instructions for withdrawals or switches out of a Fund that we receive during any period of suspension will be processed using the next determined unit price after the suspension has been lifted.

We will not accept investments or instructions for switches into a Fund that we receive during any period of suspension and will return the money to investors.

### **Illiquid Funds**

When a Fund is illiquid, withdrawal requests may only be processed in accordance with the terms of a withdrawal offer as required by the Corporations Act or otherwise as permitted under applicable ASIC relief. The unit price used to calculate this payment will be the one determined at the time the payment is made.

We will not accept investments or instructions for switches into a Fund that is illiquid and will return the money to investors.

### **Terminated Funds**

CFS has the discretion to terminate a Fund at any time, subject to the requirements under the Corporations Act.

We will not accept instructions for withdrawals and switches out of a Fund that is terminated after the termination date. Instead, after the termination date the net proceeds are redeemed and returned to investors following the liquidation of assets.

We will not accept investments or instructions for switches into a Fund that is terminated and will return the money to investors.

## 5. Valuation of Assets

We are required to value the assets of a Fund in accordance with market value or net fair value or such other value that we determine is appropriate to the nature of the assets as specified in the constitution of the relevant Fund. Valuations will be determined by an independent valuer or another method which we decide to adopt as long as it is capable of being independently verified. Assets acquired are valued at cost until revalued.

We calculate unit prices on each NSW Business Day using the most recently available valuation of each asset on that day. The valuation of assets that are traded on financial markets are generally based on information provided to us by independent third party providers. We may get pricing information from more than one source to validate that prices are accurate.

Where no independent external price source is available or where we do not consider that the value provided by the external pricing source is fair value, we will use a “fair value” price for an asset.

Fair value pricing is the process of determining a value for those securities for which market prices are not readily available. Generally, prices are considered readily available if the exchange or market where the security trades is open and actively trading. For certain instruments, chiefly fixed income securities, exchange trading does not apply, and alternative determinants of market price such as broker quotations are used. For marketable securities, CFS will rely on industry standard pricing vendors who use a variety of techniques to establish market prices. Private placements or securities issued with trade restrictions typically require evaluation under a fair value process. Where a significant market event occurs which prevents CFS from obtaining asset valuations, CFS may choose to suspend pricing or use a fair value methodology to derive an asset price.

CFS considers that its policies on the exercise of discretions in respect of valuations are reasonable, meet Australian Accounting Standards and are in accordance with ordinary commercial practices.

## 6. Management Fees

CFS has the discretion to charge management fees for the management of each Fund. The maximum management fees as allowed under the constitutions for each Fund are disclosed in the most recent PDS or Information Memorandum. For closed Funds you can obtain details of the fees by contacting CFS.

Currently, management fees are reflected within the daily unit price and are calculated and paid monthly. For some Funds we have the discretion to change the frequency with which we calculate and pay management fees.

For Funds that are terminating, we may charge management fees up to the date of the final distribution.

CFS may vary the management fees charged to a Fund at any time at our absolute discretion, without investor consent, within the limits prescribed in each Fund’s Constitution. If the variation is an increase in the management fee we will provide investors with 30 days advance written notice.

The Constitution for each Fund allows for the ongoing operating expenses (such as registry, audit, regulatory, taxation advice and offer documents) to be paid directly from the Fund. CFS recovers costs related to custody, and a portion of the costs related to audit, regulation, production of the

offer document and particular transactions. The Constitution does not place any limit on the amount of the ongoing operating expenses that can be paid from each Fund.

Abnormal costs (such as costs of unitholder meetings, changes to the Constitution and defending or pursuing legal proceedings) will be paid out of the Fund.

### **Differential Fees & Rebates**

CFS may pay to an investor, from its own resources, any amounts that it, in its discretion, so determines by way of offset or rebate of fees. Such arrangements would be subject to individual negotiation, compliance with legal requirements and any applicable ASIC class orders.

## **7. Tax**

The Constitution of each Fund allows us to recover from the relevant Fund any taxes that we incur on behalf of a Fund. It is CFS policy to apply GST of 10% where applicable. The Fund will then recover any Input Tax Credit (or Reduced Input Tax Credit) entitlements.

## **8. Transaction Costs**

The Constitution of each Fund provides that CFS may adjust the entry and exit prices to include a transaction cost allowance or a "buy-sell spread". CFS has a discretion to determine whether to apply a buy-sell spread and also has a discretion in estimating the amount of the buy-sell spread.

We generally apply a buy/sell spread to all investments and withdrawals from a Fund. We review the amount of the buy-sell spread for each Fund annually against historical transaction costs and the levels of investments and withdrawals from the relevant Fund. For new Funds, estimates of the expected transaction costs are based on the assets that the Fund will invest in.

The buy/sell spread (or transaction costs) that applies to each Fund is shown in the relevant PDS. We may alter the spreads at any time.

Our policy is not to apply a buy-sell spread to:

- Distribution reinvestments
- Funds where the transaction costs incurred are minimal or zero

In the case of large investments or withdrawals, buy/sell spreads may not be charged or may reduce where no material costs are incurred (for example in-specie transfers or when a new investment coincides with a withdrawal by someone else). These instances are assessed on a case by case basis.

CFS considers that these policies are reasonable as they aim to direct transaction costs to investors who are transacting rather than other investors in the Fund and are in line with generally accepted market practice..

## **9. Rounding of Unit Prices**

CFS policy is to issue all entry and exit prices to 4 decimal places and to issue units to 4 decimal places. CFS considers this to be reasonable as it is within an acceptable range and in line with generally accepted market practice.

## 10. Register of discretions

CFS keeps a register of any situations where we exercise a pricing discretion that is not covered by this policy or where we exercise a pricing discretion in a way that is different from this policy.

CFS will only exercise such discretions where it deemed it to be in the best interests of investors.

You may request a copy of the register of discretions at no charge.