



Unit pricing and valuation policy

Issue N°: 7 – July 2023

Issued by: Evolution Trustees Limited

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Overview

Background

Evolution Trustees Limited ABN 29 611 839 519 ("Evolution") is the responsible entity of various registered managed investment schemes ("Schemes"). This document provides guidance on how Evolution will exercise the discretions permitted under the constitution of each scheme to determine the issue price, application price and withdrawal price (the policy) for a unit/interest in a scheme.

Scope

For registered managed investment schemes, this policy is designed to meet the requirements of:

- ASIC Corporations (Managed investment product consideration) Instrument 2015/847 where applicable to managed investment schemes registered prior to 1 October 2013;
- ASIC Class Order CO 13/656 'Equality of treatment impacting on the acquisition of interests';
- ASIC Class Order CO 13/657 'Discretions affecting the amount of consideration to acquire interests and withdrawal amounts' for a scheme that became a registered scheme on or after 1 October 2013;
- ASIC Class Order CO 13/655 'Provisions about the amount of consideration to acquire interests and withdrawal amounts for a scheme that became registered on or after 1 October 2013';
- Financial Services Council ("FSC") Standard No. 17; and
- Joint ASIC and APRA Unit Pricing Guide to Good Practice (ASIC RG94).

These class orders and instruments provide Evolution with the flexibility to set the consideration to be paid for interests and determine a matter that affects the method or formula used to calculate the unit price of Evolution's schemes (discretion) where the conditions under the class orders or instruments (as the case may be) have been satisfied. This includes the documentation of Evolution's policy on the discretions permitted under the constitution of each scheme.

The policy sets out the circumstances in which the Evolution's discretion may be exercised and aims to ensure that:

- issue prices and unit prices are calculated so as to treat unitholders of the same class fairly and equitably;
- the process of calculating unit prices is documented, transparent and consistently applied; and
- the methodologies adopted are reviewed at appropriate intervals and revised annually or as necessary to meet commercial and regulatory requirements.

The exercise of any discretion is subject to the general duties of a responsible entity under Section 601FC of the *Corporations Act 2001*, 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.

Our responsibilities

The discretions permitted under the constitution of each scheme are exercised by Evolution, at its absolute discretion. Although the functional elements of the unit pricing process are generally carried out by a third party appointed by Evolution, Evolution cannot outsource its responsibility to scheme members regarding the calculation of unit prices. The ultimate responsibility for ensuring that unit prices are determined appropriately lies with Evolution. Evolution Trustees has in place, appropriate monitoring processes in relation to both the service providers and the unit pricing function.



Unit pricing - unlisted registered managed investment schemes

How are unit prices calculated?

Issue Prices, Application Prices and Withdrawal Prices

The formula(s) to be used for calculating an issue price are set out in the scheme's constitution. For the most part this is a fixed dollar amount for issue prices.

The application or withdrawal price is generally determined by a formula. Generally, this formula involves dividing the net asset value by the number of units on issue having regard to any transaction costs which may be permitted by the scheme constitution and PDS or Information Memorandum.

If the constitution permits classes or series of units then a formula will also be stated in the constitution outlining how the application or withdrawal price for each class or series is calculated. Generally, this formula involves dividing the net asset value referable to that class or series by the number of units in that class or series taking into account any transaction costs which may be permitted by the scheme constitution and PDS or Information Memorandum for each specific class or series.

What type of discretions may we exercise?

Evolution has identified the following discretions that it may exercise in determining unit prices:

- the method for determining the value of assets and liabilities of a scheme;
- estimating an allowance for transaction costs and/or modifying the disclosed transaction cost amount;
- determining entry, exit or switching fees;
- allocating assets and liabilities between classes;
- rounding unit prices and units (either up or down);
- determining a time at which assets and liabilities are valued; and
- determining a time at which unit prices are determined.

Are our discretions reasonable?

This policy has been developed having regard to generally accepted commercial practice and industry standards published by:

- Financial Services Council (FSC Standards 8 and 17);
- Australian Securities and Investments Commission (RG94); and
- Australian Prudential Regulatory Authority.

Consequently, Evolution considers that it has a reasonable basis upon which to exercise the discretions detailed in this policy. Evolution aims to act reasonably in exercising any discretion and with the aim of seeking to achieve equitable and fair outcomes for investors.

Further details as to how we may apply our discretions are set out below.

What records will we keep?

In accordance with the class orders set out above, Evolution will retain the policy for seven years after the policy ceases to be current.



Evolution will also retain for a period of seven years, all documentation relating to circumstances where the exercise of its discretion are not covered by this policy or involve a departure from this policy.

What if a discretion is not in the policy?

In the event that Evolution decides to exercise a discretion for which there is no documented policy current at the time of that discretion being exercised or in a manner that involves a departure from this policy, Evolution will prepare a document which at a minimum sets out the following:

- the date on which the discretion was exercised;
- if the discretion was exercised by a nominee, the identity of the nominee;
- how the discretion was exercised (including any methodologies applied);
- an explanation as to why it was reasonable to exercise the discretion in the manner that it was exercised; and
- if the discretion was exercised in a way that was not consistent with the scheme property being valued in accordance with ordinary commercial practice, an explanation as to why it was impracticable to do so.

Our discretions - the policy

In this section we set out how we will generally exercise our discretions in calculating the application price and withdrawal price for an unlisted registered managed investment schemes for which we act as responsible entity.

Transaction costs

Transaction costs are the costs associated with acquiring and selling assets (these are generally referred to as a buy/sell spread). Transaction costs are not fees paid to the responsible entity as a fee but are generally added to an application unit price or deducted from a withdrawal unit price so that the amount remains in the scheme for the benefit of the existing/remaining unit holders. If a transaction cost is charged, the amount will be specifically detailed in the PDS or Information Memorandum or the method for deriving them will be disclosed therein.

The responsible entity can exercise its discretion by reducing or waiving the transaction costs detailed in the PDS or Information Memorandum. 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 or the application relates to a distribution reinvestment) Evolution may waive or reduce the buy/sell spread. Any decision to waive and/or reduce the stated amount of a buy/sell spread will be treated as a departure from this policy and documented as a departure.

Determining the value of assets and liabilities for a Scheme

A scheme's constitution generally provides Evolution with certain discretions as to how we determine how the assets and liabilities of the scheme are valued including the valuation methodology and the timing of the valuation.

The assets of the scheme include all investment assets, capital, income property and rights of the scheme, however, generally exclude application monies which have not yet been unitised.

Scheme liabilities include, but are not limited to, both management and performance fees and other expenses properly incurred by the responsible entity such as custody, administration, audit costs, postage and the preparation of tax returns.

Where Evolution appoints a third-party administrator, Evolution ensures that the administrator has its own



policies governing the valuation methods and sources to be used for the valuation of assets and liabilities of a scheme. These processes are agreed with the responsible entity at the establishment of the scheme and any changes thereto will be agreed with Evolution prior to their implementation.

Situations may eventuate which necessitate a departure from the outsourced provider's stated valuation policies. Examples of situations which may give rise to the need for such a departure include, but are not limited to:

- the occurrence of an event or market disruption which means that the last price or valuation obtained may not reflect the fair value;
- a corporate action event that impacts the market price in a way that means that the price obtained using the agreed/stated methodology does not represent a fair value of the asset; or
- the most recent price is stale, or the asset is infrequently traded and there is evidence/information available in the market regarding the asset, which supports the stale price not being reflective of fair value.

Any departure from the outsourced provider's policies governing valuations agreed with the responsible entity at establishment of the scheme will be treated as a departure from this policy and documented accordingly.

Determining entry, exit or switching fees

The scheme constitution may permit the responsible entity to charge investors entry, exit or switching fees. These fees may be deducted from the application money or withdrawal amount to reasonably reimburse the responsible entity for the cost of administering entry and exit from a scheme. Where these fees are allowed for in the constitution of a scheme they will generally be stated as a specified percentage, although the responsible entity may accept lower fees.

You can find out what the entry, exit and switching fees are by referring to the relevant scheme's PDS or Information Memorandum. Any changes to these fees will be communicated to investors in accordance with regulatory requirements.

We may use our discretion to reduce or waive the fee stated in a scheme's PDS or Information Memorandum. It is not possible to describe a precise methodology on how the entry, exit and switching fees are determined, however, the amount of entry, exit or switching fees charged depends on market practice and competition.

Any decision to reduce or waive an entry, exit or switching fee will be treated as a departure from this policy and documented accordingly.

Allocating assets and liabilities between classes and series

The constitution of a scheme may contain provisions that permit Evolution to issue different classes and series of units. This will require assets and liabilities to be allocated between the different classes and series of units in order to ensure that the net asset value of each class or series is accurately determined, so as to permit the application price and withdrawal price of each class or series of units to be calculated.

Where there is more than one class or series of units in issue, we will allocate all assets and liabilities of a scheme between each unit classes and series in issue. The allocation will be done so as to ensure all assets and liabilities are allocated between the classes fairly in accordance with the scheme's Constitution and PDS or Information Memorandum.

Rounding unit prices and units

The scheme's constitution will generally provide Evolution with the discretion to round units and unit



prices. These will be rounded up or down to the number of decimal places specified in that scheme's Constitution or as determined by Evolution in accordance with market practice and any regulatory requirements. Where rounding results in fractions of units that are not allocated to members, any excess will remain in the relevant scheme at all times.

We consider this approach to be both reasonable and appropriate on the basis that it can be consistently applied when determining the price of a unit and the number of units on issue and is consistent with current market practice.

Determining a time at which unit prices are calculated

Evolution will generally have discretion under a scheme's constitution to determine when unit prices are calculated. Evolution has exercised its discretion to determine that the unit price of each scheme will generally be calculated daily, weekly or monthly or as stated in the scheme's PDS or Information Memorandum. Where prices are calculated less frequently than daily, Evolution will calculate them at least as frequently as scheme interests are transacted.

Where the valuation and pricing frequency is other than daily i.e. the valuation and pricing frequency is weekly or monthly, we may exercise our discretion to allow additional valuation points. Any departure from a scheme's specified valuation time in the PDS or Information Memorandum will be treated as a departure from this policy and must be documented accordingly.

Market convention provides that unit prices can be struck using either historical or forward pricing:

- Forward pricing - applications to buy and sell units are processed using a price based on asset data effective after the applications have been received.
- Historical pricing - applications to buy and sell units are processed using a price calculated prior to the receipt of applications.

Our general convention is to use forward pricing, any deviation from this will be disclosed in the scheme's PDS or Information Memorandum.

When using a forward pricing methodology, a cut-off time must be applied to determine which transactions will receive a particular unit price. Cut-off times are set out in each scheme's PDS or Information Memorandum. Cut-off times are applied to the time when the transaction is received and accepted by Evolution.

Applications or withdrawal requests received before the cut off time on a pricing day will receive the relevant price for that day. Transaction requests received after the pricing cut-off time are processed using the unit price calculated for the next pricing day following the receipt of the transaction request.

There may be circumstances, where Evolution determines that the value of a scheme's assets or liabilities cannot reliably be calculated and to process transactions would give rise to inequities between transacting and non-transacting unit holders. Should such a situation eventuate Evolution may determine that it is in the best interest of unit holders to suspend the calculation of unit prices. Any decision to suspend unit prices will be treated as a departure from this policy and documented accordingly.

Applications and redemptions received during the period of suspension will be processed using the unit price applicable on the first pricing day after the conclusion of the suspension period.

Determining a time at which assets and liabilities are valued

Evolution will generally have discretion under a scheme's constitution to determine when the scheme's assets and liabilities are valued. The frequency with which assets and liabilities are valued is dependent upon the nature of the assets of the scheme, but will generally be at a time following the cut off time for the receipt of applications and withdrawals (i.e. on a pricing day).



Evolution may exercise its discretion to calculate the value of the assets and liabilities of a scheme:

- more frequently (but no more than once a day) or less frequently, if there is a significant market movement or another event which causes us to believe that the value of the assets or liabilities (as the case may be) may not be appropriately reflected in the most recent valuation of the assets and liabilities or if required by the scheme administrator;
- more frequently than once a day, if there is a substantial change in the character of the scheme or if required by the scheme administrator; and
- at a different time, interval, if required by the scheme administrator or if there is a change in the nature of the assets of the scheme which necessitates such a change.

Evolution considers that this policy as it relates to the time at which the value of assets and liabilities of a scheme is determined is reasonable on the basis that:

- it ensures scheme assets are valued at regular intervals appropriate to the nature of the assets;
- it generally corresponds to the processing of applications and withdrawal requests; and
- it is consistent with current market practices relating to the valuation of assets and liabilities.

Performance fees

When performance fees are allowed for in a unit price, the fee must be calculated in accordance with a scheme's constitution and offer document. Generally, a performance fee will only accrue into a scheme's unit price when:

- during or at the end of a relevant performance period the performance of a scheme has exceeded the agreed performance hurdle set out in a scheme's constitution and/or offer document;
- it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the anticipated outflow; and
- where applicable, any underperformance for any previous performance period has been recovered by the performance in the current performance measurement period.

Errors

A unit pricing error in the unit pricing process occurs when the value of the unit does not change as it should. A unit pricing error could be due to a various number of factors, including erroneous fees or spreads, incorrect tax allowances or processing error.

Where a unit pricing error is identified, Evolution's policy is to deal with the error and any compensation which may be paid to affected unit holders in compliance with ASIC Regulator Guide *94 Unit Pricing: Guide to Good Practice*; FSC Standard No. 17; and any other relevant industry standards current at the time the error is being assessed.

Evolution Trustees will conduct an analysis to determine if an error is compensatable or not (see Appendix 1). The standard of materiality for a pricing error must be no more than 0.3% of the price of the unit. Where Evolution Trustees has financially benefited from an error, Evolution Trustees must pay compensation such that Evolution Trustees does not retain the financial benefit.

Evolution Trustees maintains a documented record of unit pricing errors. The record is periodically analysed to identify possible trends and underlying compliance issues.

Evolution Trustees' senior management will decide the appropriate and relevant communication regarding a unit pricing error on a case by case basis.



Unit pricing - listed registered managed investment schemes

How are unit prices calculated?

The formulas to be used for calculating the issue price of a scheme are detailed in the scheme constitution. Generally, the issue price will be a fixed dollar amount.

Following the issue of the units in the scheme, a listed scheme will not generally undertake unit pricing for those units and provide application or withdrawal prices. All transactions in those units occur in the secondary market.

What type of discretions do we exercise when determining to issue further units?

The issue of further interests in listed schemes must be completed in accordance with the scheme's constitution, the Corporations Act, the ASX Listing Rules and AQUA Rules. Furthermore, certain class orders released by ASIC provide additional discretion when determining issue prices for certain transactions which may involve the issue of further interests. These class orders may only be relied upon where a scheme's constitution contains provisions which permit Evolution to determine the price at which interests can be acquired.

These situations may include:

- Placements
- Rights Issues
- Share purchase plans
- Forfeited interests
- Issues prices for stapled securities
- Buy-back
- Other

Where discretion is to be exercised under a class order, our policy is to ensure that the discretion is permitted under the scheme's constitution and that the relevant criteria set out in the relevant ASIC Class Order have been satisfied. Any such discretion must be documented.

What type of discretions do we exercise when determining to issue further units?

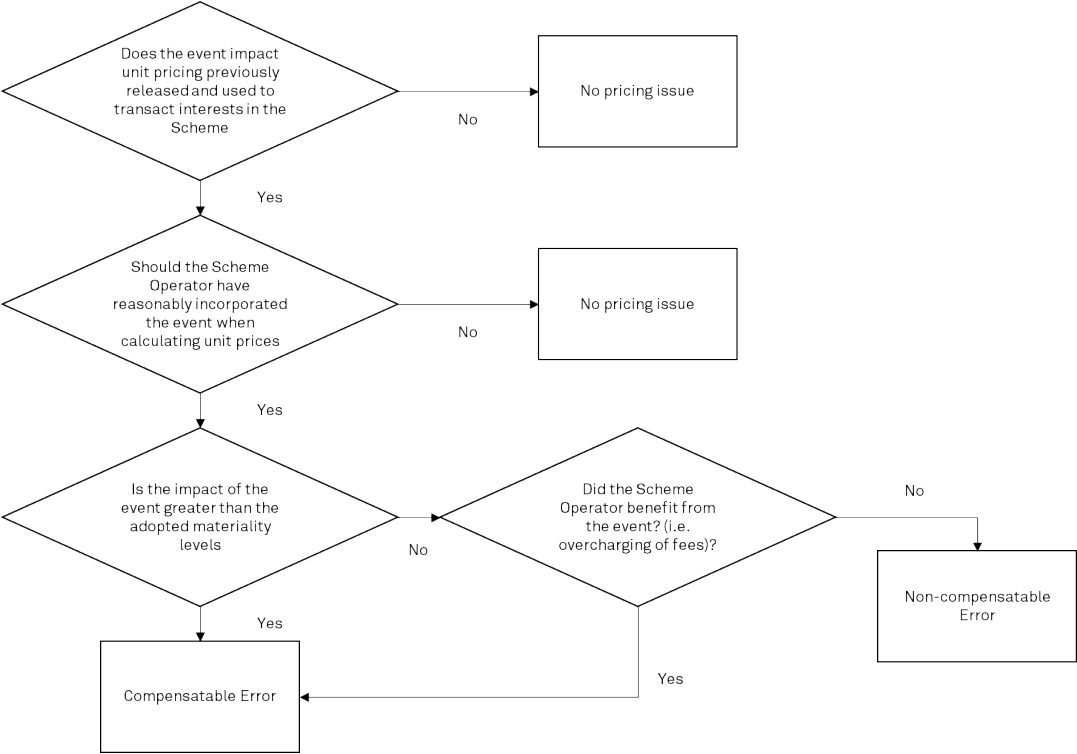
Where scheme property is required to be valued at regular intervals by the Scheme's constitution, Evolution must ensure that:

- The appointed external valuer has appropriate qualifications and experience;
- External valuations are prepared on the basis of appropriate and reasonable instructions for the purpose of determining the market value of an asset;
- The appointed external valuer appointed is independent from Evolution and free from any conflicts of interest; and
- External valuers are rotated at regular intervals.



Appendix 1

Compensation assessment



Policy Updates

How often will we update the policy?

The policy may be updated from time to time. The policy is generally reviewed on an annual basis to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes, to the extent that they are applicable. You may request a copy of the current version of the policy at no charge by contacting us on +61 2 8866 5150.

Change History

| Date | Version | Reason for Change |
|---------------|---------|---|
| August 2016 | 1.0 | Initial version |
| April 2017 | 2.0 | Review amendments |
| July 2018 | 3.0 | Review amendments |
| August 2019 | 4.0 | Review amendments |
| October 2020 | 5.0 | Review amendments |
| October 2021 | 6.0 | Review amendments |
| December 2022 | 7.0 | To reflect Compliance Plan requirements relating to Scheme Property Valuations, including reference to RG94 and AQUA. |
| July 2023 | 7.1 | Amended address |

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