

> Unit Pricing Discretions Policy



// Approved by the AMP Capital Investors' Business Risk and Compliance Committee on 3 August 2011

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Unit Pricing Discretions Policy (Policy)

1. Application of this Policy

This document is known as the “AMP Capital Investors Unit Pricing Discretions Policy” and seeks to set out the methodologies used by AMP Capital Investors Limited (AMPCI) to calculate unit prices for those registered managed investment schemes for which it is responsible entity in response to the requirements of ASIC Class Order 05/26: Constitutional provisions about the consideration to acquire interests as amended

The AMPCI Head of Product has ultimate ownership of this Policy and may vary this Policy with the approval of the AMPCI Business and Risk Compliance Committee.

The Policy seeks to ensure that:

- > issue prices and withdrawal prices are calculated and applied consistently and equitably;
- > the formula or method used is reviewed at appropriate periods;
- > AMPCI satisfies its regulatory obligations.

AMPCI has outsourced the unit pricing functions for all of its registered managed investment schemes with the exception of direct property schemes, to its external fund administrator BNP Paribas Fund Services Australasia Pty Ltd (ACN 002 655 674) trading as BNP Paribas Securities Services (“nominee”). AMPCI retains the ultimate responsibility for ensuring that unit prices are determined in accordance with this Policy.

In relation to the schemes for which the nominee provides unit pricing services that nominee will exercise each of the discretions in the manner described in this Policy on behalf of AMPCI.

AMPCI will ensure that its nominee acts reasonably in exercising those discretions and that it complies with the requirements of this Policy at all times.

All departures from this Policy will be documented with a full explanation as to why the exercise of the particular discretion or departure from this Policy was reasonable in the particular circumstances.

AMPCI notes that the exercise of any discretion is subject to the general duties of a responsible entity under section 601FC of the Corporations Act, to exercise its powers and carry on its duties in the best interests of the unitholders and to exercise the discretions with a reasonable degree of care and diligence.

2. What unit pricing discretions?

- (a) For those units in registered managed investment schemes that are quoted on a financial market, the issue and withdrawal prices are based on the market price of the units on the market. Where the constitution allows for a discount from that price by or up to an amount specified in the constitution, AMPCI will exercise that discretion in accordance with the constitution.
- (b) The constitutions for each registered managed investment scheme that are not quoted on a financial market, where AMPCI is acting as responsible entity (Constitution) generally provides that the formula to be applied in determining the issue price and withdrawal price of a unit is based on the value of the scheme assets less liabilities (being the Net Asset Value), at a valuation time, adjusted by an allowance for transaction costs and divided by the total number of units on issue.

Issue Price

$$\frac{\text{Net Asset Value (NAV) + Transaction Costs}}{\text{Number of Units in Issue}}$$

Withdrawal Price

$$\frac{\text{Net Asset Value (NAV) - Transaction Costs}}{\text{Number of Units in Issue}}$$

The number of units on issue is a known amount which does not involve any discretion being exercised by AMPCI.

Each of the remaining elements identified in the formula to determine an issue price and withdrawal price may require AMPCI to exercise its discretion.

Outlined below are explanations of the specific discretions to be exercised by AMPCI.

3. Specific areas of discretion

3.1. Determining the net asset value of a scheme

Under each scheme Constitution, AMPCI may determine the Net Asset Value (NAV) at any time, including the timing (which may be more than once a day) and may determine valuation methods and policies for each category of assets. AMPCI's valuation methodologies have been developed in accordance with relevant industry standards, such as Financial Services Council Standard No.9 *Valuation of Scheme Assets and Liabilities*. The valuation methods and policies may change from time to time.

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 at a valuation point associated with the cut off time for the relevant scheme (refer to section 3.3).

Where the underlying investments of a scheme consist of listed securities, the NAV will generally include the market close valuation of these securities for the business day prior to the given business day where available, and an index adjustment for the given business day. Indexing is based on the available weighted return of the market indices for the given business day appropriate for each scheme as determined by AMPCI.

If a fund receives gross applications or withdrawals that exceed 5% of NAV on a given business day, AMPCI will generally include the market close valuations of the fund's securities on the given business day and not apply an index adjustment.

3.1.1. Valuation methods

The asset valuation methodologies used by AMPCI to value the assets it manages are detailed within AMPCI's Asset Valuation Policy. AMPCI retains the responsibility to ensure all asset valuations are determined in accordance with the Constitution, Product Disclosure Statements (PDS) or other disclosure documents for that scheme issued to unitholders.

3.1.1.1. Provisions and accruals

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

Under each scheme Constitution, liabilities are generally defined as all present liabilities of the scheme including any provision which AMPCI decides should be taken into account in determining the liabilities of the scheme.

Liabilities generally include management fees, performance fees and other expenses, and will be accrued where they have a known value or can be reasonably estimated. Certain of a scheme's liabilities may be incapable of being given values therefore AMPCI must exercise discretion in assigning a value to them for the purpose of determining the NAV.

Asset accruals, such as income receivable for dividends, rent and interest may also be subject to estimation based on latest available information.

AMPCI exercises its discretion concerning accruals and liabilities in accordance with the relevant accounting standards and generally accepted accounting principles.

3.1.2. Allocation of scheme assets, liabilities, revenue and expenses between classes

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 (for example management fees or performance fees) is exclusive to a particular class, AMPCI will usually determine the expense applicable to each class of units independently.

3.2. Estimating an allowance for transaction costs

The transaction cost estimation process used by AMPCI to calculate applicable spreads are detailed within the AMPCI Transaction Cost Methodology Guide. This guide includes details on what is considered in estimating the transaction cost allowance.

The Constitution of each scheme provides that the issue and withdrawal prices of a unit may be adjusted by a transaction cost allowance (commonly referred to as a buy/sell spread), 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). AMPCI may, in connection with any particular application or request for withdrawal of units, deem these costs to be a lesser sum or zero.

AMPCI's method is to apply a transaction cost to ensure, as far as practicable, that any transaction costs incurred as a result of a unitholder leaving or entering the scheme is borne by that unitholder, and not other unitholders..

The buy/sell spread (which is a pre-determined estimate) is set according to the transaction costs associated with transacting the types of assets in which the scheme invests. The quantum of the spread will be influenced by AMPCI's 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 where circumstances require to ensure they remain appropriate.

In certain schemes, the buy/sell spread may be set to zero where the varying nature and costs of a transaction for a particular underlying asset make it impractical to set a standard spread. In these instances transactions costs incurred by the responsible entity are borne by the scheme in line with standard market practice for the relevant asset classes.

AMPCI has discretion to determine whether a transaction cost allowance should apply and the basis of calculating the allowance. AMPCI considers that its transaction cost methodology is reasonable as it aims to ensure equity between unitholders by applying a standard process consistently to all unitholders. Any profit or loss arising from the application of AMPCI's transaction cost methodology will be benefited or borne by the scheme.

AMPCI has the discretion to allow for a spread to be waived or reduced in circumstances where an application and/or a withdrawal request does not require assets to be bought or sold, hence no transaction costs incurred. Examples of such circumstances include:

- > an in specie asset transfer. The buy/sell spread may be waived (or reduced) if an application or withdrawal request is funded (or partially funded in the case of reducing the spread) by an in-specie transfer of assets into or out of the scheme.
- > a simultaneous purchase and redemption of units of equivalent value by different investors.

In both of these instances there is no need to buy or sell assets in the market, and hence no transaction costs will be incurred. If however, the scheme incurs costs on the transfer of assets, these will be passed on to the transacting investor.

In such instances AMPCI will fully investigate the circumstances involved prior to recommending approval or rejection of amending the standard spread. Approval will only be given when it can be shown that no other unitholder would be disadvantaged by approving the request.

3.3. Determining the cut off time for your transaction

AMPCI determines a cut off time for each scheme at which issue prices and withdrawal prices will be determined in relation to the receipt of applications and withdrawal requests and this time is usually specified in a PDS or other disclosure document.

The cut off time is generally 2pm Sydney time, although AMPCI may determine an alternative time for particular schemes where considered appropriate by AMPCI.

Applications and redemptions received before the cut-off time will be priced in accordance with the relevant constitution and offer document.

AMPCI considers 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.

3.4. Determining the frequency of unit pricing

Under each scheme Constitution AMPCI has discretion to calculate net asset values (and issue or withdrawal prices) at any time, including more than once a day.

AMPCI generally calculates issue and withdrawal prices once each Sydney business day.

AMPCI considers this method is reasonable as daily pricing is necessary for schemes subject to daily market movement and ensures an appropriate price is available for the relevant unit applications and withdrawals each business day.

Certain schemes may be priced less frequently, for example on a weekly or monthly basis. In these circumstances AMPCI consider this reasonable as the assets of these schemes are not normally expected to show significant movement within these timeframes. Scheme prices are determined at least as frequently as scheme interests are transacted.

AMPCI reserves the right to price more frequently where it deems it necessary to do so. AMPCI considers each of these methods are in accordance with standard market practice.

3.4.1. Suspension of unit pricing

There may be circumstances where AMPCI determines that the value of a scheme's assets or liabilities can not reasonably be calculated, and in these circumstances a unit price will not be determined. The principles and guidelines used by AMPCI for suspending unit pricing and/or the processing of applications and redemptions are set out the in the AMPCI Suspension Policy.

3.5. Unit rounding

3.5.1. Unit Prices

Under each scheme Constitution, the issue price and withdrawal price of the units in a scheme may be rounded as AMPCI determines up to a maximum of 1%.

AMPCI policy is to round all unit issue and withdrawal prices to 5 decimal places, with any excess being directed to the scheme. Where rounding has resulted in fractions of units that are not allocated to unitholders, any excess will remain in the scheme.

AMPCI considers this is reasonable as any rounding is within an acceptable range in accordance with ordinary commercial practice and any excess remains in the relevant scheme at all times.

3.5.1.1. Units issued or transferred

Under each scheme constitution, where any calculation performed under the constitution or the terms of a withdrawal offer results in the issue or redemption of a fraction of one unit, that fraction may be rounded up or down to such number of decimal places as the Responsible Entity determines.

Where a fraction of one unit is calculated, AMPCI policy is to round the unit issue to the nearest whole number unit.

Where a client instruction is received requesting a number of units to be redeemed or transferred, AMPCI policy is to round the number of units down to the nearest whole number unit.

3.6. Entry and exit fees that may apply to your transaction

Entry and exit fees are amounts deducted from the application money or withdrawal amount, to reasonably reimburse the responsible entity for the cost of administering entry and exit from the scheme.

Under the Constitution an entry and exit fee of 5% may be deducted from the application money and withdrawal amount although AMPCI may accept lower fees.

AMPCI generally waives this fee on both entry and exit, in circumstances where a fee is charged it will be disclosed in the relevant PDS or other disclosure document. Any change to these fees will be communicated to unitholders as required by the Corporations Act.

4. Reasonable exercise of discretion

AMPCI has formulated this Policy in line with ordinary commercial practice and industry standards, some of which are outlined in relevant guidance provided by the Financial Services Council, the Australian Securities and Investments Commission and Australian Prudential Regulation Authority. AMPCI therefore considers that it is reasonable to exercise the discretions documented in this Policy in accordance with this Policy.

5. What if our an exercise of discretion is not in this Policy or departs from this Policy?

Where AMPCI exercises a discretion where there is no documented policy current at the time or in a way that involves a departure from this Policy, a record of the event (refer record keeping below) will be kept outlining why it was reasonable to do so and by whom the discretion was exercised.

AMPCI may only depart from this Policy where it is in the best interest of unitholders to do so.

The following will be recorded in a register for all and any departures from this Policy (including where there is no documented Policy in relation to a discretion exercised by AMPCI):

- > Date the discretion was exercised and the scheme involved;
- > By whom the discretion was exercised including, without limitation, the identification of the nominee if the discretion is exercised by a nominee of AMPCI;
- > Description explaining how the discretion was exercised;
- > Explanation as to why it was reasonable to exercise the discretion the way it was exercised;
- > If discretion was not exercised in accordance with ordinary commercial practice, provide an explanation as to why it was not practical to do so; and
- > Who authorised the exercise of discretion.

6. Record keeping

AMPCI must ensure that adequate records are maintained in relation to this Policy 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.

7. Policy disclosure

The current version of the Policy can be obtained online at www.ampcapital.com.au or by contacting us on 1800 658 404. AMPCI will provide a copy of this Policy at no charge to any unitholder of a scheme or to any person who has received (or should have received) a scheme's PDS or other disclosure document where AMPCI acts as responsible entity.

In relation to any policies referred to in this Policy document, AMPCI will make a copy of the relevant policy available upon request.

8. Compliance with this Policy

All AMPCI staff are expected to comply with the requirements of this Policy.

9. Review and compliance with this Policy

The Policy may be updated from time to time.

The AMPCI Head of Product will review this Policy at least annually to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes.