

Unit Pricing Discretionary Policy

24 August 2011

Purpose of this document

This document has been prepared by Ausbil Dexia Limited (Ausbil) in relation to the registered managed investment schemes (Ausbil Funds) for which an Ausbil is the responsible entity. It has been prepared for the purposes of Australian Securities and Investments Commission (ASIC) Class Order 05/26.

This document sets out the discretions Ausbil may exercise in calculating unit prices.

This document is not a complete description of all matters affecting unit prices or investments in Ausbil Funds, and should be read subject to the Product Disclosure Statement (PDS), Incorporated Material and Constitution for the relevant Ausbil Fund¹.

Unit pricing

The application price and redemption price for units in an Ausbil Fund at any time are each calculated as the value of total assets less total liabilities of the Ausbil Fund, divided by the number of units on issue, adjusted for transaction costs.

Discretions

a. Transaction costs

Transaction costs are Ausbil's estimate of the total transaction cost the Ausbil Fund would incur to buy the assets of the Ausbil Fund (for applications) or sell those assets (for redemptions).

Ausbil bases these estimates on costs incurred historically on transactions for the Ausbil Funds, as well as its experience in buying or selling similar assets.

In some cases, Ausbil may estimate the transactions costs as being zero. For example, where Ausbil agrees that an investor is to receive assets from the Ausbil Fund instead of cash on a redemption, Ausbil may agree that there will be no transaction costs. This is because no assets will need to be sold to pay the redemption.

For an application for units, an adjustment is made to increase the unit price for transaction costs; and for a redemptions of units, an adjustment is made to decrease the unit price for transaction costs.

Ausbil believes that exercising its discretion in this way is reasonable because it ensures that transaction costs relating to applications and redemptions of units are fairly allocated to the relevant investors, and are not unfairly borne by all investors in the relevant fund.

b. Valuation time

Application and redemption prices for the Ausbil Funds are based on market prices or valuations available at the end of the business day² on which the application or redemption is taken to be received.

An application or redemption is taken to be received on a business day if it is received before the cut-off time specified by Ausbil. Ausbil has exercised its discretion to make the cut-off time 2.30pm (Sydney time) for the Ausbil Funds. An application or redemption received after the cut-off time on a business day receives an application or redemption price based on market prices or valuations at the end of the following business day. Ausbil has a discretion to change these cut-off times. If Ausbil does so, investors will be notified, usually in the next regular communication from Ausbil.

Ausbil believes that exercising its discretion in this way is reasonable because it supports the principle of forward pricing, and it ensures that investors are able to apply for or redeem units at prices that reflect the recent market valuations as closely as is reasonably practicable.

c. Rounding

Ausbil rounds application and redemption prices to 6 decimal places for all Ausbil Funds.

This is consistent with ordinary commercial practice, and is reasonable because it ensures a high degree of unit pricing accuracy.

d. Frequency of valuations

Ausbil values the assets of each Ausbil Fund daily, based on the market prices and valuations available at the end of the previous business day. In unusual circumstances, such as in times of extreme market volatility, Ausbil may value investments more than once during a business day.

For some investments held by Ausbil Funds, an up-to-date value of an investment may not be available at the end of a business day. For these investments, Ausbil may use the value most recently obtained, or may adjust that value by reference to comparable investments or movements in market indices or other factors. Ausbil believes that exercising its discretion in this way is reasonable because it ensures that valuations are carried out as frequently as is necessary to ensure that units are priced daily and are fair as between investors.

¹ For the purposes of the Ausbil Investment Trusts- Active Extension Fund, any reference to units is a reference to a class of units and any reference to Ausbil Fund is also a reference to the Retail class or Wholesale class.

² A business day is a New South Wales business day on which Australian banks are open for business excluding Saturday and Sunday.

e. Valuations

In valuing the assets of each Ausbil Fund, Ausbil uses the most recent market prices available to it at the time as at which it carries out the valuation. Where market prices are not available (for example, because the asset is not traded on a market) Ausbil will calculate the value using the best information available to it, including by reference to comparable investments. Ausbil may employ independent valuers or sources of information in determining these values.

In valuing the assets of each Ausbil Fund, Ausbil applies valuation practices which are consistent with ordinary market practice. Ausbil believes that exercising its discretion in this way is reasonable as it ensures to the extent practicable that a fair value is attributed to the assets of each Ausbil Fund and that investments are valued consistently between funds and in different periods.

f. Fees and expenses

Daily accrual

Fees charged and expenses recovered within an Ausbil Fund are accrued in the unit price on a daily basis, based on an estimate by Ausbil of the amount of the fee accrued on that day.

Management fees – fee accrual

Ausbil charges management fees for Ausbil Funds. Where the relevant Ausbil Fund's constitution provides for a maximum amount of management fees, Ausbil will generally exercise its discretion to charge a lower fee than the maximum, and the lower fee will be set out in the Ausbil Fund's PDS.

Management fees are calculated by Ausbil and are accrued in the unit price on a daily basis.

Performance fees

Where a performance fee is charged by Ausbil in relation to a particular Ausbil Fund, Ausbil calculates and accrues the fee as set out in the fund's constitution. The Ausbil Funds that charge a performance fee are set out in Appendix One.

Performance fees are calculated by Ausbil, are accrued daily in the unit price and are paid monthly.

Please refer to the PDS for your fund to determine if performance fees apply, and the way in which they are calculated.

Exercise of discretions

Ausbil believes that exercising its discretion in these ways is reasonable because it ensures that fees and expenses are fairly allocated to the Ausbil Funds and equitably apportioned as between investors in those funds.

g. Liabilities

Where an Ausbil Fund incurs liabilities other than fees and expenses, Ausbil determines the value of these liabilities based on accepted Australian accounting principles. Where a liability is payable over an extended period, Ausbil 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 Ausbil fairly amongst the affected funds. Ausbil believes that exercising its discretion in this way is reasonable because it ensures that liabilities of the Ausbil Funds are borne fairly by all investors in the funds.

h. Asset transfers

Where permitted by the Ausbil Fund's constitution, Ausbil may in some circumstances exercise a discretion to permit an investor to:

- transfer assets instead of cash in exchange for an issue of units in a Ausbil Fund
- or
- receive assets from an Ausbil Fund instead of cash on a redemption of units.

Ausbil will only exercise its discretion to do so if it believes that this will not be disadvantageous to other investors. Where Ausbil exercises this discretion, the assets to be transferred will be valued by reference to appropriate market prices and valuations to ensure that the value of the assets as closely as possible matches the cash that would otherwise have been payable.

Ausbil believes that exercising its discretion in this way is reasonable because it ensures that there is flexibility to enable investors in some circumstances to apply for units or redeem units from an Ausbil Fund by transfer of assets, while minimising transaction costs, and without disadvantaging other investors in the fund.

Suspension of unit pricing

In some circumstances Ausbil may exercise a discretion to suspend the ability of investors to redeem from an Ausbil Fund. In those circumstances, unit prices will generally not be available.

The circumstances in which this may occur include:

- a significant disruption in financial markets;
- the inability to obtain reliable valuations of assets;
- very large redemptions which may impose unreasonable tax or other burdens on remaining investors; and
- if the fund becomes illiquid.

Ausbil believes that exercising its discretion in this way is reasonable because it ensures that investors are able to apply for or redeem units at prices that reflect their actual value (as far as can be determined) and that the majority of unitholders are not disadvantaged by the circumstances in which the discretion is exercised.

Records

Where Ausbil exercises a discretion consistently with this policy, Ausbil will retain a record of the result of the exercise of discretion, but will generally not retain any other records relating to the exercise of the discretion.

Where Ausbil exercises a discretion:

- in relation to which Ausbil has no documented policy or
- in a way that involves a departure from Ausbil's documented policy,

Ausbil will retain records containing details of the exercise of the discretion.

Variations of this policy

Ausbil may vary or replace any term of this policy in relation to an Ausbil Fund without prior notice to the investors in the relevant fund. Where the variation is material, Ausbil may notify investors of the variation in writing or through our website.

Further information

If you have any questions about anything in this document or require any further information, please contact Investor Services Team on 1800 287 245, or email ausbildexia@ausbil.com.au, or post your enquiry to:

Ausbil Dexia Limited
Level 23
207 Kent Street
Sydney NSW 2000

APPENDIX - Ausbil Dexia Funds that charge performance fees

Fund	ARSN
Ausbil Investment Trusts – Australian Emerging Leaders Fund	089 995 442
Ausbil Investment Trusts – Ausbil Microcap Fund	130 664 872
Ausbil Investment Trusts – Active Extension Fund (Wholesale & Retail Class)	124 196 621
Ausbil Investment Trusts – Dexia Alpha Dynamic Fund	133 486 398