

Ausbil Investment Management

Unit Pricing Discretions Policy

August 2016

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ausbil

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The purpose of this document is to set out the approach taken by Ausbil in calculating unit prices for the Ausbil Funds and any discretions which may be applied to that process.

Ausbil Investment Management Limited (**Ausbil**) is the responsible entity (**RE**) for a number of managed investment schemes (**Funds**) set out below.

Name of Fund	Scheme Number	APIR Identifier
Australian Active Equity Fund	ARSN 089 996 127	AAP0103AU
Australian Geared Equity Fund	ARSN 124 196 407	AAP0002AU
Australian Emerging Leaders Fund	ARSN 089 995 442	AAP0104AU
Ausbil Microcap Fund	ARSN 130 664 872	AAP0007AU
Ausbil Balanced Fund	ARSN 089 996 949	AAP0101AU
Ausbil 130/30 Focus Fund – Retail Class	ARSN 124 196 621	AAP0008AU
Ausbil 130/30 Focus Fund – Wholesale Class	ARSN 124 196 621	AAP0003AU
Candriam Sustainable Global Equity Fund	ARSN 111 733 898	AAP0001AU
MacKay Shields Unconstrained Bond Fund	ARSN 611 482 243	AAP0020AU

This Unit Pricing Discretions Policy (**Policy**) has been prepared by Ausbil to outline the basis on which it determines unit prices for these Funds and circumstances where discretion may be exercised in doing so. Ausbil notes that the exercise of any discretion is subject to the general duties of a Responsible Entity (**RE**) under section 601FC of the Corporations Act, to exercise its powers and carry on its duties in the best interests of the unit holders and to exercise the discretions with a reasonable degree of care and diligence. This document is not a complete description of all matters affecting unit prices or investments in Funds, and should be read in conjunction with the Product Disclosure Statement (**PDS**), Incorporated Material (**IM**) (where relevant) and Constitution of the relevant Fund. Ausbil has outsourced Unit Pricing and Unit Registry services to National Asset Services (**NAS**) (a business unit of National Australia Bank Limited). NAS is Custodian and Investment Administrator of the Funds.

Unit Pricing

The unit price is generally calculated each Business Day based on the net asset value (**NAV**) of the Fund divided by the number of units on issue in the Fund. The NAV of the Fund includes the assets (including income accumulated since the previous distribution) less any liabilities (including borrowings and expenses). Application and withdrawal unit prices are then calculated by applying a buy or sell spread to the NAV unit price. The buy/sell spread is an estimate of the costs of buying and selling the underlying assets of the Fund. The unit price will change as the market value of assets in the Fund rises or falls. Application and withdrawal unit prices for each Business Day are available at www.ausbil.com.au. If the Responsible Entity receives an incomplete application or redemption request, the transaction request will not be processed until the Responsible Entity receives the correct documentation and will be processed using the unit price on the Business Day the Responsible Entity receives the correct documentation.

Pricing Methodology

Ausbil operates on a forward pricing model. This means that applications and redemptions are processed using unit prices calculated and published after the application or redemption has been received. The unit price for a particular Business Day¹ is generally available the next Business Day. This means that if we receive an application to invest or redeem today, before the cut off time, the unit price applicable to the application or redemption will be based on the NAV as at the close of business today, which will generally be available the next Business Day. The latest unit prices are available on our website www.ausbil.com.au, or alternatively contact our Client Services Team on 1800 287 245 (toll free).

The cut-off time to receive applications and/or redemptions is 2.30pm Sydney time on a Business Day. Unit pricing is carried out in accordance with each Fund's Constitution and this Policy. If Ausbil decide to exercise our discretion and change the current unit pricing process for a Fund, we will inform unit holders as soon as practicable by

¹ Business day means a day (other than Saturday, Sunday or Public Holiday) on which banks are open for general banking business in Sydney, New South Wales

updating this policy on the website. A copy of this Policy is available from Ausbil free of charge upon request and is on our website at ausbil.com.au

Asset Valuations

Unless the Constitution of a Fund requires valuation at other times, Ausbil arranges for the valuation of the assets of each Fund to determine its GAV each Business Day, based on the market prices and valuations available at the end of that day. Ausbil have outsourced the unit price calculations and asset valuations to NAS. NAS has an asset pricing policy which sets out the methodology by which the investments in each Fund will be valued. Ausbil believe the terms of that policy is consistent with market practice and based on sound methodology. Market-based pricing sources are used. Where an asset is not traded on the market or cannot be valued by reference to a regular market price source (e.g. a security has been suspended, new class of units from capital raising or an Initial Public Offering), Ausbil will arrange determination of that asset, based on its experience, reference to comparable investments and market knowledge. Ausbil may also use an independent valuer or other sources of information to determine the value. Valuation of assets are carried out as frequently as is considered necessary by Ausbil and is generally done on a daily basis.

Valuation of Liabilities

Where a Fund incurs liabilities, Ausbil determines the value of these liabilities based on Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Where a liability is payable over an extended period, Ausbil may make provision for the value of the liability and reduce the unit price of the relevant Fund to reflect this provision. Liabilities affecting more than one Fund are apportioned by Ausbil fairly amongst the relevant Funds. Ausbil believes that exercising its discretion in this way is reasonable because it ensures that liabilities of the Funds are borne fairly by all investors in the Funds.

Unit Price Rounding

Ausbil rounds application, redemption and mid (NAV) prices to 6 decimal places to the nearest integer, however the website, unit prices are published to 4 decimal places. All statements and all other communications are 6 decimal places.

Stale Prices

Ausbil generally applies the NAS standards for addressing stale prices. However it is Ausbil's practice to value securities on a daily (last sale) basis where the pricing is available. Where a last sale price is not available for a security after one month, Ausbil will determine the value of the asset (as described above in the section on asset valuations) and advise NAS.

Suspension of redemptions

The Responsible Entity may, in accordance with the Constitution and the Corporations Act, suspend withdrawals when the Responsible Entity believes it is in the best interests of unitholders as a whole. As each Constitution has specific provisions around suspensions the PDS outlines the specific circumstances in which redemptions can be suspended. . Furthermore, Ausbil has the right to compulsorily redeem units in the Fund in certain other circumstances, including where holding the units is in breach of law.

Exchange Rates

Where the valuation of an asset or liability of a Fund is denominated in a currency other than Australian dollars, NAS's asset pricing policy contains guidelines on the exchange rate to be used to convert the valuation to Australian Dollars.

Fees and Expenses

Fees charged to and expenses recovered from a Fund are accrued on a daily basis and are reflected in the NAV which is used to determine unit prices. These may include management fees, RE Fees and performance fees. For some Funds Ausbil absorbs expenses within its management fees and for others the expenses are charged to the Fund. This is described in detail in the relevant PDS and/or IM/AIG for each Fund.

Buy/Sell spread

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are changed or when there are net cash flows into or out of a fund. Transaction costs will be charged in the form of 'buy spread' and a 'sell spread'. The buy-sell spreads are an additional cost to you and are not a fee paid to the Responsible Entity but are paid to the Fund to ensure other unitholders are not disadvantaged by another unitholder applying or redeeming from the Fund. These costs are determined after the daily unit price is

calculated and are applied either in addition to the daily unit price (applied when a unitholder invests) or deducted from the daily unit price (applied when a unitholder withdraws).

Generally, there will be no buy spread incurred on distributions which are re-invested. The Responsible Entity has discretion to waive or reduce the transaction costs on investments or withdrawals where no, or reduced costs, are incurred. The buy/ sell spread can be changed at any time by us. The Responsible Entity will provide notification to unitholders of any changes to the buy/sell spread at www.ausbil.com.au

Distributions

The Funds generally determine distributions half-yearly or yearly (as at 31 December and 30 June), however there may be periods in which no distributions are made, or the Responsible Entity makes interim distributions. The Responsible Entity does not guarantee any particular level of distribution.

Distributions are usually paid within 14 days after the end of the distribution period.

The distributions you receive are generally assessable income and can be made up of both income and realised capital gains. Distributions are generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. This gives a distributable income amount per unit. Your distribution entitlement is then determined by multiplying the number of units held by the distributable income amount per unit. An investor who invests during a distribution period may get back some of their capital as income.

Redeeming from the Fund

Requests can be made for the withdrawal of all or part of an investment in the Fund by sending a completed Redemption Form, by fax or mail, to the Administrator in accordance with the PDS. Redemption monies will only be paid to the Australian bank account nominated by the client. Cheques and third party payments are not available. A transaction confirmation will be sent within 5 Business Days of when the withdrawal proceeds have been paid. The Responsible Entity may, in accordance with the Constitution and the Corporations Act, suspend withdrawals when the Responsible Entity believes it is in the best interests of unitholders as a whole, including where any of the following occur; the Responsible Entity has taken all reasonable steps to realise sufficient Fund assets to satisfy withdrawal requests and is unable to do so; and the Responsible Entity is unable to calculate the withdrawal price or to fairly determine the NAV due to one or more circumstances outside its control. The minimum withdrawal amount is specified in each of the Funds' PDS document. If your withdrawal request results in your remaining investment in the Fund falling below \$20,000, the Responsible Entity may require you to withdraw your entire balance. The Responsible Entity can vary or waive the minimum withdrawal amount or holding at any time. Whilst the Fund is liquid, the Responsible Entity will generally pay redemptions within 5 Business Days after processing your request, although depending on the Constitution of the Fund up to 21 days is permitted from the time of redemption for the payment to be made. The responsible entity may stagger the withdrawals in accordance with the fund's constitution. For further details on the circumstances where the Responsible Entity may delay or suspend withdrawals, please contact the Responsible Entity or refer to the Constitution, a copy of which is available free of charge by contacting the Responsible Entity. In certain circumstances, such as when there is a freeze on withdrawals, you may not be able to withdraw your units within the usual period upon request. Payment of withdrawal proceeds cannot be made to a third party. Valid withdrawal requests received by the Administrator before 2.30 pm on any Business Day will be processed using the withdrawal price next calculated for that Business Day. Valid withdrawal requests received by the Administrator after 2.30 pm on any Business Day or on a non-Business Day will be processed at the withdrawal price calculated for the next Business Day. The Redemption Form is available at www.ausbil.com.au.

Asset transfers/ In-specie Applications & Redemptions

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

- Transfer assets instead of cash in exchange for an issue of units in a Fund; or
- Receive assets from a Fund instead of cash when redeeming of units.

Ausbil will exercise its discretion to do so if it believes that this will not disadvantage other investors. Where Ausbil exercises this discretion, the assets to be transferred will be valued by reference to appropriate market prices and valuations (on the same basis as if Ausbil was valuing the assets for the purpose of determining the unit price) to ensure that the value of the assets as closely as possible matches the cash that would otherwise have been payable. All expenses of the transfer will be borne by the Fund.

Ausbil believes that exercising its discretions 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 a Fund by transfer of assets, while minimising transaction costs, and without disadvantaging other investors in the fund.

Verification and release of unit prices

Each unit price is verified for correctness by performing checks on the unit price each time a unit price is struck.

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, and the custodian and (where appropriate) the portfolio manager or underlying manager are contacted in order to gain an explanation for the unit price movement.

Record Keeping

The RE 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. If an RE departs from this policy, then the RE must prepare a document outlining:

- the date on which the discretion was exercised;
- 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.

Nominees

None of the discretions specified in this Policy, other than those involving NAS as custodian and investment administrator, are exercised by nominees of Ausbil. NAS will only exercise discretion upon receipt of an authorised instruction from Ausbil to do so.

Variations of this Policy

This policy may be reviewed from time to time.

Further information

If you have any questions about this document, please contact Ausbil Investment Management Limited

Telephone: (02) 9259 0200

Facsimile: (02) 9259 0222

Free call: 1800 287 245

Website: www.ausbil.com.au

E-mail: contactus@ausbil.com.au

This Policy will be reviewed at least annually and updated where necessary

Version Control	Document Owner
Version August 2016	Approved by ExCo 31 August 2016

Disclaimer

Ausbil Investment Management Limited ("Ausbil") is not licensed to provide financial product advice to retail clients. Any information about financial products provided in this communication (or any attachment thereto) does not constitute financial product advice to retail investors. Prospective investors should obtain independent financial advice before making any investment decision. A copy of each Fund's current PDS can be obtained from Ausbil's website www.ausbil.com.au or by contacting Ausbil on 02 9259 0200. Past performance is not a reliable indicator of future performance.



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