ausbil

Ausbil Investment Management Limited

Unit Pricing Discretions Policy

May 2025

Glossary

AQUA Rules	means Schedules 10 and 10A of the ASX Operating Rules and the corresponding ASX Procedures (as applicable) and such other rules that govern the listing or transfer of AQUA Products (as the term is defined in the ASX Operating Rules) as amended from time to time.
ASX	means ASX Limited (ACN 008 624 691).
ASX Listing Rules	means the listing rules of the ASX and any other rules of the ASX which are applicable while the Fund is Quoted, as amended from time to time, subject to any waivers granted by the ASX.
ASX Operating Rules	means the operating rules of the ASX as amended from time to time.
ASX Procedures	means the procedures of the ASX, as amended from time to time.
ASX Settlement Rules	has the meaning given to the term in the ASX Operating Rules.
Ausbil	means Ausbil Investment Management Limited (ABN 26 076 316 473, AFSL 229722) in its capacity as Responsible Entity for a Fund.
Business Day	means a Business Day on which Ausbil accepts applications and redemptions as disclosed in the PDS.
Constitution	means the constitution of each Fund, as amended or replaced from time to time.
Corporations Act	means the Corporations Act 2001 (Cth) as amended from time to time.
iNAV	means the adjusted indicative NAV per unit which gives an intra-day estimated value of the Fund or class.
Investment Administrator	means Citigroup Pty Limited
NAV or Net Asset Value	means the gross assets minus the total liabilities of a Fund, units or portfolio in question, as determined in accordance with the Constitution
PDS	means the current Product Disclosure Statement of each Fund or class.
Quoted	means quoted on the AQUA trading platform provided by the ASX or Cboe.
Responsible Entity	has the meaning defined in the Corporations Act.
Fund	means a managed investment scheme registered under the Corporations Act, for which Ausbil acts as the Responsible Entity.
Unitholders	Unitholders who invest in the relevant Fund
Unit Registrar	means SS&C Solutions Pty Ltd

Purpose of the Unit Pricing Permitted Discretion Policy

This Unit Pricing Permitted Discretion Policy (**Policy**) outlines the permitted discretions that may be exercised by Ausbil Investment Management Limited (**Ausbil**) as the responsible entity of registered managed investment schemes when making decisions that affect unit pricing.

This Policy applies to all registered managed investment schemes (**Funds**) for which Ausbil is the responsible entity.

The exercising of these discretions is permitted under the Constitution of each Fund. The Responsible Entity keeps records of the discretions, its policies and of instances where discretions need to be exercised that are not covered by the existing policies.

The exercise of any discretion is subject to the general duties of a Ausbil under section 601FC of the Corporations Act 2001 (Cth), 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 Policy does not serve as a complete description of all matters that can affect unit prices and investments in the Funds and should be read along with the respective Fund's Product Disclosure Statement (**PDS**), Additional Information Guide (**AIG**) (where relevant), Constitution of the relevant Fund and other relevant policies.

Ausbil considers that the discretion practices outlined in this Policy are reasonable and consistent with ordinary commercial practice and undertakes to exercise the discretion only where it is reasonable to do so and in accordance with this Policy.

Context

Ausbil has entered an outsourcing arrangement with Citigroup Pty Limited (**Investment Administrator**) to provide investment administration services which include portfolio valuation and unit pricing services for our Funds.

The Investment Administrator is responsible for the functional elements of the unit pricing process, including ensuring accurate unit prices are calculated in accordance with the agreed service levels and this Policy.

Ausbil has adopted the Investment Administrator's Fund Accounting Guide, Unit Pricing Guide and Accounting Tax Guide for portfolio valuation and unit pricing services of the Funds. Ausbil is ultimately responsible for the approval of unit prices.

In addition, Ausbil has entered an outsourcing arrangement with SS&C Solutions Pty Ltd (**Unit Registrar**) to provide end to end unit registry services for the Funds.

Unit Pricing Valuation and Methodology

The basis for determining the unit price of a Fund is set out in each Fund's Constitution, where it sets out the parameters for calculating the Net Asset Value (**NAV**) price, the application price and the redemption price of a Fund's units.

Generally, a Fund's NAV is its Gross Asset Value (**GAV**) minus its liabilities. The GAV means the total value of the Fund's assets (eg property, assets, income, cash etc). Liabilities of the Fund means the financial obligations or debts that the fund owes (eg accrued management fees, performance fees (if any), costs, interest, etc).

Net Asset Value (NAV) Price

The NAV price of a Fund is generally the NAV of the Fund divided by the total number of units on issue, as represented by the following formula:

$$\frac{Net\ Asset\ Value\ (NAV)}{Number\ of\ Units\ on\ Issue}$$

Application Price

The application price is the Net Asset Value of the Fund **plus** the transaction costs divided by the total number of units on issue, as represented by the following formula. This is the price used by Ausbil to calculate the number of units to be allocated to the value of an application, unless it waives or reduces the buy/sell spread (see 'Allowance for transaction costs' below).

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

Redemption Price

The redemption price is the Net Asset Value of the Fund **minus** the transaction costs divided by the total number of units on issue, as represented by the following formula. This is the price used by Ausbil to calculate the value of a redemption of units or the number of units to be cancelled in relation to the value of a redemption, unless Ausbil waives or reduces the buy/sell spread (see 'Allowance for transaction costs' below).

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

Exercise of Discretion

The calculation of Fund unit prices may require Ausbil to exercise its discretion in respect of the below areas. This Policy sets out a summary of the policies applied by Ausbil in relation to the exercise of the discretion.

- Frequency of unit pricing;
- Cut off time for applications and redemptions;
- Suspension of unit pricing;
- Unit pricing methodology - forward pricing/ historic pricing;
- Allowance for transaction costs;
- Accruals for assets and liabilities;
- Allocation of assets, liabilities, income and expenses with multiple classes;
- Asset valuation; and
- Rounding.

Frequency of Unit Pricing

Where applicable, Ausbil normally calculates a NAV price, application price and redemption price once on each Business Day as disclosed in the Fund's PDS, except where the unit price is suspended.

Under each Fund's Constitution, Ausbil may calculate the Net Asset Value of a Fund (and hence the Fund's unit price) more than once on a Business Day. Circumstances where Ausbil may calculate a Fund's unit price more than once on a Business Day, include where an ex-distribution price is calculated on a distribution entitlement date.

Cut Off Time for Applications and Redemptions

When and where units are traded through the Securities Exchange

Units can be purchased and sold when the market is open in accordance with the relevant ASX Listing Rules, AQUA Rules and ASX Settlement Rules or Cboe Operating Rules.

Where units are traded directly with Ausbil

Units can be applied for and redeemed directly with Ausbil, with the cut-off time normally 2.30pm, Sydney time, on a Business Day. Please note that the cut-off times for other administration platforms may be earlier than Ausbil's normal cut-off times.

Where instructions are received by the relevant cut-off time on a Business Day and accepted by Ausbil, units will normally be allocated at the unit price calculated for that Business Day.

Where an instruction is received after the relevant cut-off time on a Business Day, the instruction will be treated as being received on the following Business Day, unless otherwise determined by Ausbil at its discretion. The cutoff times may be changed by Ausbil at its discretion without notice, eg an earlier cut-off time will be adopted on days when financial markets have shortened trading hours.

Suspension of Unit Pricing

Ausbil may, in accordance with the relevant Constitution and the Corporations Act, suspend withdrawals when it believes it is in the best interests of the unitholders of that Fund as a whole, including, but not limited to, where any of the following occur in relation to a particular Fund:

- Ausbil has taken all reasonable steps to realise sufficient Fund assets to satisfy withdrawal requests and is unable to do so; and
- Ausbil is unable to calculate the withdrawal price or to fairly determine the NAV due to one or more circumstances outside its control.

In normal circumstances Ausbil will process a valid redemption request in full using the redemption price calculated for the Business Day. However, in some circumstances, having regard to the size of the redemption and market conditions, Ausbil may decide that it is in the best interest of unitholders that the redemption is staggered over a period of time to allow for the orderly sale of assets. Where Ausbil has decided to stagger a valid redemption request, the redemption request will be processed in parts over a period of time using the applicable redemption prices calculated on each Business Day over the staggered redemption period.

Pricing methodology – forward pricing

When and where units are Quoted, bids and offers placed on market by Authorised Participants, Ausbil as Responsible Entity or by Ausbil's appointed marker maker on its behalf, will be subject to the relevant ASX Listing Rules and AQUA Rules.

Where units are <u>not</u> Quoted and for off market transactions, Ausbil applies a forward pricing methodology to process applications and redemptions in respect of all Funds. Forward pricing occurs when transactions are processed using unit prices determined after instructions have been received.

Allowance for transaction costs

The costs associated with the buying and selling of investments in a Fund are referred to as acquisition costs, disposal expenses or simply as transaction costs. Buying and selling of investments occur in the day-to-day management of the Fund or when there are cash flows in or out of a Fund.

Transaction costs may include brokerage, bid-ask spreads in underlying securities, settlement and clearing of the assets, stamp duty, government taxes and other costs associated with the purchase or disposal of a security.

The buy-sell spread is a pre-determined estimate of the costs of transacting, which is set having regard to the costs associated with transacting the types of assets in which a Fund invests. The amount of the spread is determined based on Ausbil's experience of the costs involved in investing in the assets and an assessment of the actual costs that each Fund has incurred.

When and if a Fund is Quoted, the bid and offer prices for Quoted units incorporate the buy/sell spread and the market makers' fee.

Ausbil applies a buy-sell spread to the calculation of a Fund's application price and redemption price to ensure, as far as practicable, that any transaction costs incurred because of an investor leaving or entering the Fund is borne by that unitholder, and not by other unitholders. The buy-sell spread is retained within a Fund and no part of the buy-sell spread is paid to Ausbil as a fee.

In some circumstances, Ausbil may increase the buy-sell spread where the costs of transacting are greater than the buy-sell spread. Ausbil may waive or reduce the buy-sell spread where there are no transaction costs or reduced transaction costs associated with the purchase or sale of assets.

Some examples of circumstances where Ausbil may alter the buy-sell spread include:

- Transfer of Fund interests between unitholders;
- In-specie transfer of assets into and out of the Funds;
- Re-investment of distributions by unitholders into Funds;
- Switching between Funds which invest within the same asset class;
- Investing into unlisted securities or unit trusts which do not charge a buy-sell spread;
- Significant change in the liquidity conditions in the market as reflected through the bid/offer spreads on securities; and
- A significant cashflow in or out of the Fund occurs.

Where applicable, Ausbil may at any time review a transaction to determine whether it is appropriate to increase, waive or reduce the buy-sell spread.

The buy-sell spread is reviewed annually or more frequently as circumstances require to ensure that the spread remains appropriate. Any changes to buy-sell spreads will be updated on Ausbil's website: www.ausbil.com.au.

Accruals for assets and liabilities

Accruals for assets and liabilities other than immaterial amounts are provided for within the Net Asset Value of a Fund where they have a known value or a value that can be reasonably estimated.

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

Liabilities generally include management fees, performance fees (if any) and other expenses. Each of these expenses, if material, is accrued daily in the Fund's unit price. Ausbil reviews these accruals on a regular basis to ensure that the amounts accrued are consistent with actual expenditure. Immaterial or non-recurring or unexpected expenditure are not accrued in the Net Asset Value of a Fund. These expenses are generally paid and deducted from the Net Asset Value as soon as practicable after receipt of the invoice.

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

Allocation of assets, liabilities, income and expenses with multiple classes

In Funds where there is more than one class of units offered to unitholders, the allocation of the assets, liabilities, revenue and expenses for each class is generally calculated based on the proportion of the Net Asset Value of the Fund to which the class relates.

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

Asset valuation

The valuation of a Fund's assets is governed by the Constitution, which allows Ausbil to determine the value of a Fund's assets.

The following represents a summary of Ausbil's valuation policy in relation to a Fund's assets:

- ***Exchange Traded Assets:*** valuations of assets that are actively traded on a recognised securities exchange are generally determined by reference to the latest available market price, normally represented by the official closing price. Valuations of assets that are infrequently traded on a recognised securities exchange may be determined by reference to the latest available market information where no market price is available. The market prices are sourced by Ausbil's Investment Administrator from independent third party information providers.
- ***Non-Exchange Traded Assets:*** where assets held by a Fund are not traded on a recognised securities exchange (eg a security has been suspended, new class of units from capital raising or an Initial Public Offering), values are generally determined by Ausbil, 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.
- ***Indicative Net Asset Value (iNAV):*** when and where units in a Fund are Quoted, an iNAV will be published by Ausbil on its website at regular intervals during a Business Day. The iNAV represents an adjusted indicative value of the Fund's assets and may be updated for price movements of the Funds underlying investments through live market prices or proxy instruments where possible. The iNAV is referenced in quoting bid and offer prices in the market making process.

Rounding

Where units in a Fund are not Quoted, Ausbil rounds a Fund's price to 6 decimal places and a unitholder's entitlement to units in a Fund are rounded to 4 decimal places.

Where units in a Fund are Quoted, the bid and offer prices are rounded to 2 decimal places and units in a Fund are rounded down to the nearest whole number.

The impact to unitholders due to rounding should be negligible. Where rounding results in any excess funds or fractions of units not being allocated to a unitholder, the amount of any excess is applied to the relevant Fund.

Distributions

The distribution period for a Fund will generally be outlined in each Fund's Constitution, PDS, or other offer documents. The periods will normally be on a monthly, quarterly, half-yearly or yearly basis. However, there may be periods in which no distributions are made, or Ausbil as the Responsible Entity makes interim distributions. Ausbil does not guarantee any particular level of distribution.

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

Tax considerations in distributions

- The Constitution for each Fund governs what is included in distributable income and whether Ausbil, as Responsible Entity, can determine to distribute an amount other than taxable income.
- For those Funds which are AMITs, the distributable income is generally calculated as the attributable income (excluding non-cash items such as franking credits and other tax offsets). Where an AMIT Class Election has been made for an AMIT, the attributable income is calculated on an AMIT class by class basis. The amount to be attributed is calculated on a fair and reasonable basis. For non-AMIT Funds, distributable income is generally calculated in accordance with the Fund's constitution.
- Ausbil's policy is to generally distribute non-assessable components.

Multi-class funds

Where Ausbil offers a range of classes of units within the same Fund the calculation of distributable income for each class will reflect an appropriate allocation of income for that class. Such an allocation will include:

- allocation of gross income between the classes will ordinarily be based on a weighted average value of units on issue on the distribution date;
- a deduction from the gross income of the classes an amount reflecting their respective fees and expenses to arrive at the net distributable income.
- where a Fund has an Attribution Managed Investment Trust (**AMIT**) class election, each class will be treated as a separate entity for the purposes of calculating its taxable income.

This net distributable income is then split into the tax components on a total Fund basis (or class of unit, where an AMIT class election has been made).

Dual Access Funds

Dual Access Funds allow the same unit class to be transacted in different methods:

- Traded directly with Ausbil, via the unit registry (unlisted or not quoted); or
- Traded through the Securities Exchange, via a broker (listed or quoted).

Transactions traded through the Securities Exchange are processed immediately and there is little opportunity for Ausbil to delay the redemption process to process a special distribution for a Dual Access Fund in accordance with the process described above.

To mitigate this risk, Ausbil will review the income position of Dual Access Fund on at least a quarterly basis and consideration will be given to whether an interim distribution may be required to prevent the build-up of undistributed income or gains.

Income distributed in interim distributions

In general, only income derived during the distribution period will be distributed in interim periods or, where a Fund's predominant investment objective is around regular income, an estimate of the yield will be made to smooth distributions. Any realised capital gains will generally be retained and be distributed as part of the final distribution of the year, being for the period ending 30 June. The rationale for this is as follows:

- there is a risk that any realised gains paid out during a financial year may be offset by realised losses over the remainder of that year. This may result in interim distributions of capital gains to Unitholders being subsequently reclassified as a distribution of capital; and
- a decision to distribute a proportion of realised gains throughout a year will often be based on a 'discretion' rather than a mechanical approach (eg expectation of gains over the remainder of a financial year). This discretionary approach may require Ausbil to justify why it chose to exercise its discretion in certain situations but not in others.

Where a Fund has substantial realised gains as a result of normal trading activity

There may be periods when a Fund has significant levels of realised gains (at least 10% of the Fund's net assets). In such instances, consideration might be given to distributing a portion of these gains during an interim period.

Factors that may prompt realised gains to be paid in an interim period include:

- likelihood of substantial redemption or application activity (proportional to Fund size) over the remainder of the financial year; or
- confidence that the Fund will be unlikely to face a situation where offsetting losses are realised over the remainder of the year. The most obvious factor that would provide such confidence is the Fund having substantial amounts of unrealised gains; or
- distribution frequency, eg annual; or
- the level of realised gains may result in significant trading activity (eg to fund a cash distribution payment) and require liquidity management. Interim distributions accounting for a portion of realised gains may assist in managing their cashflow positions at the end of the financial year.

It is expected that distributing realised gains in interim distributions will be relatively uncommon. The 10% threshold is merely a guideline; exceeding this threshold does not necessitate distributing a portion of the realised gains before the end of the financial year.

Where there is a large redemption from the Fund

Consideration is given where a large unitholder redeems from the Fund if their redemption would lead to a material concentration of realised distributable income capital gains for the remaining unitholders.

As a guideline, if a single redemption, or a series of redemptions, leads to the withdrawal of more than 5% of the units on issue, or if such a series of redemptions is anticipated, Ausbil may assess the need for any of the following actions, as permitted by the relevant Constitution:

- suspending redemptions whilst assets are sold and the capital gain situation is assessed;
- paying a special distribution; or
- declaring a component of the redemption proceeds to be distributable income.

Furthermore, if we receive withdrawal requests in respect of any day, in relation to more than 20% of the units in the Fund (10% for the Ausbil MicroCap Fund), we may stagger the withdrawals in accordance with the Constitution.

Distribution Process

Interim distributions

Generally, attributable / distributable income will be based on the estimated cash taxable income (generally excluding income derived from realised gains) to be received up until the end of the month of which the interim distribution is to be made. There are exceptions where a smoothed distribution on some Funds may be pre-determined to try to provide consistency to unitholders.

These estimates are calculated by the Investment Administrator and will be reviewed and approved by Ausbil. This estimate will also include an estimate of the net funding requirement.

End of Year Distributions

Attributable / distributable income (including over / under distributions from prior years) will include all cash taxable income derived up until 30 June of the relevant year. This applies to all Funds unless Ausbil determines otherwise.

A reconciliation from accounting (ie profit/loss) income to taxable income to distributable income is completed for each Fund and provided to Ausbil for review and approval.

Once Ausbil has reviewed and approved, the attributable / distributable income and tax components for the full Financial Year, they are provided to the Unit Registrar to process. In processing the final distribution, the Unit Registrar considers the interim distributions and withholding tax (**WHT**) amounts withheld during the year.

Special Distributions

A special distribution is a non-scheduled distribution. Ausbil in consultation with the Investment Administrator will consider and determine whether a special distribution should and can be paid. Ausbil will provide an instruction to the Investment Administrator if a special distribution is to be paid.

If a special distribution is to be paid, then the distribution approval process will be completed.

Withholding Tax

Withholding tax for non-residents and for those unitholders that do not provide an Australian Tax File Number (**TFN**) is deducted at the time that income is paid from the Fund (including reinvestments). The rate of these deductions differs based on the components of income that unitholders receive, and the jurisdiction they reside in. As a result, for interim distributions, an estimate of the components needs to be entered into the unit registry by the Unit Registrar so that WHT may be calculated and deducted. This process complies with the obligations that Ausbil has under the Tax Administration Act.

Whilst every care is taken in estimating these components, there can be no certainty until the final tax position is determined for the Fund at the end of the financial year.

Ausbil's process of deducting WHT based on best estimates of the taxable components in interim distributions may mean that total WHT deducted for a unitholder during a financial year may not correspond with the amount that should have been deducted if the components were known with certainty.

Unitholders will receive a tax statement outlining the distribution/attribution and components received for the year. Unitholders will also receive a transaction statement, which will show the cash distribution received during the year, and the actual amount of WHT deducted. This will allow unitholders to lodge their tax documentation with the correct information.

Reinvesting Distributions

In respect of reinvestment of distributions, the reinvestment price is based on the NAV price. Where units are issued in relation to a distribution reinvestment, the methodology for pricing these units should ensure equity is maintained by taking into consideration equal/fair treatment of unitholders, for example, to consider situations where the distribution payment date may be different to the income entitlement date.

Where a distribution entitlement can be utilised to apply for additional units in a Fund, the election is to be made before the distribution is paid, to avoid unitholders gaining more favourable treatment compared to other unitholders. The amount of the distribution reinvested is net of any WHT deducted.

Taxation

The Funds aim to fully distribute / attribute taxable income to unitholders in the year and therefore do not pay any taxation.

Unitholders are presently entitled to, and receive distributions of, distributable income of the Fund for the relevant year, unless Ausbil determines otherwise.

Ausbil attributes the Fund's income to the unitholders (tax liability on this income is passed onto the unitholders) by way of an AMMA statement at the end of each financial year. The statements will outline the various tax components which are applicable to unitholders.

Ausbil may determine that a cash distribution is different to the tax distribution, ie the cash that is paid is different to the tax components that are distributed (attributed as part of the distribution). This would result in a corresponding adjustment in a unitholder's tax cost base.

The tax components which are attributed to unitholders are calculated by the Investment Administrator and are determined by Ausbil.

Errors and Compensation

The objective of this section is to provide a framework by which Ausbil can address unit pricing errors, including determining if and how a Fund and/or unitholders shall be compensated.

For clarification, in certain circumstances, a variation to a unit price is not considered a unit pricing error.

Unit prices are based on NAV, units on issue and transaction cost estimates. Ausbil may vary a unit price after it is initially struck where subsequent information comes to light that justifies a repricing to better reflect the correct value of the Fund. This process of adjustment to a unit price, where there is no failure in the initial pricing process, does not imply that an error has occurred, nor does it imply that a unitholder has been adversely affected in circumstances that warrant compensatory payment. In addition, from time to time, adjustments may need to be made to unit prices due to a change in methodology or policy. These adjustments are not considered to be errors where the adjustment occurs because of the consistent application of sound policy. However, if the policy is found to be inappropriate, or the application of the policy has been deficient, adjustments to unit prices may be errors requiring compensation.

Materiality

Generally, any errors relating to over payment of management fees or other fees payable to Ausbil will require Ausbil to compensate the Fund, and depending on the circumstances of the error, may require compensating unitholders who have redeemed units or applied for units in the Fund.

In relation to fee-based payments to Ausbil, any overpayment will be reimbursed to the Fund, so that Ausbil does not benefit from the error. Once reimbursed, the inflow will be assessed using the outlined materiality guidelines of this policy to determine if any additional compensation is required.

Where the error is not regarding fees payable to Ausbil, materiality will be determined according to the following factors:

- Ausbil's fiduciary duty to act in the best interests of unitholders at all times;
- the dollar amount of the error in terms of the Fund and each unitholder. No particular amount is necessarily determinative as to whether compensation may be payable, as this will depend on the particular factual circumstances and the duties of Ausbil to act in the best interests of unitholders; and
- the nature and circumstances of each error.

The Responsible Entity's obligation to unitholders will take precedence over all other considerations.

The general process of determining if an error is material will follow the materiality guide set out by the financial services industry in the following manner:

- a 0.30% materiality guide will be looked at in the first instance. If the error results in the NAV of the Fund being incorrect by 0.30% or greater, then an error may be deemed to have occurred which requires further consideration for compensation. Any amount below this threshold may be corrected via the next issued NAV. The Investment Administrator is required to provide notice of any error in the NAV; and
- if the 0.30% threshold has been triggered, then the $20 materiality guide will be used to determine if an individual unitholder is to be compensated.

The materiality tests set out above provide only guidance as to the appropriate remedial actions and the Responsible Entity will need to exercise judgement on a case-by-case basis. In some instances, a lower materiality threshold may be more appropriate. In applying judgement to determine the appropriate materiality threshold, Ausbil shall take into account:

- the type of Fund and its assets being priced;
- if the error occurs over a period of time;
- historical unit pricing errors and compensation paid, with a view to maintaining consistency;
- overall dollar value of the error, with larger dollar amounts being considered for a lower threshold; and
- the operational costs to remaining unit holders if compensation below the $20 materiality threshold is paid to redeeming unitholders.

Pricing Error

Unit pricing errors may typically arise from the following areas:

- incorrect calculation of unit prices, including spreads, multi-class and inter-funding calculations;
- incorrect calculation of a Fund's net assets included in the unit pricing calculation, including:
  - incorrect valuations of assets;
  - incorrect accrual of liabilities such as management and performance fees;
  - incorrect accrual of corporate actions, including recording of income, cost and security price adjustments;
  - incorrect and incomplete accrual of income receivable included.
- incorrect information such as units on issue included in the unit price calculation, including:
  - incomplete or inaccurate capture of unit movements; and
  - incorrect posting of cash movements to clearing accounts.
- non-compliance with:
  - the Fund's constitution or governing rules or compliance policies and procedures;
  - the Fund's offer documents;

- Australian and other applicable accounting standards;
- the Corporations Act 2001 and other relevant legislation, including taxation legislation, ASIC regulatory guides; or
- its overall fiduciary duty of protecting the interests of unitholders in Ausbil's Funds at all times.

Unit pricing errors can also arise from the action (or inaction) of outsourced service providers. When this occurs, Ausbil remains ultimately responsible for this pricing error. Ausbil may seek to recover these losses from the outsourced service provider under the terms of the relevant service level agreement.

Reporting Requirements

All unit pricing errors are to be reported in accordance with Ausbil's Incident and Breach Management Policy which sets out the process for recording and escalating incidents including where the incident is determined to be a breach and may need to be reported externally to ASIC.

Exercise of discretion

Ausbil has formulated this Policy in line with ordinary commercial practice and therefore considers that it is reasonable to exercise the discretions as documented.

Where Ausbil exercises a discretion in a manner which involves a departure from this Policy, a record of the event will be made which generally will include the following details:

- The date the discretion was exercised and the Fund(s) involved;
- Who exercised the discretion;
- A description of how the discretion was exercised;
- An explanation as to why it was reasonable to exercise the discretion the way it was exercised; and

If discretion was not exercised in accordance with ordinary commercial practice, an explanation as to why it was not practical to do so.

Record keeping

Ausbil will retain all records concerning documented policy in relation to the exercise of discretion and records of the discretions exercised outside this policy above for seven (7) years.

Policy disclosure

Ausbil will provide a copy of this document upon request and at no charge to any unitholder of a Fund and will ensure that a current copy is available to unitholders on Ausbil's website.

Compliance with this Policy

It is expected that all Ausbil staff will comply with the requirements of this document.

Version Control

Version September 2018	Approved by ExCo
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