

Unit Pricing Discretions Policy



AMP Capital Holdings Limited

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1 INTRODUCTION

This document sets out the principles used by the Responsible Entities to calculate unit prices for their registered managed investment schemes and unregistered trusts.

2 DEFINITIONS

Term	Definition
Responsible Entity (RE)	<p>refers to:</p> <ul style="list-style-type: none"> any Responsible Entity or Trustee within the AMP Capital Holdings Limited group including but not limited to: <ul style="list-style-type: none"> AMP Capital Funds Management Limited, AMP Capital Investors (New Zealand) Limited, and AMP Capital Investors Limited. National Mutual Funds Management Limited.
AMP Capital	refers to AMP Capital Holdings Limited and any of its subsidiaries, including the REs. For the avoidance of doubt this includes National Mutual Funds Management ('NMF').
Custodian	refers to BNP Paribas Fund Services Australasia Pty Ltd (ACN 002 655 674) trading as BNP Paribas Securities Services or any other entity appointed by the REs to administer and provide custodial, accounting and unit pricing services for the Scheme
Scheme	refers to a managed investment scheme registered with ASIC or an unregistered trust for which a RE is responsible for the management of
Policy	refers to Unit Pricing Discretions Policy
Governing Documents	The constitution and offer document/s of each Scheme

3 PURPOSE

The Policy is designed to meet the requirements of ASIC Class Order CO 05/26 'Constitutional provisions about the consideration to acquire interests' as amended (the class order). The class order allows AMP Capital to decide a matter that affects the method or formula used to calculate the unit price of the Schemes (the discretion) when the conditions under the class order are met. This includes the documentation of AMP Capital's policy on the discretions permitted under the constitution of each Fund.

The policy sets out the circumstances in which the RE's discretion is exercised and aims to ensure that:

- unit prices are calculated fairly and equitably;
- the process of calculating unit prices is transparent and consistently applied; and
- the methodologies adopted are reviewed at appropriate intervals and revised as necessary to meet commercial and regulatory requirements.

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

4 SCOPE

This policy applies to any Scheme for which one of the REs listed in Section 2 (collectively referred to as AMP Capital) is responsible.

5 OUTSOURCING

While the functional elements of the unit pricing process, for most Schemes, are carried out by the Custodian, the ultimate responsibility for ensuring that unit prices are determined appropriately lies with the relevant RE.

6 UNIT PRICING METHODOLOGY

6.1 Unitisation and unit pricing

Unitisation occurs when a group of investors pool their money to buy a collection of assets that are then held within a structure often referred to as a unit trust or fund. To keep track of each investor's proportional share of the assets, initially a number of 'units' are created, and each investor (unitholder) is allocated a number of units in proportion to their contribution of money to the pool. To keep track of the dollar-value of the investor's share of the assets, the units are priced at various intervals.

The calculation of a unit price is based on industry practice (Financial Services Council standards) and is generally the Net Asset Value (NAV) divided by the number of units on issue. The unit price may also include additional transaction cost factors to cover costs of buying/selling underlying assets (eg. buy/sell spreads and other entry/exit price mechanisms). In practice, NAV used in unit prices are influenced by many factors including:

- timing and frequency of asset/liability valuation;
- asset/liability valuation methodology;
- tax calculation (current tax, deferred tax); and
- processing of cashflows (e.g. which unit price to use).

In certain instances, management may use discretion and judgement within the unit pricing process to achieve fair and reasonable outcomes for unitholders. Instances where this may occur include:

- estimating an allowance for transactions costs;
- determining entry, exit or switching fees;
- determining the total NAV;
- selecting a valuation method;
- allocating assets, liabilities, revenue and expenses between classes of units;
- rounding unit prices;
- determining a time at which assets and liabilities are valued; and
- determining a time at which unit prices are calculated.

Whilst discretion and judgement are required in the unit pricing process, they need to be well-founded and exercised by appropriate staff. Where relevant, this document sets out guiding principles that should be considered in exercising discretion.

6.2 Frequency of setting and calculating unit prices

New unit prices are set daily (Sydney business day), except when the Governing Documents of the Scheme specify otherwise. When AMP Capital considers it impractical or not in the best interest of unitholders to price daily, such as Schemes holding direct property and infrastructure assets, unit pricing may be calculated less frequently than daily in accordance with Governing Documents.

AMP Capital calculates unit prices by using forward pricing. Forward pricing is when applications to buy and sell units are processed using a price based on asset data effective after the applications have been received.

The release of a unit price may be delayed if there is uncertainty as to the correctness of one of the components of the unit price. When the delay is greater than 24 hours, refer to Section 8 on Suspension of Unit Pricing.

Calculation of the unit price for listed assets occurs after the close-of-markets on the Effective Date.

6.3 Valuation

Under each Scheme's constitution, the total NAV is calculated as the value of the assets less liabilities. AMP Capital has discretion to determine how the assets are valued including the valuation methodology and the timing of the valuation. Asset valuation methodologies and policies are set out in the AMP Capital Asset Valuation Policy.

6.4 Transaction Costs

In most cases the constitution of each Scheme provides that the issue and withdrawal prices of a unit may be adjusted by a transaction cost allowance (eg. a buy/sell spread or other application/withdrawal price mechanisms), 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).

The transaction cost allowance (which is a pre-determined estimate for buy/sell spreads or an estimate of actual transaction costs associated with an identified transaction) is set according to the transaction costs associated with transacting the types of assets in which the Scheme invests. The quantum of the allowance will be influenced by AMP Capital'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 when circumstances require, to ensure they remain appropriate.

The practices of AMP Capital are aimed at ensuring that existing unitholders are not unreasonably advantaged or disadvantaged by the incoming/outgoing unitholder. AMP Capital determines whether a transaction cost allowance should apply and the basis of calculating the allowance. Any profit or loss arising from the application of the transaction cost methodology will benefit or be borne by the Scheme.

AMP Capital may allow for an allowance to be waived or reduced in circumstances when an application and/or a withdrawal request does not require assets to be bought or sold, hence no transaction costs incurred or when an application or withdrawal is advantageous to the Scheme. Examples of such circumstances include:

- an in specie asset transfer (applications and redemptions); and
- a simultaneous purchase and redemption of units of equivalent value by different investors.

Buy/sell spreads

AMP Capital may set certain Schemes' buy/sell spreads to zero when the varying nature and cost of transactions for a particular underlying asset make it impractical to set a standard spread. In these instances transactions costs incurred by AMP Capital are borne by the Scheme in accordance with the Governing Documents and in line with standard market practice for the relevant asset classes.

6.5 Management Fees

When management fees are allowed for in the unit price (i.e. the fee is deducted from the Scheme's NAV), the fee must be within the range specified in the Governing Documents of the Scheme.

Management fees allowed for in the unit price are accrued and are paid from the Scheme as frequently as specified in the Governing Documents of the Scheme.

6.6 Performance Fees

When performance fees are allowed for in the unit price (i.e. the fee is deducted from the Scheme's NAV), the fee must be calculated in accordance with the Governing Documents of the Scheme.

A performance fee is only calculated and accrued within a unit price at the end of a performance period when the performance of the Scheme has exceeded the agreed performance hurdle set out in the Governing Documents of the Scheme and, where applicable, any underperformance for any previous period has been recovered by the performance in the current period.

6.7 Unit price rounding

Under each Scheme's Constitution, the issue price and withdrawal price of the units may be rounded as AMP Capital determines up to a maximum of 1%. Unit issue and withdrawal prices will be rounded to 5 decimal places, with any excess being directed to the Scheme.

When a client instruction is received requesting a number of units to be redeemed or transferred, AMP Capital will round the number of units down to the nearest whole number unit. When rounding has resulted in fractions of units that are not allocated to unitholders, any excess will remain in the Scheme.

6.8 Verification and release of unit prices

Each unit price is verified for correctness by performing checks on the movement in the unit price relative to the fund's benchmark within specified tolerances. Unit price movements are checked for each Scheme's unit prices as follows:

- the difference in the movement in unit price compared to an appropriate market index or benchmark (where there is an appropriate market index or benchmark); and
- the unit price performance of similar products are grouped and compared.

For Schemes which are comprised of holdings in underlying trusts, the daily unit price movement is checked against the weighted movement of the underlying trusts' unit prices.

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 external trust manager are contacted in order to gain an explanation for the unit price movement.

7 APPLICATION AND WITHDRAWALS

AMP Capital 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 the offer document/s of the Scheme. Generally, the standard cut-off time is 1pm on a Sydney business day. The date applied based on these rules is known as the "transaction effective date" ("Effective Date").

AMP Capital may determine an alternative time for particular Schemes where considered appropriate. Applications and redemptions received before the cut-off time will be priced in accordance with the Governing Documents of the relevant Scheme.

If a Scheme is low in cash and/or has significant illiquid assets (e.g. property), then a large redemption may mean that there is not enough cash to pay the exiting unitholder on the day of the redemption.

AMP Capital 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.

All applications/redemptions deemed effective for a particular day receive the unit price effective for that day.

8 BACKDATING UNIT PRICES

Backdating occurs when a transaction is processed two or more business days after the Effective Date of the request. AMP Capital backdates transactions where necessary to ensure that the transacting investors receive value for the appropriate effective date consistent with obligations to the investor as outlined in the Governing Documents of the relevant Scheme.

As the price may differ between the effective date and the processing date, the backdating of a transaction may have a positive or negative impact on the Scheme. Impacts of backdating are not borne by the transacting investor but are borne by non-transacting investors. To ensure fair treatment of all unitholders, AMP Capital will monitor the occurrence of all backdating and will assess whether compensation is required to be paid to the Scheme.

For the purpose of determining a material loss, a minimum basis point impact per transaction has been allocated to each asset class at which funding will occur as below:

Asset Class	Minimum basis point threshold for funding
Cash	5 basis points
Fixed Interest	10 basis points
All other assets	30 basis points

9 SUSPENSION OF UNIT PRICING

The suspension of unit pricing and/or the processing of applications and redemptions will be considered when AMP Capital forms the view that the valuation of a Scheme's assets or liabilities cannot be reasonably calculated and may produce an inequitable outcome for unitholders.

Suspension of the calculation of unit prices and/or the processing of applications and redemptions will be considered during certain circumstances, including but not limited to:

- when there is a significant market event (defined as a drop of approximately 10% in a relevant share market, or the prolonged closure of, or trading restriction on, a share market or foreign exchange market, e.g 3 days or more);
- when there is a disruption to the IT environment or infrastructure necessary to calculate a reliable estimate of the value of assets, liabilities or unit prices;
- when force majeure events mean that a reliable estimate of the value of assets, liabilities or unit prices valuations cannot be determined;
- when there are issues relating to satisfying a withdrawal request by investors to redeem their units (eg. when there are liquidity constraints or it is not in the best interests of other unitholders as a whole);
- when not to do so may cause AMP Capital to commit or participate in an offence at law; and
- when a significant amount of securities in the Scheme cannot be reliably valued.

Calculation of unit prices and/or the processing of applications and redemptions will resume when AMP Capital can determine appropriate values of assets, liabilities and unit prices that will produce an equitable outcome for all unitholders. When resumption of unit pricing occurs, suspended transactions will receive the next available unit price.

AMP Capital will maintain appropriate communication with the relevant RE Board, internal and external stakeholders, investors, advisers and regulators during any suspension period.

10 ERROR RECTIFICATION

Unit pricing errors or errors that have a unit pricing impact are rectified in accordance with AMP Capital's Unit Pricing Compensation Calculation Methodology (the Methodology). The Methodology has been drafted in accordance with the relevant standards and guidance notes issued by the Financial Services Council (FSC) and Regulatory Guide 94: *Unit Pricing: Guide to Good Practice*.

11 MONITORING

The effectiveness of controls is assessed through the completion of regular control self-assessment by business units for operational responsibility for unit pricing.

12 RECORD KEEPING

AMP Capital 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.

13 OWNER OF POLICY

The AMP Capital Head of Product Services has ultimate ownership of this Policy.

14 REVIEW AND ASSESSMENT

The Policy may be updated from time to time. The AMP Capital Head of Product Services will review this Policy at least annually to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes.

15 REFERENCES AND OTHER RELEVANT POLICIES

Document Title	Effective Date
BNP Paribas Securities Services – Unit Pricing Policy	1 January 2014
AMP Capital Unit Pricing Compensation Calculation Methodology	31 March 2014
AMP Capital Asset Valuation Policy	4 February 2014