



Creating financial independence since 1846

Unit Pricing Discretions Policy

IOOF Investment Management Limited

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IOOF Ltd

(ABN 21 087 649 625)

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1 Overview

1.1 Introduction

The Unit Pricing Discretions Policy (“the Policy”) outlines the Group’s approach to ensuring that where unit pricing discretions exist there are policies in place to ensure that the striking of unit prices are independently verifiable.

1.2 Policy statement

The Policy has been written taking into consideration the APRA & ASIC RG 94 Unit Pricing: Guide to Good Practice and FSC Standard No. 8 (Scheme Pricing). As the Group is no longer a member of the FSC, the FSC website will be monitored regularly for any updates to their standards.

1.3 Scope and application

IOOF is referred to in the Policy as “IOOF”, “us”, “our”, or “we”.

The Policy applies to IOOF Investment Management Limited (“IIML”) and IOOF Limited (“IOOF Ltd”) or collectively as IOOF. It applies to IIML in its capacity as the Responsible Entity for registered Managed Investment Schemes (“Schemes”) and to IOOF Ltd in its capacity as Life Insurer for the Friendly Society Benefit Funds. Managed Investment Schemes and Benefit Funds are collectively referred to as Funds in the Policy.

2 General Obligations

2.1 Discretion relating to estimation of transaction costs

Transaction costs are associated with buying and selling investments within a portfolio, notably brokerage costs and stamp duty. These costs are included in the buy/sell spread applied to the Net Asset Value (NAV) or MID unit price to calculate the entry and exit prices used to finalise unitholder transactions.

The spreads which are to be applied are disclosed as a percentage in the relevant Product Disclosure Statement (PDS) and are reviewed at least annually or on the roll-over of the relevant PDS.

Where the products have direct exposure to the market, the investment professional responsible for the management of the Fund reviews the spread to ensure it is reflective of the cost of transacting in their market. For Funds that gain exposure via other unlisted unit trusts, the spread is generally calculated as a weighted average of the spreads disclosed on the underlying funds.

Where consideration for a unitholder transaction is via in-specie transfer of assets, no spread is applied to the entry or exit prices as no transaction costs are incurred.

This discretion is exercised whenever a unit price is struck. The exercise of the discretion in this way is necessary to ensure that all unitholders are treated equally with regard to the transaction costs they specifically incur, and that the spreads charged are generally equivalent to the costs incurred by the portfolio.

2.2 Discretion relating to determination of management costs

Management Costs are the fees and costs for managing/administering investments, and are incorporated into the daily unit price of each Fund. The Funds’ governing documents allow management costs to be charged up to a maximum percentage.

The PDS of the relevant Fund will detail these maximums and the actual management costs to be charged. These amounts cannot be increased by IOOF without providing 30 days prior notice to unitholders.

The amounts stated in the PDS have been selected based on an analysis of the market and to ensure that IOOF receives an appropriate return on investment.

2.3 Discretion relating to determination of other fees & costs

Other fees & costs are the fees incurred when contributions to an investment, withdrawals from an investment or switches between investments are made by unitholders. They are charged directly to unitholders' accounts, rather than included in the unit price. The Funds' governing documents allow these fees & costs to be charged up to a maximum percentage.

The PDS of the relevant Fund will detail these maximums and the actual fees and costs to be charged in the current PDS. These amounts cannot be increased by IOOF without providing 30 days prior notice to unitholders.

2.4 Discretion relating to the rounding of unit prices

As per the IOOF Unit Pricing Policy, unit prices are rounded to 4 decimal places, up or down (not truncated). Any rounding adjustment as a result of this carries forward to the following days' net asset value.

This discretion is exercised whenever a unit price is struck. The rounding process is built into the unit pricing system to ensure consistency and equity between unitholders.

2.5 Discretion relating to acceptance of instructions

Acceptance of instructions relates to the cut-off time up to which IOOF will accept valid application, withdrawal or switch requests, and will process those requests using the unit price applying to the close of business that day. IOOF will generally process these requests using the unit price applying to the following business day if they are received after the cut-off time.

The PDS of the relevant Fund will detail the cut-off times applicable to that Fund.

This discretion is exercised each business day. The cut-off times quoted in the PDS are designed so that application monies can be invested, and proceeds to cover withdrawal or switch requests can be generated in the market on the day the transactions are requested, and therefore match with the valuations used to calculate the unit price for that day. This minimises the opportunities for arbitrage.

2.6 Discretion relating to the selection of a valuation method

For further details of the valuation methods adopted please refer to the Managed Investment Scheme Asset Valuation Policy.

This asset valuation methodology has been developed in accordance with FSC Standard No. 9 (Valuation of Scheme Assets & Liabilities).

2.7 Discretion relating to selection of valuation point

Valuation point means the point in time at which a cut-off is made to value the Fund's assets and liabilities. This becomes the valuation used to calculate unit prices for that business day.

Where assets and liabilities are traded on a properly regulated market or have values that are market linked and available daily, including unlisted unit trusts, the valuation point used is the close of business of each Melbourne business day. For assets and liabilities that are valued less frequently, such as unlisted unit trusts that are priced monthly or direct property, the valuation point used is the last available valuation received.

This valuation point methodology has been developed in accordance with FSC Standard No. 9 (Valuation of Scheme Assets & Liabilities).

2.8 Discretion relating to distributions

Generally, all taxable income earned by a Fund in a financial year is to be paid out to unitholders of the Fund during that financial year. At distribution periods other than 30 June, some income (generally capital gains) may be retained in the Funds and not paid out as a distribution. This income will be held over until the 30 June distribution, however the value of this income will be reflected in the unit price.

Where a Fund has a direct exposure to the market, the Investment Professional responsible for the management of the Fund will liaise with the Investment & Accounting Services - Finance Team to determine the appropriate amount of income to be retained in the Fund, taking portfolio position and expected market conditions into account. For Funds that gain exposure via other unlisted unit trusts, generally any capital gains realised on the sale of underlying units will be retained. Capital gains that have been distributed as income from the underlying trusts will generally be paid out in the current distribution period.

This discretion is exercised whenever a distribution is paid. This will include all distribution periods other than 30 June, and will include any special distributions that may be necessary. The reason for this policy is to guard against an over distribution of income in the financial year. For example, if all capital gains were paid out at 31 December, then a market downturn occurred and capital losses were generated in the second half of the year, the Funds will be in a position of having overpaid capital gains in its distributions for the financial year.

2.9 Record keeping of discretions exercised

Record retention is an important aspect of the IOOF's business operations. IOOF has a systematic and consistent approach to the creation and management of authentic, reliable, retrievable and useable records to support business operations, activities and decisions. IOOF is required to keep records, electronically and, in some cases, in hard copy.

Where discretions are exercised outside of this Policy, a register will be kept recording the date, the discretion exercised and the reasons for its departure from this Policy. IOOF will also keep for seven years all previous versions of this Policy.

2.10 Suspension of unit pricing

There may be circumstances where IOOF determines that the value of a Fund's assets or liabilities cannot be calculated reliably, and to process transactions would give rise to inequities between transacting and non-transacting unitholders. In such circumstances, IOOF may determine that it is in the best interest of unitholders to suspend the calculation of unit prices.

Transactions received during the period of suspension will be processed using the unit price applicable on the first pricing day after lifting the suspension.

2.11 Backdating unit prices

Backdating occurs when the unit price given to a transaction is different to the most current unit price. Backdating can occur as a result of processing turnaround times and processing errors.

IOOF backdates transactions, where necessary, to ensure transacting unitholders receive appropriate value for the effective date of their application or withdrawal requests. As prices differ between the effective date and processing date, the backdating of transactions may have a positive or negative impact on the Fund. Impacts of backdating affect the NAV of the Fund, thereby potentially impacting non-transacting unitholders. IOOF monitors the backdating transactions daily and assesses whether compensation is required to be paid to the Fund in accordance with the Unit Pricing Policy.

2.12 Error rectification

Rectification of unit pricing errors follows the methodology in the Rectification and Compensation Policy.

3 Roles and responsibilities

3.1 The Board of Directors

IOOF is ultimately responsible for the application of discretions when striking unit prices or calculating distributions. IOOF must develop policies and procedures to identify and manage the risk of applied discretions associated with the striking unit prices or calculating distributions of the Funds. IIML & IOOF Ltd are responsible for the approval of this Policy.

3.2 Unit Pricing Governance Committee

The Unit Pricing Governance Committee is responsible for the review of this Policy before recommending changes to the IIML & IOOF Ltd Boards for approval.

3.3 Investment & Accounting Services - Finance

Investment & Accounting Services – Finance are responsible for the following:

- The monitoring of discretions;
- The review of any discretion prior to application, including liaising with stakeholders; and
- All discretions to be recorded and authorised by Head of Investment & Accounting Services – Finance or the Fund Accounting Manager prior to implementation.

3.4 Compliance

Incidents, breaches or likely breaches of the Policy must be reported to the compliance team to assess the significance and for reporting to the Risk and Compliance Committee (RCC) and the IIML and IOOF Ltd Boards when deemed significant or notable.

4 Policy governance

4.1 Review and approval

This Policy (and each material change to the Policy) must be approved by the IIML & IOOF Ltd Boards. Non-material changes may be approved by the Managing Director.

The Policy will be reviewed at least annually or more frequently, as required. This review ensures the document remains relevant, current and compliant with applicable laws, standards and guidance notes.

4.2 Policy owner

The Head of Investment & Accounting Services – Finance is responsible for ensuring this Policy is reviewed and updated at agreed times. If you have any comments or questions about the Policy please contact the Head of Investment & Accounting Services - Finance.

4.3 Interaction with other policies

The following policies, which are stored on the intranet should be read in conjunction with this policy:

- Unit Pricing Policy;
- Managed Investment Scheme Asset Valuation Policy;
- Compliance Policy; and
- Rectification and Compensation Policy.

5 Document Release Information

5.1 File Details

File Name	G:\IOOF\Finance\IAS\Fund Statutory Reporting\Unit Pricing Discretions Policy
Description	Unit Pricing Discretions Policy
Original Author(s)	Steven Sorraghan
Creation Date	April 2007
Current Revision Author(s)	Tara Jones, Michael Gaspert
Last Printed	25 October 2016

5.2 Revision History

Version	Revision Date	Author(s)	Revision Notes
2.0	25 October 2016		Full rewrite of policy including update format to comply with IOOF Policy template.

5.3 Release Control

Dist. No.	Release Date	Approved By	Release Notes
1.0	30 April 2007	Legal Counsel/Group Compliance/ Manager Investment & Accounting Services	First release
2.0	25 October 2016	IOOF Investment Management Limited and IOOF Ltd	Second release