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# 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 is 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. IIML in its capacity as the Responsible Entity for registered Managed Investment Schemes (“Schemes”). IOOF Ltd in its capacity as Life Insurer for the 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, custodian transaction costs and stamp duty. These costs are included in the buy/sell spread applied to the 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 investors 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 investments, and are incorporated into the daily unit price of each Fund. The Fund governing documents allow management costs to be charged up to either a hard maximum or estimated percentage.

The PDS of the relevant Fund will detail these maximums or estimates and the actual management costs to be charged. The hard maximum amounts cannot be increased by IOOF without providing 30 days prior notice to unitholders. The estimated percentages are guidelines for investors but are not fixed maximum rates.

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

This discretion is exercised each month when ICR calculations are completed, when adjustments to management fees may be made to ensure compliance with the rates disclosed.

## 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 investors. They are charged directly to investors' 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.

The amounts stated in the PDS have been selected in order to cover the cost of the commission paid to financial advisers for recommending the product. These commissions are driven by market and can be negotiated with the financial adviser.

## 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 investors.

## 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 calculated and trades approved ready for trading in the market on the following day, and therefore minimise 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 funds' 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 attributed to investors of the Fund during that financial year. At distribution periods other than 30 June, some income (generally capital and foreign exchange gains) may be retained in the Funds and not attributed to investors. This income will be held over until the 30 June distribution, however the value of this income will be reflected in the unit price.

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, as the tax components are generally not known at the time.

This discretion is exercised whenever a distribution is calculated. 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.

# 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 Fund Operations

Fund Operations are responsible for the following:

- The monitoring of discretions;
- The review of any discretion prior to application, including liaising with stakeholders; and
- All discretions outside of this policy to be recorded and authorised by the Head of Fund Operations 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 Chief Executive Officer/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 Fund Operations 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 Fund Operations.

## 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
- Tax Distribution Policy
- Compliance Policy

## 5 Key concepts and definitions

NAV: Net Asset Value

MID: The average of the bid price and offer price of a security

ICR: Indirect Cost Ratio

## 6 Document Release Information

### 6.1 File Details

<b>File Name</b>	G:\IOOF\Finance\IAS\Policies\Unit Pricing Discretions Policy2019\Unit Pricing Discretions Policy v4.01
<b>Description</b>	IOOF Unit Pricing Discretions Policy
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<b>Current Revision Author(s)</b>	Steven Sorraghan
<b>Last Printed</b>	6 May 2019

### 6.2 Revision History

Version	Revision Date	Author(s)	Revision Notes
2.0	29 August 2016		Full rewrite of policy including update format to comply with IOOF Policy template.
3.0	22 March 2018	Steven Sorraghan	Review and Update
4.0	6 May 2019	Steven Sorraghan	Review and Update

### 6.3 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	29 August 2016	IOOF Investment Management Limited and IOOF Ltd	Second release
3.0	22 March 2018	Approved by the Managing Director under delegated authority from IOOF Investment Management Limited and IOOF Ltd	Third release
4.0	27 May 2019	Approved by the Chief Executive Office under delegated authority from IOOF Investment Management Limited and IOOF Ltd	Forth release