

**Aspen Diversified Property Fund  
Unit Pricing Policy**

**Dated 20 February 2012**



The purpose of this document is to set out the formula that Aspen Funds Management Ltd (the "Manager") will use in determining the unit prices for the Aspen Diversified Property Trust (the "Fund") and how the Manager exercises its discretion on certain aspects of the calculation of unit prices.

Under the Constitution, the Manager may exercise its discretion from time to time. The Manager will exercise its discretion in accordance with the policy set out in this document, from the date of this document onwards. This document records how it will exercise such discretion.

**1. Application price**

The application price on any given day is equal to the underlying application price plus the accrued distribution applicable to the unit on that day.

**Underlying Application Price**

The Constitution of the Fund sets out the pricing mechanism for applications to the Fund.

The formula for calculating the underlying application price, as stated in the ADPF constitution, is as follows:

$$\frac{\text{Net Asset Value} + \text{Transaction Costs} + \text{Aggregated Unpaid Amount}}{\text{Number of units on issue}}$$

The Manager's discretions relevant to the application of the formula are: (1) the Manager's discretion regarding the valuation method for investment properties and Net Asset Value, and (2) the Manager's discretion regarding "Transaction Costs".

The Managers method for determining Net Asset Value is detailed in Section 3 below.

Transaction Costs for the purposes of issuing new units has the meaning given by clause 31 of the Constitution.

As permitted by clause 31 of the Constitution, the Manager deems "Transaction Costs" to be "all costs incurred in connection with the acquisition of Assets held on the Valuation Time", including capital raising costs associated with establishing the Fund which are shown separately in the accounts, but excluding those costs which have already been (or will be) included in the Manager's valuation of investment properties in accordance with this policy. The Manager is required to exercise its discretion in this manner in order to avoid counting the same acquisition cost twice (once in the value of the investment property and again in the definition of "Transaction Costs" for issuing new units).

All units are issued as fully paid and there are not expected to be any unpaid amounts.

## Accrued Distributions

On any given day the accrued distribution applicable to each unit is equal to the daily distribution rate multiplied by the number of days since the last distribution payment. The daily distribution rate is the forecast ongoing annual distribution rate divided by the total number of days in the financial year.

## Review

The Fund Accountant shall be responsible for the monthly preparation of the unit price, and retain all the records of the calculations of the price in a register.

The monthly underlying application price calculations will be reviewed and signed off (in order of availability) by the Product Manager, the General Manager of Funds Management, and the Compliance Manager.

## Rounding

The quoted application price (in Australian Dollars) will be rounded to 4 decimal places. The number of units to be issued to an investor will be calculated using the rounded application price and, in accordance with the ADPF constitution, the number of units issued will be rounded down to the nearest whole unit. Any remaining application monies following this rounding will become assets of the Fund.

## Frequency

Unit prices are determined on a daily basis using the most recent monthly management accounts as a basis together with any known changes in asset value since the last management account preparation date.

## 2. Withdrawal Price

Whilst the Fund is liquid, it can offer withdrawals in accordance with the Constitution.

Whilst the Constitution allows the Fund up to 365 days to meet any withdrawal request, the Manager aims to pay any withdrawal request within 15 days of the end of the month in which the request is received, as set out in the Limited Monthly Withdrawal Facility outlined below.

The formula for calculating the withdrawal price, as stated in the ADPF constitution and in accordance with section 601GAC(6)(a)(i) [as inserted by the ASIC class order CO 05/26], is as follows:

Net Asset Value - Transaction Costs+ Aggregated Unpaid Amount

Number of units on issue

Less:

- (a) In the case of a Partly Paid Unit, the amount of the Application Price which has not been paid; and
- (b) The Accrued Income Entitlement attributable to the Unit

The Withdrawal Price will be determined on the first day of the month following receipt of the request and not when the request is lodged.

The Manager's discretion relevant to the application of the formula is the Manager's discretion regarding the valuation method for investment properties and Net Asset Value

The Managers method for determining Net Asset Value is detailed in Section 3 below

In addition, amounts drawn under the Asset Purchase Facility provided by Aspen Group have not been classified as debt for the purpose of calculating net asset value, but as part of net assets attributable to Unitholders. This provides a more meaningful comparison for investors, on the basis that the Asset Purchase Facility is expected to either be repaid from the proceeds of further units issued, or converted to units directly.

Transaction Costs for the purposes of redeeming units has the meaning given by clause 31 of the Constitution.

### **Frequency**

Withdrawal prices are determined on a monthly basis using the most recent monthly management accounts as a basis together with any known changes in asset value since the last management account preparation date.

### **3. Net Asset Value**

Net Asset Value will be the value as shown in the management accounts for ADPF, plus certain costs described below. For the purposes of calculating the price during any month, the most recent monthly management accounts will be used.

Clause 10.3 of the Constitution provides that the “Manager may determine valuation methods and policies for each category of Asset and change them from time to time.”

For the purposes of valuing investment properties and determining Net Asset Value, the Manager has exercised its discretion permitted by the Clause 10.3 of the Constitution in determining that the value of investment properties (and therefore Net Asset Value) includes all costs paid or incurred relating to the acquisition of investment properties. These acquisition costs include the stamp duty, legal costs, valuation expenses and that proportion of the Aspen establishment fee relating to the acquisition of the assets.

Aspen believes that this method of valuation represents normal commercial practice for the valuation of property assets in an unlisted property fund and, given the limited nature of the withdrawal facility, the Manager believes it is reasonable to expect that in exercising discretion in this way, investors will generally realise the value of these costs over the holding period for each investment property.

### **Movements in Net Asset Values**

The Manager conducts regular valuations of all fund assets in accordance with the Valuation Policy adopted by the Board of Directors.

The underlying unit price for any month is based on the management accounts balance sheet figures of the month preceding it by two. So February's Net Asset Value is based on the balance sheet net tangible assets (NTA) data for the month ended 31st December. If in March the external audit process calls for the December NTA to be amended, the pricing for the remainder of March will be revised to reflect that amendment. However, no revision will be made to previous

unit pricing used in February and the expired part of March unless the amendment to the NTA was due to an error made by the Manager.

#### Errors in unit price calculation

The Manager is required to advise ASIC of any such error, and detail the causes, and actions it will take to remedy the error.

The Manager will pay any administration expenses in calculating and compensating members.

Compensation will be paid to members adversely affected to restore them to the position they would have held had the error not occurred, subject to (except in the case of errors in fee calculations):

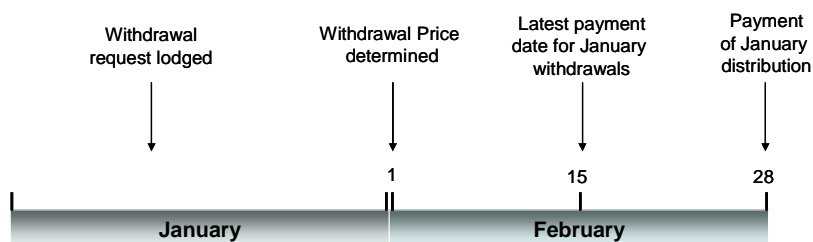
- The financial impact on members being more than 0.3% of the value of their investment that would have accrued if the error had not occurred, and
- For former exited members affected by the error: payment for impacts greater than \$20.

#### 4. Limited Monthly Withdrawal Facility

Under the Constitution, the Manager is allowed up to 365 days in which to meet any withdrawal request at the Withdrawal Price. However, provided the Fund has sufficient available funds to do so, subject to the limitations set out below, the Manager operates a monthly withdrawal system under which it will aim to meet any valid withdrawal requests lodged on or before the last day of a month within 15 days of the end of that month.

As withdrawal payments are processed in the month following receipt of such request, Unitholders will be entitled to receive any distribution payable for that month.

The typical timing of payments following a request to withdraw are summarised in the example below.



If the amount required to meet the withdrawal requests received in any one month represents more than 0.25% of the net assets of the fund, as per the latest available management accounts of the Fund, the Manager will meet the withdrawal requests for that month in part, by paying requests in proportion to the value of the investment represented by each request.

As a result, each Investor who has lodged a withdrawal request for the month would have some of the investment repaid and the remaining investment would be carried forward as if a fresh request were made to withdraw it in the following month. The remaining investment would be subject to the same rules. Where the value of any investment is less than \$10,000, the Manager may require the investor to withdraw the full investment rather than a portion of it.

In any particular month, depending on available funds, it also reserves the right to meet withdrawal requests representing more than 0.25% of the net assets of the Fund.

Under the Corporations Act, the Manager must ensure that Unitholders in the Fund are treated equally by any withdrawals that the Fund allows. As a result of this, the Manager may vary the conditions of the withdrawal facility at any time to ensure that all Unitholders are treated equally. The Manager may defer or suspend withdrawals in exceptional circumstances.

Such circumstances would include the disadvantaging of other Unitholders, the potential breach of debt covenants, or the inability of the Fund to liquidate necessary assets.

In addition to the withdrawal facility outlined above, the Manager may offer to Unitholders from time to time at its discretion further circumstances where Unitholders can exercise the withdrawal right set out in the Constitution. Any such withdrawal offer will be made in accordance with the Constitution and withdrawal policy of the Fund in force from time to time.

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### **Discretionary Powers of the Manager**

The Constitution of the Trust allows the Manager to exercise discretions in determining the unit price for the Trust.

### **Regulatory Environment**

The Australian Securities and Investments Commission (**ASIC**) has determined:

- that the constitution of a registered scheme may provide a formula that is to be used to set the issue price of units; and
- that the responsible entity may have the discretion to decide a matter that affects the value of a factor included in the formula provided that the responsible entity meets certain requirements.

ASIC Class Order 05/26 requires the Manager as responsible entity to have a written Unit Pricing Discretions Policy (This document is the said Policy). Copies of this Policy can be obtained at no charge via the Aspen website link:

[http://www.aspengroup.com.au/docs/aspen\\_diversified\\_property\\_fund/Pricing\\_Policy.pdf](http://www.aspengroup.com.au/docs/aspen_diversified_property_fund/Pricing_Policy.pdf)

### **Record of exercise of discretion**

ASIC Class Order 05/26 also requires the Manager to keep a record of any exercise of any discretion:

- which is not covered by the Unit Pricing Discretions Policy; or
- which involves a departure from the Unit Pricing Discretions Policy

Copies of these records may be obtained from the Manager at no charge.

### **Exercise of discretions in relation to calculating Net Asset Value**

Unless the Manager determines otherwise, the value of an Asset for the purpose of calculating Net Asset Value will be its market value. Where the Manager values an Asset at other than its market value, or where there is no market value, the valuation methods and policies applied by the Manager must be capable of resulting in a calculation of the Application Price or Redemption Price that is independently verifiable.

### **Exercise of discretions in relation to calculating transaction costs in unit prices**

The constitution for the Trust provides that the Manager may make any adjustment for transaction costs in determining unit application prices and withdrawal prices. When investors make an application for securities, or to withdraw from the Trust, the Trust will generally incur costs in purchasing or selling investments. To ensure existing members do not continually bear the costs resulting from future applications and withdrawals an estimate of these costs is applied to each transaction.

Transaction costs represent the Manager's estimate of these costs, and is set by reference to the transaction costs anticipated to be incurred by the Fund in the medium to long term. Transaction costs are designed to reduce the impact on existing members of a Fund against transaction costs which the Fund incurs when other members invest or withdraw. Where actual transaction costs vary from the transaction costs charged, the impact will be borne by the Fund. The transaction costs are set by the Manager based on an analysis of the actual and estimated costs incurred when buy and selling the assets of the Fund, and by having regard to industry market practices.

The Manager reviews appropriateness of transaction costs periodically.

In calculating the application price, an allowance for transaction costs for the purchase of investments effectively increases the unit price. In calculating the withdrawal price, the allowance for transaction costs for selling investments effectively decreases the unit price. (Note that withdrawals are currently not possible).

For directly held assets, the Manager determines the estimated costs of buying and selling the Fund assets.

In the Manager's view, the above Transaction Cost policy is reasonable on the following basis:

- Transaction costs are a common feature of the Australian property fund industry, and this policy is set with regard to normal commercial industry practices;
- Transaction costs are designed to reduce the impact on existing investors of a Fund against transaction costs which the Fund incurs when other members invest or withdraw. Therefore they are in the interest of the Funds and investors.
- Transaction costs are waived or reduced only where the Manager considers that the Fund and remaining investors are not disadvantaged by the waiver or reduction.
- Allowance for transaction expenses is recommended in the ASIC Good Practice Guide as a means of retaining equity between investors transacting into/out of the Funds and investors remaining in the Funds.

### **Exercise of discretions in relation to suspension of unit pricing**

There may be times when it is necessary to suspend unit pricing if the Manager believes it is in the best interests of members.

Unit pricing will be suspended if there are conditions, internal or external, where it may be inappropriate to issue a unit price. Unit pricing will not recommence until any deficiencies have been rectified. Applications and withdrawals received during suspension will receive the unit price applicable to the day of the instruction, and will be processed as soon as practically possible.

#### **Manner of exercise of discretion**

The Manager must act reasonably in exercising any discretion. However the manner in which any discretion is exercised must as far as practicable be consistent with ordinary commercial practice for valuing assets of the relevant kind.

The Manager has based this Policy on ordinary commercial practice and therefore considers it is reasonable to exercise the discretions documented in accordance with this Policy.

#### **Departures from this Policy**

If the Manager exercises a discretion in either of the following circumstances, then it must complete a notice in the form set out in Schedule 1 – Departure Report (or similar):

- The Manager exercises a discretion which is not covered by this Policy or in relation to which there is no documented policy that is current at the time of the exercise;
- The Manager exercises a discretion in a way that involves a departure from this Policy.

#### **Record keeping**

The Manager will ensure that the records which it keeps under section 988A of the Corporations Act are kept in such a way as will enable any documented policy that was applied in the exercise or departure from a discretion that relates to the pricing of a unit to be identified.

The Manager will:

- Retain any documents concerning the exercise of a discretion (including this Policy) for seven years after they cease to be current;
- Provide a copy of such policy on request at no charge:

Reviewed by senior management: \_\_\_\_\_ February 2012

Reviewed by the Compliance Committee: \_\_\_\_\_ March 2012

Adopted by the Board: \_\_\_\_\_ March 2012

## Schedule 1: Departure Report Aspen Diversified Property Fund

**Date** of report

\_\_\_\_/\_\_\_\_/\_\_\_\_

**Responsible Person** making this report \_\_\_\_\_

**Position** of person making this report \_\_\_\_\_

Date discretion was exercised	How was the discretion exercised? Explain how it departed from the Policy and why, or in what way it was covered by the Policy.	Why was it reasonable to exercise the discretion the way it was exercised?	If the discretion was not exercised in a way which is consistent with Scheme assets being valued in accordance with ordinary commercial practice, why was it impracticable to do so?

This form must be completed and submitted to the Compliance Manager as soon as possible following the date the discretion was exercised.

**Check by** name of person \_\_\_\_\_

**Date Signed** \_\_\_\_\_