Plenary
Funds Management

Unit Pricing Policy

Document Details

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2. Introduction

Executive Summary

This Unit Pricing Policy (the "**Policy**") establishes principles for Plenary Funds Management Pty Ltd ("**PFM**"), investment manager of the Scheme, when determining unit prices for managed investment schemes.

Purpose

To provide clear principles and guidance on how unit prices are to be determined across managed investment schemes where PFM is the appointed investment manager. This includes considering how discretions provided under scheme constitutions are to be exercised within the overall unit pricing methodology.

Scope

This policy applies to all investment schemes where PFM is the appointed investment manager.

Definitions

Term	Definition
Custodian	Any entity appointed by the RE to provide custodial services.
Governing Documents	The governing documents of a scheme, including the constitution, investment management agreement, or other offer document.
PFM	means Plenary Funds Management Pty Ltd
Responsible Entity (RE)	Refers to any independent responsible entity or trustee appointed by PFM
Scheme	Refers to a managed investment scheme or separately managed account managed by PFM.

3. Rationale

This Policy seeks to ensure that:

- The calculation of unit prices is fair, equitable and justifiable;
- The unit pricing process is transparent and consistent with market practice;
- Unit pricing discretions are only exercised where required; and
- The methodology adopted to calculate unit prices is appropriate having regard for the given investment scheme, governing documentation and market practice.

The unit pricing process and any discretion exercised as part of this process must accord itself with appropriate laws, regulations, guidelines, and market practice. This includes any obligations to unitholders the RE may owe or PFM as investment manager.

4. Delegation

The RE has ultimate responsibility for ensuring that unit prices are calculated appropriately and all ancillary obligations are met. This responsibility is typically delegated to the investment manager (PFM), as is envisaged by this Policy. The investment manager will work with the Fund's custodian to support the unit pricing process, including by providing instructions related to the management of an investment scheme (e.g. cashflow details).

5. Methodology

General

Unit prices are calculated in accordance with each scheme's governing documents, regulations and industry standards. The unit price reflects the Net Asset Value ("**NAV**") of a scheme divided by the number of units on issue at the time. Adjustments may be made to the unit price for other factors such as transaction costs.

Generally, the NAV is calculated by aggregating the value of assets in a given scheme and subtracting the liabilities. Liabilities reflect the present liabilities and any other provision which PFM, as investment manager, believes should be considered in assessing a scheme's liabilities. The value of an asset or liability is determined according to the processes and principles of PFM as investment manager, noting that the process must be appropriate for the category of asset / liability. Within the scope of this discretion, PFM is free to determine the timing and methodology of valuations. Valuations must be in accordance with the PFM Valuation Policy, subject to any overriding RE policy. The NAV of a scheme should factor in accruals (assets and liabilities) where those accruals can be estimated with an appropriate degree of reliability.

Further consideration is to be given to the calculation of unit prices where there are multiple classes of units on issue. Where the classes are treated differently and expenses are incurred on behalf of particular classes their NAV and unit price will reflect those differences.

Calculation

It is common practice in investment schemes where multiple parties are pooling their capital to acquire a portfolio of assets to issue units against the net assets of the pool. This structure is typically referred to as a fund. Each investor / unitholder will hold their proportional share of the units which they contributed through their capital commitment. In order to track the relative value of the units, they are priced on an ongoing basis in accordance with their governing documents, regulations and industry standards (as noted above).

The calculation of the unit price by the investment manager necessitates the exercise of discretion across a variety of matters including valuation methodology and frequency as well as unit pricing methodology and frequency. Discretion should only be exercised as required and it should be in accordance with appropriate supporting documentation.

Frequency

Unit prices are calculated as frequently as required under each schemes' governing documents.

Franking Credits

There are certain circumstances in which PFM, on behalf of the RE, may exercise its discretion in relation to the rate of franking credits to be applied to the calculation of the unit price for a given scheme.

Determining the appropriate franking credit rate requires consideration of various factors including:

- Franking credit utilisation capability of unitholders;
- Expected franking percentage applied on dividends from the underlying assets;
- The relative level of “trapped” franking credits;
- Tax laws; and
- Market practice.

In the absence of evidence to the contrary, the default franking credit rate applied for unit pricing purposes will be 100%.

Establishment Costs

Costs associated with the establishment of a given scheme, including but not limited to structuring costs; governing document drafting costs; and service provider establishment fees, can be capitalised into the scheme’s unit price.

Transaction Costs

Transaction cost allowances may be made in accordance with the governing documents of a given scheme. These transaction costs allowances are estimated by PFM as investment manager. PFM determines when a transaction cost allowance should apply and the methodology of calculating the allowance. Any variation between the actual and the allowance is to the benefit or detriment of the scheme.

Unit transfers via in-specie transfer or product board will generally not require a transaction cost allowance as there is no requirement to acquire or dispose of assets in order to facilitate the transfer.

Management Fees

Management fees can be accrued into a scheme’s unit price provided it is permitted under the governing documents of the scheme. Fees will be calculated and charged as frequently as specified in the governing documents. The appropriate fee calculation is set out in the governing documents.

Performance Fees

Performance fees can be accrued into a scheme’s unit price provided it is permitted under the governing documents of the scheme. Fees will be calculated and charged as frequently as specified in the governing documents. The appropriate fee calculation is set out in the governing documents.

Rounding

Where permitted under a scheme’s governing documents, unit prices may be rounded to 5 decimal places (excess attributed to scheme).

Validation

Unit prices are validated by performing checks on the movement in unit price relative to appropriate benchmarks. Where there is a material inconsistency or other concerns regarding the accuracy of the unit price an explanation is sought from the portfolio management team.

6. Application and Withdrawal Prices

The governing documents of a scheme prescribe how application and withdrawal prices are to be determined upon receipt of such a request.

7. Backdating

Where a transaction is processed several business days after an application or withdrawal request is made, the unit price may be backdated. This is to ensure equity for the exiting investor (consistent with the governing documents).

Differences in price between the two periods may result in a positive or negative impact from backdating. As this impact is borne by the non-transacting unitholder, ongoing monitoring is required to ensure fairness.

8. Suspension

When PFM, on behalf of the RE, forms the view that the unit price cannot be reasonably calculated, suspension of the unit pricing calculation process may be appropriate. Examples of where this may occur include:

- Where there is substantial market volatility arising from a significant market event;
- When failure to do so may give rise to liability on behalf of the RE and PFM; and
- When it is otherwise difficult to reliably ascertain an appropriate estimate of value.

To the extent that the cause of the suspension subsides or is otherwise resolved, the unit pricing process will resume as normal.

9. Errors

Unit pricing errors can arise for a variety of reasons including where there is a failure to appropriately adhere to this Policy. Such errors may require compensation in addition to the correction of the unit price. When compensation is provided, it must be fair and reasonable in the circumstances, and put the investor back in the position they would have been in but for the error.

10. Supporting Policies and Standards

The Policy has been developed in accordance with relevant industry standards, such as:

- ASIC/APRA Unit pricing: Guide to good practice (RG94);
- Financial Services Council Standard No. 8: Scheme Pricing;
- IFSA Guidance Note No. 4.00: Incorrect Pricing of Scheme Units – Correction and Compensation; and
- Financial Services Council Standard No.17: Incorrect Pricing of Scheme Units – Correction and Compensation.

This Policy should be read in accordance with the PFM Valuation Policy.

This Policy is intended to operate alongside existing RE policies. To the extent that there is an inconsistency between this Policy and that of an RE, the RE's policy will prevail.

11. Record Keeping

Records must be maintained in relation to this Policy or the exercise of any discretions afforded under it for a period of eight years.

Departures from the Policy are to be record with appropriate detail as to the nature of the departure and why it occurred.