

# Unit pricing discretion policy

Version 2.1

September 2024

## 1 Introduction

Uniting Ethical Investors Limited (ABN 46 102 469 821) (**U Ethical**) is an ethical investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.

U Ethical is the responsible entity of the following registered managed investment schemes:

- U Ethical Cash Management Trust;
- U Ethical Australian Equities Trust; and
- U Ethical Australian Equities Trust Institutional.

U Ethical is the trustee and investment manager for the following wholesale unregistered unit trusts:

- U Ethical Australian Equities Trust Wholesale
- U Ethical Property Trust Wholesale
- U Ethical International Equities Trust Wholesale
- U Ethical Cash Management Trust Wholesale
- U Ethical Diversified Income Trust Wholesale
- U Ethical Enhanced Income Trust Wholesale, and
- U Ethical Growth Portfolio.

This document provides guidance on how U Ethical exercises any discretions permitted under applicable legislation and the governing documents of each product to determine the unit price.

## 2 Purpose

This policy sets out the circumstances in which a discretion in relation to the calculation of unit prices of a product is exercised 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.

For registered managed investment schemes, this policy is also designed to meet the requirements of ASIC Class Order 13/655. ASIC Class Order 13/655 allows U Ethical to decide a matter that affects the method or formula used to calculate the unit price of registered managed investment schemes issued by U Ethical where the conditions of the Class Order are met.

The exercise of any discretion is subject to the general duties of the responsible entity under the

*Corporations Act 2001*, 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.

## 3 Scope

This unit pricing discretions policy (**Policy**) applies to the following products:

- U Ethical Cash Management Trust
- U Ethical Australian Equities Trust
- U Ethical Australian Equities Trust Wholesale
- U Ethical Australian Equities Trust Institutional
- U Ethical Property Trust Wholesale
- U Ethical International Equities Trust Wholesale
- U Ethical Cash Management Trust Wholesale
- U Ethical Diversified Income Trust Wholesale
- U Ethical Enhanced Income Trust Wholesale; and
- U Ethical Growth Portfolio (collectively, **Trusts** or singularly, **Trust**).

## 4 Outsourcing arrangements

The discretions permitted under applicable legislation and the governing documents of each Trust are exercised by U Ethical. Although the functional elements of the unit pricing process for the Trusts are carried out by outsourced providers, U Ethical remains ultimately responsible to unitholders for ensuring that unit prices are determined appropriately.

## 5 Unit pricing

The method used to calculate the application and redemption/withdrawal (**redemption**) price for units in each Trust is set out in each Trust's governing documents, summarised below.

### 5.1 Fixed unit prices

The following Trusts have their unit prices set at \$1.00 in accordance with their respective governing documents:

- U Ethical Cash Management Trust Wholesale, and
- U Ethical Cash Management Trust (collectively, **Fixed Price Trusts**).

A valuation is performed each business day in Victoria, other than Victorian public holidays, to assess the maintenance of a \$1 unit price for each Cash Trust. The unit price must not exceed \$1 but may be below \$1.

- The unit value is calculated as follows:

$$\text{Current unit value} = \frac{\text{Net asset value}}{\text{Number of units on issue}}$$

## 5.2 Variable unit prices

The following Trusts' constitutions set out the method that U Ethical uses to calculate the application price and redemption price of the Trust:

- U Ethical Australian Equities Trust
- U Ethical Australian Equities Trust Wholesale
- U Ethical Australian Equities Trust Institutional
- U Ethical Property Trust Wholesale
- U Ethical International Equities Trust Wholesale
- U Ethical Diversified Income Trust Wholesale
- U Ethical Enhanced Income Trust Wholesale, and
- U Ethical Growth Portfolio; (collectively, **Variable Price Trusts**).

The calculation of application and redemption prices for these Equities Trusts is generally expressed as follows:

$$\text{Application price per unit} = \frac{\text{Net asset value} + \text{transaction costs}}{\text{Number of units on issue}}$$

$$\text{Redemption price per unit} = \frac{\text{Net asset value} - \text{transaction costs}}{\text{Number of units on issue}}$$

## 5.3 Multi class pricing

In Trusts where there is more than one class of units, the Trust's assets, revenue, liabilities and expenses for each class is generally calculated based on the proportion of the net asset value of the Trust to which the class relates.

Where a particular expense (for example management fees) is exclusive to a particular class of units, U Ethical will usually determine the expense applicable to each class of units independently.

As such, for a particular class of units where a particular expense may be different, the net asset value in a Trust for that class of units is expressed in the following way:

$$\text{Net asset value for the class of units} = \text{Total value of assets for the class of units} - \text{total liabilities for the class of units}$$

Note: Total liabilities include total expenses attributable to the class of units

Application of shared expenses to a Trust for which there are multiple classes of units within that Trust are apportioned on an equitable basis across classes.

## 6 Discretions

### 6.1 Determining the net asset value of a Trust and valuation methods

Under each Trust's constitution, the net asset value of a Trust is determined by calculating the total value of the assets less the total value of liabilities.

Determining the net asset value involves the discretion by U Ethical to determine the value of Trust assets and the value of those Trust liabilities which are estimated or contingent at the time of calculation.

U Ethical uses the 'market value' to value investments in each Trust where available.

Where there is no 'market value' or U Ethical reasonably believe the market value obtained is not the fair market value of the asset, the valuation of that asset is determined in good faith in accordance with U Ethical policies and industry standards. U Ethical may employ an independent valuer or other appropriate sources of information in determining these values.

The value of cash does not involve the discretion of U Ethical. The value of cash held by the Trusts is equal to the face value of the cash held.

U Ethical is permitted to determine valuation methods and policies for each category of asset in respect of a Trust and is permitted to change these methods and policies from time to time.

Where the value of a liability is uncertain at the time of calculation, U Ethical will value the liability in accordance with industry practice.

### 6.2 Determining when assets and liabilities are valued

U Ethical has discretion under a Trust's constitution to determine when the Trust's assets and liabilities are valued. U Ethical generally determines that the assets and liabilities are valued on each business day, except for some types of assets such as direct property or alternative assets, where applicable.

### 6.3 Determining Trust fees

Each Trusts' constitution sets out the maximum fees applied to investors upon application, redemption, exit and management fees.

U Ethical may exercise discretion in charging a lower fee than the maximum or waiving the fee.

### 6.4 Estimating an allowance for transaction costs

Transaction costs are costs associated with the acquisition and disposal of assets.

The governing documents of each Trust may provide that the application and redemption prices of a unit may be adjusted by a transaction cost allowance (commonly referred to as a buy/sell spread).

The buy/sell spread is an estimate of the transaction costs which the Trust will incur when a unitholder buys and sells units in the Trust. The transaction costs are added to or subtracted from the net asset value in determining the application price or the redemption price, respectively.

The buy/sell spread is reviewed regularly. The approach taken in the review will vary depending on the nature of the assets held by the Trusts.

The following factors may be considered when determining the buy/sell spread:

- brokerage costs;
- government charges (such as stamp duty);
- asset price spread;
- other costs associated with acquisition or disposal of assets of the kind held by the relevant Trust, such as settlement or clearing costs; and
- buy/sell spreads of any underlying Trust.

The buy/sell spreads are charged to the unitholders when they buy or sell units in a Trust, so that other unitholders in the Trust do not bear the costs of application or redemption.

U Ethical has the discretion to allow for a spread to be waived or reduced in certain circumstances. Examples of such circumstances may include:

- An in-specie asset transfer, where allowed by the governing document of a Trust. The buy/sell spread may be reduced or waived if an application or redemption request is funded (or partially funded in the case of reducing spread) by an in-specie transfer of assets into or out of the Trust.
- A simultaneous application and redemption of units of equivalent value by different unitholders, therefore no transaction costs incurred, commonly referred to as a 'crossing trade'.
- Reinvestment of distributions by unitholders into the Trust, where there are no transaction costs incurred.

U Ethical considers that its transaction cost methodology is reasonable as it aims to ensure equity between unitholders by applying a standard process consistently to all unitholders. Where actual transaction costs vary from the estimated transaction costs, any profit or loss arising from the application of the transaction cost methodology will be benefited or borne by the Trust unitholders.

## 6.5 Determining a cut-off time

U Ethical has discretion under each Trusts' governing documents to determine when unit prices are calculated. U Ethical has exercised its discretion to determine that the unit price of each Trust will generally be calculated each business day in Victoria, except Victorian public holidays.

U Ethical calculates unit prices using a forward pricing methodology. When using a forward pricing methodology, a cut-off time must be applied to determine which transactions will receive a particular unit price.

Application and redemption requests received before the cut off time will be processed using the price relevant to that period. Application and redemption requests received after the cut off time will be processed using the price relevant at the next pricing period.

The cut-off time is set out in each Trust's product disclosure statement, information memorandum or offer document. The cut-off time is applied to the time when the transaction is received and accepted by U Ethical.

## 6.6 Suspension of unit prices

There may be circumstances where U Ethical determines that the value of a Trust's assets or liabilities cannot be calculated reliably, and to process transactions would give rise to inequitable treatment between transacting and non-transacting unitholders.

In such circumstances, U Ethical may determine that it is in the best interests of unitholders to suspend transactions and the calculation of unit prices.

Applications and redemptions received during the period of suspension will be processed using the unit price applicable on the first pricing period after lifting the suspension.

## 6.7 Staggering of redemptions

Where U Ethical deems it is in the best interests of unitholders and where permitted within a Trust's Constitution, U Ethical may stagger redemptions.

In normal circumstances, where a redemption request is received before the relevant cut-off time, U Ethical will process a valid redemption request in full using the redemption price calculated for that business day.

In some circumstances, having regard to the total size of redemption requests being more than 5% of the units in the respective Trust (or such other percentage as U Ethical may in its discretion decide), U Ethical may determine that it is in the best interest of unitholders for the relevant Trust to

reduce each redemption request pro-rata so that only 5% in total of the units in the relevant Trust (or such other percentage as U Ethical determines) are redeemed as at the relevant valuation time. The unredeemed portion (units or value) of the relevant redemption requests is carried forward to the next redemption date using the applicable redemption prices for that date.

### 6.8 Rounding of unit prices

The application and redemption prices per unit are calculated in Australian dollars to four (4) decimal places.

The number of units issued to an investor will be calculated and rounded to four (4) decimal places.

Where rounding has resulted in fractions of units that are not allocated to unitholders, any excess will remain as an asset of the relevant Trust.

### 6.9 Distributions

Distributable income is calculated in accordance with each Trust's governing documents.

The frequency of distributions is generally set out in the disclosure and governing documents of a Trust. U Ethical has discretion to vary this frequency, based on the amount and timing of taxable income and capital gains within the Trusts and other factors such as anticipated cash flows and large applications into or redemptions from the Trusts.

### 6.10 Unit pricing error rectification

Where a unit pricing error occurs resulting in incorrect values attributed to unitholders in a Trust, the errors are rectified in accordance with the U Ethical Unit Pricing and Valuations Policy which has been drafted with reference to relevant standards and guidance notes issued by the Financial Services Council (**FSC**) and ASIC/APRA:

- Financial Services Council Standard No.17: Errors in Pricing/Crediting Rates when Determining Scheme Interests – Correction and Compensation (FSC Standard No. 17); and
- ASIC/APRA Unit pricing: Guide to good practice (RG94).

## 7 Record keeping

U Ethical will retain this Policy and all records relating to it and the exercise of any discretion in determining unit prices for a period of 7 years.

For U Ethical's registered managed investment schemes, U Ethical will also retain documentation of circumstances where the exercise of discretions is not covered by this Policy or require a departure

from this Policy. The documentation will set out the following:

- the date on which the discretion is exercised;
- who authorised the decision;
- how the discretion is exercised; and
- an explanation why it is reasonable to exercise the discretion the way it is exercised.

## 8 Policy Update

Changes to regulations and industry best practice guidelines in relation to unit pricing processes are continually monitored. This Policy will be reviewed at least annually to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes.