

**Trilogy Funds Management Limited**

ABN 59 080 383 679

**UNIT PRICING DISCRETIONS POLICY**

*This document contains the unit pricing discretions policy (**Policy**) adopted by Trilogy Funds Management Limited ABN 59 080 383 679, AFSL 261425 (**Trilogy Funds**) in respect of the Trilogy Industrial Property Trust ARSN 623 096 944, the Trilogy Essential Retail Fund ARSN 687 648 068, and any other registered managed investment scheme that requires unit pricing (each a **Fund**). The Policy is subject to change and may be altered, replaced or revoked without notice. You should contact Trilogy Funds on 1800 230 099 or at [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au) to confirm that you have the current version of this Policy.*

*This Policy applies subject to all relevant laws. Trilogy Funds reserves the right to depart from this Policy and there can be no assurance that the contents of this Policy will apply in all situations.*

*This Policy was prepared in good faith and subject to law Trilogy Funds disclaims all liability for any loss or damage howsoever arising in connection with the contents of this Policy or any omission from this Policy.*

*This Policy outlines the manner in which certain discretions relating to unit prices will be exercised.*

**1. Purpose and Scope of Trilogy Funds' Unit Pricing Policy**

- 1.1 Trilogy Funds believes that it is important that investors understand how the unit prices for their investments are determined.
- 1.2 This Policy has been prepared for the following purposes:
  - (a) to explain Trilogy Funds' policy with regards to certain discretions which relate to the calculation of the consideration payable upon the issue and redemption of units; and
  - (b) to satisfy the relevant conditions of the ASIC Corporations (Discretions for Setting the Issue Price and Withdrawal Price of Interests in Managed Investment Schemes) Instrument 2023/693 (ASIC Instrument 2023/693) as it applies to the Fund.

**2. Introduction to Policy**

- 2.1 The constitution of a registered scheme is required by section 601GA(1)(a) of the *Corporations Act 2001* (Cth) to make adequate provision for the calculation of the consideration payable to acquire interests in the scheme and for dealing with withdrawal requests.
- 2.2 The Australian Securities and Investments Commission (**ASIC**) has formed the view that constitutions which afford the responsible entity a discretion in connection with matters affecting the calculation of the consideration payable in connection with scheme interests do not meet the requirements of section 601GA(1)(a).
- 2.3 ASIC has therefore made ASIC Corporations (Managed investment product consideration) Instrument 2015/847 (ASIC Instrument 2015/847) and ASIC Instrument 2023/693 (together,

**ASIC Instrument**) which modifies the *Corporations Act 2001* (Cth) so as, in effect, to permit a constitution to afford the responsible entity certain discretions, subject to certain conditions.

- 2.4 It is a condition of the ASIC Instrument that responsible entities wishing to rely on the ASIC Instrument must prepare a document which, amongst other things, identifies:
- (a) the formula or method that the responsible entity is to apply including each discretion relevant to the formula or method or any adjustment to the amount determined and when it may be exercised
  - (b) the discretions exercisable by the responsible entity in connection with the calculation of the consideration payable upon the issue or redemption of scheme interests;
  - (b) the policy of the responsible entity for exercising each discretion and the reasons why the policy is reasonable; and
  - (c) the documents which will be retained in connection with the exercise of the discretions.
- 2.5 Trilogy Funds wishes to rely on the ASIC Instrument and has prepared this Policy to satisfy the relevant conditions of the ASIC Instrument.

### 3. **Overview of discretions**

- 3.1 The constitution of the Fund prescribes a formula for calculating the consideration payable in connection with applications for units and redemption requests. The trust deed constituting the unregistered managed investment schemes also prescribe such a formula for calculating the consideration payable.
- 3.2 The consideration payable in connection with an application for units in a Fund (after the date on which the issue of units in the relevant Fund set at \$1.00 ceases to apply) is generally provided to be equal to the net asset value of the Fund divided by the number of units on issue in the Fund.
- 3.3 However, in respect of a particular Fund, Trilogy Funds may provide in the relevant constitution or trust deed that the consideration payable in connection with an application for units in that Fund is equal to:
- (a) the net asset value of the Fund divided by the number of units on issue in the Fund; **PLUS**
  - (b) transaction costs, being Trilogy Funds' estimate of the costs of investing the amount being contributed by the investor (which costs include, but are not limited to capital raising, brokerage, commission, stamp duty on transfer of units and other taxes payable in respect of the investment); **PLUS**
  - (c) any establishment fee that Trilogy Funds may charge in accordance with the constitution or the trust deed.
- 3.4 The consideration payable in connection with a redemption request is generally provided to be equal to the net asset value of the Fund divided by the number of units on issue in the Fund.
- 3.5 However, once again in respect of a Fund, Trilogy Funds may provide in the relevant constitution or trust deed that the consideration payable in connection with a redemption request for units in that Fund is equal to:

- (a) the net asset value of the Fund divided by the number of units on issue in the Fund;  
**LESS**
  - (b) transaction costs, being Trilogy Funds' estimate of the costs of liquidating Fund assets in order to pay the redemption proceeds.
- 3.6 For the purpose of the following provisions of this Policy, any reference to transaction costs applies only to those Funds where that method of pricing is used.
- 3.7 Trilogy Funds determines the following matters which affect the calculation of consideration payable in connection with the issue and redemption of units in the Fund:
- (a) valuation methodology, including the basis for valuing assets and liabilities, the timing of those valuations and the allocation of assets and liabilities between classes;
  - (b) allowances for transaction costs (buy-sell spreads);
  - (c) rounding-off of decimal places;
  - (d) cut-off times by which applications and redemption requests must be received by Trilogy Funds in order for the transaction to be processed using that day's unit prices; and
  - (e) frequency of income distributions.
- 3.8 If other discretions become relevant, this Policy will be updated to document Trilogy Funds' policy in relation to those discretions.
- 4. General policy in relation to discretions**
- 4.1 In exercising any discretion covered by this Policy, Trilogy Funds will:
- (a) act reasonably;
  - (b) act in the best interests of members of the Fund;
  - (c) treat investors in the Fund equally;
  - (d) if the discretion relates to valuing Fund assets, act consistently with ordinary commercial practice for valuing the relevant kind of asset; and
  - (e) comply with any other applicable legal requirements.
- 4.2 The policies outlined below in relation to the discretions specified are, in Trilogy Funds' opinion, reasonable and consistent with relevant ordinary commercial practice.
- 4.3 Nothing in this Policy restricts or fetters Trilogy Funds' power or discretion to alter any part of this Policy or to depart from this Policy in respect of a particular transaction or occasion, subject to relevant law.
- 4.4 If Trilogy Funds were to exercise a discretion which relates to unit prices, but which is not covered by this Policy, or to depart from this Policy in exercising a discretion Trilogy Funds will act in accordance with paragraph 10.6 of this Policy.

## 5. Valuation methodology

5.1 The method of valuing Fund assets and liabilities for the purpose of determining the net asset value of the Fund as the basis of the application and redemption prices of units in the Fund are provided in the constitutions or the trust deeds for the Funds. Although as at the date of the issue of this Policy Trilogy Funds is not a member of the Financial Services Council (**FSC**), Trilogy Funds has determined that it will seek to comply with FSC [IFSA] Standard No.9.00 – *Valuation of Scheme Assets and Liabilities (FSC Standard No. 9)* as well.

5.2 It is a fundamental principle, adopted by Trilogy Funds in accordance with FSC Standard No. 9, that the process of valuing the Fund assets and liabilities and thereby the net asset value of the Funds, must meet the following criteria:

- (a) they must be documented and transparent;
- (b) they must be unbiased and equitable;
- (c) they must be applied consistently; and
- (d) they must be reviewed regularly.

5.3 The Fund constitution, or trust deed, allows Trilogy Funds to value the assets and liabilities of the Fund at such times and using such methods which Trilogy Funds considers is the most appropriate for a particular asset or circumstance. In the case of real property, the value may be determined based on the acquisition cost or its value assessed in the latest current market valuation of a valuer. Otherwise, reference is primarily made to the market value. However, the policy of Trilogy Funds is that if it determines that there is no market value or the market value does not represent the fair value of the asset, then, as indicated above, Trilogy Funds must determine the method of valuation.

5.4 FSC Standard No. 9 at paragraph 8.4 states:

*Where Assets and Liabilities for which there is no properly regulated market are required to be valued a Scheme Operator must, unless it is inappropriate, obtain a valuation from a reputable, independent third party (such as a professional valuer or tax agent), or must be based on sound and justifiable policies.*

It is further stated at paragraph 9.6 that:

*Where the formal valuation of certain Scheme Assets and Liabilities is at extended, infrequent intervals (for example, where valuation occurs less frequently than Scheme prices are struck), valuation policies must be developed which limit the occurrence of sudden significant increases or decreases in Net Asset Value which do not reflect a true sudden increases or decreases in underlying value of Assets and Liabilities.*

5.5 The policy and practices adopted by Trilogy Funds for valuing real property for the Fund is set out in the *Valuation Policy* of the Responsible Entity that it has adopted in meeting Benchmark 4 in ASIC Regulatory Guide 46: *Unlisted property schemes – improving disclosure for retail investors* and in respect of mortgage funds RG 45 *Mortgage schemes: Improving disclosure for retail investors* (within the Lending Manual). A copy of this *Valuation Policy* is available for the Responsible Entity on request. It is also available on the website [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au).

5.6 In respect of other assets and liabilities, FSC Standard No. 9 at paragraph 8.3 states:

*Where Assets and Liabilities are traded on a properly regulated market (such as a recognised stock exchange) valuations must be based on the Market Price. However, on the rare occasion when:*

- (a) *the Market Price is deemed to be unreliable; or*
- (b) *no Market Price is available;*

*the valuation of Scheme Assets and Liabilities must be determined in good faith by the Scheme Operator. In such circumstances the Scheme Operator must be satisfied that all relevant factors have been considered in determining the value of the Scheme's Assets and Liabilities and that any exceptions to documented policies and methodologies are clearly documented at the time an alternative valuation is used.*

- 5.7 The FSC Standard defines the market price as the last sale price immediately prior to the valuation point or the current price available at the valuation point from a market maker. When valuing assets, Trilogy Funds adopts the methodology contemplated by FSC Standard No. 9 which, as outlined above, focuses on recent actual market prices of listed securities.
- 5.8 If reliable market price information for an asset is unavailable for a business day, Trilogy Funds will determine the fair value of the asset by reference to the market prices (or changes in market prices) of similar or economically related assets. This paragraph will not apply in circumstances where Trilogy Funds has determined not to calculate unit prices for the Fund (as contemplated by paragraph 8.4).
- 5.9 Trilogy Funds makes the following adjustments to the acquisition cost or external valuation (as determined in accordance with clause 5.3) when determining Net Asset Value:
  - (a) adjustment for straight line rental;
  - (b) adjustment for capital works that have occurred since the latest external valuation; and
  - (c) adjustment for property acquisition costs which are amortised over a 5-year period including a 6-month amortisation-free period from the time of acquisition.
- 5.10 Liabilities are valued based on current tax rates in the case of any tax liabilities, based on the fee rates published in the relevant product disclosure statement or information memorandum in the case of management fees and, in the event of other liabilities, on a fair value basis.
- 5.11 Trilogy Funds considers the above approaches to be reasonable because:
  - (a) they recognise the nature of the asset or liability;
  - (b) in the case of real property, they recognise that the incurring of costs in obtaining more frequent independent valuations would not be in the interest of unit holders;
  - (c) for other assets, they utilise recent actual market prices which are likely to produce relatively accurate and current valuations based on market prices and accurate liability values; and
  - (d) they are consistent with ordinary commercial practice (as evidenced by the fact that the approaches are prescribed in FSC Standard No. 9).
- 5.12 Trilogy Funds can value the net assets of the Fund at the relevant time as required for each Fund in order to calculate and make available unit prices for the respective period. As at the

date of this policy, Trilogy Funds does not consider daily valuations to be reasonable as any fund that this policy applies to will not have daily unit prices.

## 6. Allowances for transaction costs (buy-sell spreads)

6.1 This paragraph (and any other references to transaction costs or buy/sell spreads in this Policy) applies only to any Fund which adopts transaction costs as part of its calculation of application prices or redemption prices for units in a Fund. See paragraphs 3.3, 3.5 and 3.6.

6.2 In accordance with the requirements of the relevant Fund constitution or trust deed, there are "transaction costs" – more commonly referred to as buy and sell spreads – that must be either added, or subtracted, from the net-asset-value-per-unit when determining the issue (or entry) and redemption (or withdrawal or exit) prices of the Fund.

6.3 Consistent with ordinary industry practice, Trilogy Funds in the relevant case expresses transaction costs as a percentage which represents a reasonable approximation of the costs and charges which would be incurred when investing a new contribution or when liquidating Fund assets to pay the redemption amount.

6.4 The purpose of considering this transaction costs factor is to protect investors from the costs generated by the transaction activity of other investors.

6.5 The transaction costs are therefore paid to the Fund to meet these trading costs and charges and are not received by Trilogy Funds in its personal capacity.

6.6 The Fund is a "*direct to market*" real property fund – that is a fund that primarily invests directly in underlying real property assets, in addition to gaining exposure by investing in other managed funds (such investments may, however, be made in respect of the liquidity reserve that Trilogy Funds retains for the purpose of meeting redemption requests). Accordingly, the Fund costs include, but are not limited to, asset acquisition costs, conveyancing costs, agent's fees, stamp duty, other government charges and taxes, and custody fees that are paid or incurred whilst transacting. To the extent that the assets of the Fund at any time include non-real property assets, as will be the case in relation to the liquidity reserves to be maintained to meet redemption requests (including, but not limited to, cash, bonds, bills, units in listed property trusts or various derivatives), different types of transaction costs and charges will be incurred. These will include, for instance, brokerage charges associated with the purchase or sale of units in listed property trusts.

6.7 If transaction costs were to be factored in, at least once each year, Trilogy Funds determines the transaction costs factor for the Fund after carefully considering up-to-date information in relation to the following:

- (a) conveyancing costs;
- (b) real estate agent fees;
- (c) stamp duty on transfer of units;
- (d) government charges and taxes in the states and territories in Australia in which the assets of the Fund are invested;
- (e) custody fees that are paid or incurred whilst transacting; and
- (f) administration costs.

- 6.8 By aggregating Trilogy Funds' estimates of the typical amount of each component, a transaction cost factor (or buy-sell spread) is determined for the Fund.
- 6.9 Generally speaking, the nature of the principal assets of a fund will impact on the buy-sell spread of the Fund. For example, any fund that has a substantial exposure to cash and bonds typically has low (or no) associated trading costs, reflected in small spreads. Those funds with a substantial exposure to equity products – especially those traded in newer or less regulated (emerging) markets – will typically attract a higher spread. In the case of a real property fund such as the Fund where the assets are predominantly Australian real property which incur high acquisition and disposition transaction costs, it has and is likely to continue to have higher transaction costs than a fund that has exchange traded assets or has a substantial cash or bond exposure. Conversely, in the case of the Fund, the assets are infrequently acquired or disposed of which is likely to reduce the transaction cost factors.
- 6.10 The amount that is to be charged to the Fund by way of transaction costs is, as at the adoption of this version of the Policy, an amount that will be stated in the relevant product disclosure statement or information memorandum as being the buy spread and the sell spread. Where used, these are to be reviewed annually by Trilogy Funds, to ensure that the current costs and charges that are being incurred by the Fund are still a true and accurate estimation of the actual underlying costs and charges. Reviews are also to occur in response to significant known changes affecting underlying costs and charges.
- 6.11 If Trilogy Funds were to receive 'significant' applications and significant redemptions (or withdrawals) for processing on the same day for the Fund, this could have the effect of lowering the likely transaction costs of the Fund because it may not need to buy or sell as many assets as would otherwise be the case (for example, because redemption amounts can be paid utilising newly contributed cash instead of having to liquidate investments). There could potentially be a reduction in either or both of the buy and sell spreads. In such a case, Trilogy Funds could determine, in its discretion, to pass on its reasonable estimate of the reduction in transaction costs to investors in the form of a reduced spread. Investors should note, however, that this reduction in the buy-sell spread would depend on investors' application and withdrawal activity on a particular day and cannot be predetermined. Nor is there any certainty that such a reduction would occur or that Trilogy Funds will exercise its discretion on the basis of that occurrence. Should it do so, nevertheless, then Trilogy Funds considers that any reduction in the buy spread or the sell spread would be reasonable.
- 6.12 Trilogy Funds considers that any such adjustment is reasonable as it purports to proportionately pass on the benefit of the costs avoided on account of there being significant applications and withdrawals on the same day to the investors whose transacting gives rise to the opportunity.
- 6.13 As at the date of this version of the Policy, Trilogy Funds has also determined that when units in a Fund are issued to investors who elect to participate in the distribution reinvestment plan implemented by Trilogy Funds, it will allot those units at the prevailing withdrawal price on the distribution payment date, effectively offering participating investors a discount equivalent to the buy spread for participating in the plan.

## 7. **Rounding-off of decimal places**

- 7.1 Calculation of the following amounts typically gives rise to fractional amounts (i.e. the amounts are not always whole numbers and often include several decimal places):
- (a) the net asset value per unit;
  - (b) transaction cost factors;

- (c) unit prices (i.e. the combination of the net asset value per unit and the transaction cost factor);
  - (d) number of units referable to a particular investment or withdrawal amount; and
  - (e) distributions per unit.
- 7.2 For the efficient and convenient administration of the Fund, it is desirable to have a standard practice for dealing with fractional amounts, especially in the case of non-recurring decimal places.
- 7.3 Trilogy Funds has determined to observe the following policy in relation to the above calculations:
- (a) the net asset value per unit will be rounded (up) to 4 decimal places; and
  - (b) transaction cost factors are not converted into dollar amounts and therefore do not need to be rounded as a separate component.
- 7.4 After the net asset value per unit has been adjusted by the relevant percentage on account of the transaction cost factor, the following paragraphs will apply:
- (a) the unit price payable in connection with an application for units will be rounded up to the fourth decimal place where the unit price would otherwise include more than four decimal places;
  - (b) the number of units issued in connection with an application will be rounded down to two decimal places where the number of units would otherwise include more than two decimal places;
  - (c) the unit price payable in connection with a redemption of units will be truncated at the fourth decimal place where the unit price would otherwise include more than four decimal places; and
  - (d) the number of units redeemed in connection with a redemption request will be rounded up to two decimal places where the number of units would otherwise include more than two decimal places.
- 7.5 Trilogy Funds considers the above approach to be reasonable because taking into account additional decimal places is unlikely to have a material impact on the investors concerned, having regard to the amount of the transaction in question. The above approach is consistent with ordinary commercial practice.
- 8. Cut-off times**
- 8.1 For the efficient, fair and convenient operation of the Fund, it is necessary to specify a time by which applications and redemption instructions must be received in order for the relevant instruction to be processed using the unit price for that day.
- 8.2 In determining cut-off times, the following matters are taken into account:
- (a) while unit prices are calculated and made available by Trilogy Funds on an as required basis, all units will be issued as at the first business day of each month for those applications received and accepted by Trilogy Funds by 4.00pm on the previous business day (local Brisbane time);

- (b) redemptions of units are made only in accordance with redemption offers every four years, or limited withdrawal offers intended to be made annually, (or as otherwise indicated in each Fund's product Disclosure Statement);
- (c) the likelihood of the receipt of application for units and redemption requests being made by investors in different states and territories in Australia, with different time zones;
- (d) the ability of the administration team (and the time required) to process the application for units or redemptions;
- (e) ensuring that the cut-off times do not create material arbitrage opportunities;
- (f) the cut-off times which Trilogy Funds must comply with when instructing custodians and counterparties; and
- (g) other factors considered relevant.

8.3 Trilogy Funds considers the above policy to be reasonable because cut-off times ought to reflect the matters listed above and because the approach is consistent with ordinary commercial practice.

8.4 Note that Trilogy Funds may determine that applications received on a relevant business day (including applications received prior to the usual cut-off time) will instead be taken to have been received on a subsequent business day where Trilogy Funds determines that unit prices cannot be accurately determined (for example, where Trilogy Funds estimates that 20% or more of the Fund's assets are unable to be valued on that day using the normal valuation methodology, for example, because relevant markets are closed due to public holidays or there is a sudden increase or decrease in the value of the assets). In such circumstances, a notice to this effect may be made publicly available on the Trilogy Funds website and all applicants who may be affected will be notified. Trilogy Funds considers this aspect of the Policy to be reasonable because transactions ought not to be processed using unit prices which Trilogy Funds does not consider to be sufficiently accurate reflections of current asset values.

## 9. **Timing of distributions**

9.1 The timing of distributions can affect unit prices because, prior to a distribution, the unit price for the Fund will reflect the value of the assets available for distribution.

9.2 Distributions are made at the intervals specified in the product disclosure statement or information memorandum for the Fund, subject to there being sufficient distributable income.

9.3 Trilogy Funds considers the above policy to be reasonable because it is consistent with the disclosure made to prospective investors in product disclosure statement or information memorandum and with the constitution or trust deed of the Fund.

## 10. **Records**

10.1 Trilogy Funds keeps the following records in relation to the exercise of discretions covered by this Policy.

10.2 The following records are kept in relation to valuation methodology:

- (a) details of all valuations undertaken of property assets, including the methodology used;
- (b) details of market prices and exchange rates used to value assets; and

- (c) details of published unit prices.
- 10.3 The following records are kept in relation to allowances for transaction costs (buy-sell spreads):
- (a) standard transaction cost allowances (buy-sell spreads) are disclosed in the product disclosure statement or information memorandum for the Fund (or supplementary product disclosure statement or information memorandum) from time to time;
  - (b) details of reductions in transaction cost allowances (buy-sell spreads) are kept; and
  - (c) records are kept in relation to the periodic reviews of transaction cost allowances (buy-sell spreads).
- 10.4 No records are kept in relation to the day-to-day aspects of the policy concerning rounding-off of decimal places.
- 10.5 The following records are kept in relation to cut-off times:
- (a) copies of notices to investors advising of days on which cut-off times will be brought forward; and
  - (b) copies of notices to investors advising of days on which applications for units will not be processed.
- 10.6 If Trilogy Funds or its nominee were to exercise a discretion which relates to unit prices but which is not covered by this Policy, or to depart from this Policy in exercising a discretion, Trilogy Funds will prepare and keep records confirming the following details:
- (a) the date on which the discretion was exercised;
  - (b) if the discretion is exercised by a nominee, the name of the nominee;
  - (c) how the discretion was exercised;
  - (d) the reason(s) why it was reasonable to exercise the discretion in the way in which it was exercised; and
  - (e) if applicable, the reason(s) why it was impractical to exercise the discretion in a way which was consistent with fund assets being valued, or with the market price of interests being calculated, in accordance with ordinary commercial practice.
- 10.7 The records referred to above will be retained for a period of at least 7 years after they cease to be current.
- 11. Nominee of Trilogy Funds**
- 11.1 Reference is made in this Policy to Trilogy Funds having and exercising certain discretions relating to unit prices. Investors should be aware that Trilogy Funds may at times engage an external service provider, which is not associated with Trilogy Funds, to undertake the unit pricing for a Fund and the valuation of the assets and/or the liabilities of the Fund. That service provider does so as the agent, or nominee, of Trilogy Funds. In accordance with the terms of engagement, the external service provider is required to exercise its unit pricing and valuation functions in accordance with this Policy.