

BT Investment Management (RE) Limited
ABN 17 126 390 627

Unit Pricing Discretion Policy

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Unit Pricing Discretion Policy

1. Purpose of this document

This document has been prepared by **BT Investment Management (RE) Limited (BTIM)** in relation to the registered managed investment schemes (**Funds**) for which BTIM is the responsible entity. It has been prepared for the purposes of Australian Securities and Investments Commission Class Order 05/26.

This document sets out the discretions BTIM may exercise in calculating unit prices.

This document is not a complete description of all matters affecting unit prices or investments in the Funds, and should be read subject to the Product Disclosure Statement (**PDS**) and Constitution for the relevant Fund.

2. Unit pricing

The entry price and exit price for units in a Fund at any time are each calculated as the total value of the assets of the Fund less its total liabilities, adjusted for transaction costs, divided by the number of units on issue.

3. Discretions

3.1. Transaction costs

Transaction costs are BTIM's estimate of the total transaction cost the Fund would incur to buy the assets of the Fund (for applications) or sell those assets (for withdrawals).

BTIM bases these estimates on costs incurred historically on transactions for the Funds, as well as its experience in buying or selling similar assets.

In some cases, BTIM may estimate the transactions costs as being zero. For example, where BTIM agrees that an investor is to receive assets from the Fund instead of cash on a withdrawal, BTIM may agree that there will be no transaction costs. This is because no assets will need to be sold to pay the withdrawal.

For an application for units, an adjustment is made to increase the unit price for transaction costs; and for a withdrawal of units, an adjustment is made to decrease the unit price for transaction costs.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that transaction costs relating to applications and withdrawals of units are fairly allocated to the relevant investors, and are not unfairly borne by all investors in the relevant Fund.

3.2. Valuation time

Entry and exit prices for the Funds are based on market prices or valuations available at the end of the business day on which the application or withdrawal is taken to be received.

An application or withdrawal is taken to be received on a business day if it is received before the cut-off time specified by BTIM. BTIM has exercised its discretion to make the cut-off time 4pm (Sydney time) for the Funds (apart from those listed in Appendix 1). An application or withdrawal received after the cut-off time on a business day receives an entry or exit price based on market prices or valuations at the end of the following business day.

BTIM has a discretion to change these cut-off times. If BTIM does so, investors will be notified, usually in the next regular communication from BTIM. The Funds listed in Appendix 2 have their unit prices determined monthly, or at other intervals, and for these funds investors should read the Product Disclosure Statement for further details.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that investors are able to apply for or withdraw units at prices that reflect the recent market valuations as closely as is reasonably practicable.

3.3. Rounding

BTIM rounds entry and exit prices to 4 decimal places for all Funds.

This is consistent with ordinary commercial practice, and is reasonable because it ensures a high degree of unit pricing accuracy.

3.4. Frequency of valuations

BTIM values the assets of each Fund daily (apart from the funds listed in Appendix 2 as referred to in the next paragraph), based on the market prices and valuations available at the end of each business day. In unusual circumstances, such as in times of extreme market volatility, BTIM may value investments more than once during a business day.

For the Funds listed in Appendix 2, BTIM values the assets of the Fund monthly as at the time of the month specified in the Fund's constitution or Product Disclosure Statement.

For some investments held by the Funds, an up-to-date value of an investment may not be available at the end of a business day. For these investments, BTIM may use the value most recently obtained, or may adjust that value by reference to comparable investments or movements in market indices or other factors.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that valuations are carried out as frequently as is necessary to ensure that units are priced daily and are fair as between investors.

3.5. Valuations

In valuing the assets of each Fund, BTIM uses the most recent market prices available to it at the time as at which it carries out the valuation. Where market prices are not available (for example, because the asset is not traded on a market), BTIM will calculate the value using the best information available to it,

including by reference to comparable investments. BTIM may employ independent valuers or sources of information in determining these values.

In valuing the assets of each Fund, BTIM applies valuation practices which are consistent with ordinary market practice. BTIM believes that exercising its discretions in this way is reasonable as it ensures to the extent practicable that a fair value is attributed to the assets of each Fund and that investments are valued consistently between Funds and in different periods.

3.6. Fees and expenses

3.6.1 Daily accrual

Fees charged and expenses recovered within a Fund are accrued in the unit price on a daily basis, based on an estimate by BTIM of the amount of the fee accrued on that day.

3.6.2 Entry and exit fees

BTIM charges entry and exit fees for some Funds. Where the relevant Fund's constitution provides for a maximum amount of entry or exit fees, BTIM will generally exercise its discretion to charge a lower fee than the maximum, and the lower fee will be set out in the Fund's PDS. BTIM may also exercise its discretion to vary or waive entry or exit fees for specific investors, where permitted under ASIC policy and legal requirements.

Entry and exit fees, including any variation or waiver of those fees, are charged outside the relevant Fund and do not affect unit prices.

3.6.3 Management fees – fee accrual

BTIM charges management fees for the Funds. Where the relevant Fund's constitution provides for a maximum amount of management fees, BTIM will generally exercise its discretion to charge a lower fee than the maximum, and the lower fee will be set out in the Fund's PDS. BTIM may also exercise its discretion to vary or waive management fees for specific investors, where permitted under ASIC policy and legal requirements. If management fees are varied or waived, this occurs outside the relevant Fund and does not affect the unit price.

Management fees are calculated by BTIM and accrue in the unit price on a daily basis.

3.6.4 Performance fees

Where a performance fee is charged by BTIM in relation to a particular Fund, BTIM calculates and accrues the fee as set out in the fund's constitution. A list of the Funds which charge performance fees is set out in Appendix 3. BTIM may exercise its discretion to vary or waive performance fees for specific investors, where permitted under ASIC policy and legal requirements. If performance fees are varied or waived, this occurs outside the relevant Fund and does not affect the unit price.

Performance fees are calculated by BTIM and accrue in the unit price on a daily basis. Because performance fees are generally payable based on the annual performance of the Fund, BTIM applies a reasonable methodology to accrue performance fees daily based on the daily performance of the relevant Fund.

Please refer to the Product Disclosure Statement for your fund to determine if performance fees apply, and the way in which they are calculated.

3.6.5 Expenses

For some Funds, the expenses of the fund will be met by BTIM from its management fee, and these expenses are not recovered from the fund. Please refer to the Product Disclosure Statement for your fund to determine if BTIM will meet the expenses of the fund from its management fee.

For all other Funds, BTIM will recover from the relevant Fund the expenses of administering the Fund and investing the assets of the Fund. Expenses are apportioned between Funds based on the actual expenses incurred relating to that fund. Where expenses are incurred in relation to a number of Funds and no specific expense is attributable to a particular fund, expenses are apportioned on a fair basis.

Where the fees for a Fund are stated in its Product Disclosure Statement to be inclusive of expenses, BTIM will bear the cost of any expenses which exceed this amount.

Where the constitution for a Fund limits the amount or type of expenses that the fund can incur, BTIM will bear the cost of any expenses which exceed this amount.

3.6.6 Exercise of discretions

BTIM believes that exercising its discretions in these ways is reasonable because it ensures that fees and expenses are fairly allocated to the Funds and equitably apportioned as between investors in those funds.

3.7. Liabilities

Where a Fund incurs liabilities other than fees and expenses, BTIM determines the value of these liabilities based on accepted Australian accounting principles. Where a liability is payable over an extended period, BTIM may make provision for the value of the liability and adjust the unit price of the relevant fund to reflect this provision. Liabilities affecting more than one Fund are apportioned by BTIM fairly amongst the affected Funds.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that liabilities of the Funds are borne fairly by all investors in the funds.

3.8. Asset transfers

Where permitted by the Fund's constitution, BTIM may in some circumstances exercise a discretion to permit an investor to:

- transfer assets instead of cash in exchange for an issue of units in a Fund or
- receive assets from a Fund instead of cash on a withdrawal of units.

BTIM will only exercise its discretion to do so if it believes that this will not be disadvantageous to other investors. Where BTIM exercises this discretion, the assets to be transferred will be valued by reference to appropriate market prices and valuations to ensure that the value of the assets as closely as possible matches the cash that would otherwise have been payable.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that there is flexibility to enable investors in some circumstances to apply for units or withdraw units from a Fund by

transfer of assets, while minimising transaction costs, and without disadvantaging other investors in the Fund.

3.9. Distributions

3.9.1 Frequency of distributions

The frequency with which Funds distribute their income and realised capital gains in most circumstances is set out in the fund's PDS. However, BTIM may exercise its discretion to vary this frequency, based on the amount and timing of taxable income and capital gains within the Fund and other factors specific to the Fund, such as expected cash flows.

BTIM calculates interim distributions based on estimated income in accordance with the Fund's constitution. Capital gains and foreign exchange gains are not normally distributed until the June distribution. BTIM may also exercise its discretions as to whether a Fund should distribute in a particular period and the amount of the interim distribution. In exercising this discretion, BTIM will have regard to anticipated cash flows in the Fund and any anticipated large deposits into or withdrawals from the Fund, in order to ensure as far as possible that all investors are treated fairly.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that the income of the Fund is distributed fairly to investors and that the income and capital gains of the Fund can be distributed in a way which does not impose an unfair tax burden on particular investors.

3.9.2 Special distributions

Where a large deposit is made into, or a large withdrawal is made from a Fund, BTIM may assess the tax position of the Fund to decide if a special distribution is required. A special distribution will be made if BTIM considers that it is appropriate to distribute the fund's income before the deposit or withdrawal, to ensure that all investors in the fund are treated fairly for tax purposes, and that no group of investors bears a disproportionate share of the tax on the Fund's income or realised gains.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that the taxable income and gains of the Fund are allocated to investors fairly, and are not unfairly borne by any group of investors.

3.10. Multi-class portfolios

Where a Fund has issued more than one class of units, BTIM exercises discretions as to the allocation of assets, liabilities, revenues and expenses to the classes, as set out below.

Where the Fund has more than one class of units, but the same fees and expenses are applicable to each class, fees and expenses are allocated equally to all units, irrespective of class.

Where the Fund has more than one class of units with different fees and expenses, the fund's assets, liabilities and investment income are allocated to each class proportionally based on the size of each class.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that, where a Fund has issued multiple classes of units, the assets, liabilities, revenues and expenses of the Fund are allocated fairly between the classes.

4. Suspension of unit pricing

In some circumstances, BTIM may exercise a discretion to suspend the ability of investors to withdraw from a Fund. In those circumstances, unit prices will generally not be available.

The circumstances in which this may occur include:

- a significant disruption in financial markets
- the inability to obtain reliable valuations of assets and
- very large redemptions which may impose unreasonable tax or other burdens on remaining investors and if the fund becomes illiquid.

BTIM believes that exercising its discretions in this way is reasonable because it ensures that investors are able to apply for or withdraw units at prices that reflect their actual value (as far as can be determined) and that the majority of unitholders are not disadvantaged by the circumstances in which the discretion is exercised.

5. Records

Where BTIM exercises a discretion consistently with this policy, BTIM will retain a record of the result of the exercise of discretion, but will generally not retain any other records relating to the exercise of the discretion.

Where BTIM exercises a discretion:

- in relation to which BTIM has no documented policy or
- in a way that involves a departure from BTIM's documented policy,

BTIM will retain records containing details of the exercise of the discretion.

6. Nominees

None of the discretions specified in this document are exercised by nominees of BTIM.

7. Variations of this policy

BTIM may vary or replace any term of this policy in relation to a Fund without prior notice to the investors in the relevant Fund. Where the variation is material, BTIM may notify investors of the variation in writing or through its investor website.

8. Further information

If you have any questions about anything in this document or require any further information, please contact BT Investment Management on 132 135 or post your enquiry to:

BT Investment Management Limited
GPO Box 2675
Sydney NSW 2001

Appendix 1

Cut-off times

Fund	ARSN	Cut off time
BT Institutional Managed Cash Fund	088 832 491	2:30pm
BT Institutional Enhanced Cash Fund	088 863 469	2:30 pm

Appendix 2

Funds priced monthly

Fund	ARSN
BT Strategic Commodity Active Fund	115 912 644
BT Total Return Fund	092 178 704
BT Global Return Fund	097 575 730

Appendix 3

Funds which charge performance fees

Fund	ARSN
BT Wholesale MicroCap Opportunities Fund	118 585 354
BT Wholesale Focus Australian Share Fund	113 232 812