

WARATAH FUNDS MANAGEMENT LIMITED AS RE OF
THE WARATAH HOTEL FUND

Unit Pricing Policy

1. Background

Section 601GA of the Act requires the constitution of a registered managed investment scheme to—

- (a) make adequate provision for the consideration that is to be paid to acquire an interest in the scheme, and
- (b) where Unit Holders have a right to withdraw from the scheme, set out adequate procedures for making and dealing with withdrawal requests.

ASIC considers “adequate provision” has been made if it is possible to objectively test the determination of the issue price and withdrawal price from the terms of the scheme’s constitution. ASIC considers if a provision of a scheme’s constitution allows the responsible entity to influence any aspect of the issue price or the withdrawal price, then the constitution may not comply with section 601GA of the Act.

However, ASIC has issued class order relief (class order 05/1236, which amended an existing class order, class order 05/26), allowing a formula or method in the constitution for a scheme to permit the responsible entity to exercise a discretion which influences an aspect of the issue price or withdrawal price. This relief is conditional on, amongst other things, the responsible entity exercising its discretion in accordance with a documented policy.

2. Purpose and scope

- (a) The purpose of this Policy is to set out how the Responsible Entity will exercise the relevant discretions given to it under the Constitution, in a manner which ensures Issue Prices and Redemption Prices are calculated and applied consistently and equitably.
- (b) Under class order 05/26—
 - (i) a policy for the exercise of a Discretion set out in this document, must not involve the creation of another Discretion, and
 - (ii) a policy for the exercise of a Discretion, set out in this document, must be the only policy applicable to the exercise of the Discretion at any one time.
- (c) It is noted that units are stapled with shares in Waratah Hotels Limited and Waratah Hotels No 2 Limited. Nothing in this Policy applies to determine or restrict the price at which shares in those companies may be issued.
- (d) This Policy must be reviewed at appropriate periods, but at least annually.

3. Interpretation

Unless otherwise defined in Schedule 1 of this Policy, capitalised terms used in this Policy have the meanings given to them in the Constitution.

4. Good practice principles

In the joint ASIC and APRA guide *Unit pricing—Guide to good practice (August 2008)*, the following good practice principles for unit pricing were identified and have been adopted by the Responsible Entity in respect of the Trust:

- (a) In relation to a managed investment scheme, the responsible entity's unit pricing policies and practice must be consistent with the scheme's constitution, compliance plan and disclosure document (e.g., PDS).
- (b) The pricing policies must be implemented consistently and kept up-to-date.
- (c) Adjustments to unit prices and withdrawal prices, if based on sound policy, are not errors.
- (d) Where appropriate, the responsible entity may exercise its own judgement to develop estimates of values, where actual values are not available.
- (e) Information for unitholders must be accessible, timely and useful.

5. Pricing method—Initial Issue Price

5.1 Subsequent Issue Prices

Section 6, clause 6.2, of the Constitution sets out the following formula for determining the subsequent Issue Price for a Unit:

$$\frac{\text{"Net Trust Fund Value + Transaction Costs"}}{\text{Number of Units on Issue}}$$

6. Pricing method—Redemption Price

6.1 General

- (a) As at the date of this Policy, the Responsible Entity considers the Trust to be "Not Liquid". Therefore, Unit Holders cannot request the withdrawal of
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their Units unless the Responsible Entity decides to make a withdrawal offer.

- (b) In the future, if the Trust is Liquid, then Unit Holders will be able to withdraw from the Trust at any time. However, because of the nature of the Trust's investments, the Responsible Entity does not expect the Trust to be liquid.
- (c) The Redemption Price for a Unit is calculated in accordance with the Constitution Section 10, clause 10.6. The Responsible Entity will not redeem a Unit, except at a price calculated in accordance with the provisions of the Constitution.

6.2 Redemption Price

Under clause 10.6 of the Constitution, the Redemption Price for a Unit (while the Trust is Liquid) is calculated in accordance with the following formula:

$$\frac{\text{"Net Trust Fund Value – Redemption Costs"}}{\text{Number of Units on Issue"}}$$

7. Specific Discretions

7.1 Calculation of Issue Price

- (a) Calculation of the Issue Price for Units involves the exercise of certain Discretions by the Responsible Entity, because the Responsible Entity can decide matters which affect the values of variables which make up the Issue Price formula, under the Constitution.
- (b) The matters in relation to which the Responsible Entity may exercise a Discretion when calculating the current Issue Price are as follows:
 - (i) Calculation of the Net Trust Fund Value, which in turn involves the Responsible Entity exercising Discretions in relation to—
 - A. when Assets are to be valued
 - B. when the Net Trust Fund Value is to be determined
 - C. the valuation methods and practices to be applied for different types of Assets, and
 - D. the provisions which should be taken into account in determining the Liabilities.
 - (ii) Calculation of the allowance to be applied for Transaction Costs.
 - (iii) The time at which the Issue Price should be determined, in relation to a particular application to invest in the Trust.

7.2 Calculation of Redemption Price

- (a) Calculation of the Redemption Price for Units involves the exercise of certain Discretions by the Responsible Entity, because, as with the determination of the Issue Price, the Responsible Entity can decide matters which affect the values of variables making up the Redemption Price formula, under the Constitution.
- (b) The matters in relation to which the Responsible Entity may exercise a Discretion when calculating the current Redemption Price are as follows:
 - (i) Calculation of the Net Trust Fund Value, which in turn involves the Responsible Entity exercising Discretions in relation to—
 - A. when Assets are to be valued
 - B. when the Net Asset Value is to be determined
 - C. the valuation methods and practices to be applied for different types of Assets, and
 - D. the provisions which should be taken into account in determining the Liabilities.
 - (ii) Calculation of the allowance to be applied for Redemption Costs.

8. Policies for exercise of Discretions

8.1 Determining Net Trust Fund Value

- (a) General
 - (i) In calculating the Issue Price or Redemption Price for Units, the Responsible Entity must determine the "Net Trust Fund Value". The Net Trust Fund Value is defined as the "Market Value of the Assets, less the Liabilities". The definition of "Liabilities" allows the Responsible Entity to include any provisions the Responsible Entity decides should be taken into account in determining those liabilities.
 - (ii) Under the Constitution, the Responsible Entity may—
 - A. decide when to value any Asset
 - B. in certain circumstances, decide matters impacting upon the valuation methods for Assets
 - C. convert the value of an overseas Asset in accordance with conversion methods and policies it adopts from time to time, and

- D. calculate the Net Trust Fund Value at any time, in its discretion.
- (iii) Therefore, in calculating the Net Trust Fund Value at any point in time, the Responsible Entity is entitled to exercise Discretions, in relation to—
- A. when Assets are to be valued
 - B. when the Net Trust Fund Value is to be determined
 - C. in certain circumstances, matters impacting upon the valuation methods for Assets
 - D. for overseas Assets, matters impacting the currency conversion of the Asset
 - E. the provisions which should be taken into account in determining the Liabilities.
- (b) Valuation methods and procedures—current policies

Under the Constitution, the Responsible Entity may determine the valuation methods and policies for each category of Assets.

- (c) Inaccurate reflection of value

Under the Constitution, Assets are valued at market value. However, the Responsible Entity can exercise its discretion to use another value. For example, the Responsible Entity may use another value where there is no market value available, or where the Responsible Entity reasonably believes the value obtained is not the fair market value of the Asset. If the Responsible Entity exercises its discretion by choosing an alternative method of valuation then it will use one or more of the alternative methods or sources listed below:

8.2 Determining the Liabilities

- (a) In determining the Liabilities, the Constitution provides that the Responsible Entity may allow for any present obligations it considers should be taken into account.

8.3 Transaction Costs—Issues of Units

- (a) In determining the Issue Price, the Responsible Entity may add an allowance for Transaction Costs, to cover the costs associated with acquiring new Assets for the Trust.

8.4 Redemption Costs—Withdrawals

- (a) In determining the Redemption Price, the Responsible Entity may subtract an allowance for Redemption Costs, to cover the costs associated with selling Assets of the Trust.

8.5 Timing for pricing of Units—General

- (a) Under the Constitution the Responsible Entity may decide when to determine either the Application Price or Redemption Price, in relation to an application to invest in the Trust or request to withdraw from the Trust.
- (b) Whenever the Application Price or Redemption Price is to be calculated, under the Constitution, the Responsible Entity determines (and then applies) the current Net Trust Fund Value. However, this does not necessarily mean that the Net Trust Fund Value applied will be higher or lower than the Net Trust Fund Value last calculated by the Responsible Entity—the value of the Trust’s Assets (and the Liabilities) may not have actually changed since the last occasion on which the Responsible Entity calculated the Application Price or Redemption Price.

8.6 Application Price applied for reinvestment of distributions

- (a) Units issued as a result of reinvestment of distributions are issued in accordance with clause 12.7 of the Constitution.
- (b) The calculation of the dividend reinvestment will be as follows:

The Distribution Reinvestment Price is calculated as if the Responsible Entity has received an application on the first business day after the distribution is paid, at an Issue Price determined in accordance with clause 6 of the Constitution.

9. Exercise of Discretions

- (a) The Responsible Entity must act reasonably in exercising any Discretion.
- (b) Without limiting the Constitution, where a Discretion relates to working out the value of the Assets, the manner in which the Discretion is exercised must as far as practicable be consistent with ordinary commercial practice for valuing property of the relevant kind. The exercise of any discretion is subject to the general duties of a responsible entity under section 601FC of the Act, to act in the best interests of unitholders and to exercise a degree of care and due diligence that a reasonable person would exercise in that position.

- (c) The Responsible Entity has based this Policy on current ordinary commercial practice for unlisted managed investment schemes. Therefore, the Responsible Entity considers it is reasonable to exercise the various Discretions documented in this Policy, in the manner set out in this Policy.

10. Exercise of Discretions by a nominee

Whilst an administrator or nominee values the Assets, the Responsible Entity retains the responsibility to ensure all Asset valuations are determined in accordance with the Constitution, the PDS and any relevant legislative requirements.

11. Departures from this Policy

If the Responsible Entity exercises a Discretion in either of the following circumstances, then the Responsible Entity must complete a notice in the form set out at Schedule 2:

- (a) The Responsible Entity or its nominee 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 exercise.
- (b) The Responsible Entity or its nominee exercises a Discretion in a way that involves a departure from this Policy.

12. Record keeping

- (a) The Responsible Entity must ensure that the records which it keeps under section 988A of the Act are kept in such a way as will enable any of the following relating to the issue or redemption of a Unit to be identified:
 - (i) Any documented policy applied in the exercise of a Discretion.
 - (ii) Any exercise of a Discretion covered by clause 10.
- (b) The Responsible Entity must do the following:
 - (i) Retain any documents concerning the exercise of a Discretion (including this Policy) for seven years after they cease to be current.
 - (ii) Give a copy of the documents referred to in clause 12(b)(i) to the following persons on request at no charge:
 - A. A Unit Holder in the Trust.
 - B. A person who has been or should have been given, or who has obtained, the PDS for the offer of Units in the Trust.

13. Review

The Directors must review this Policy on an ongoing basis and suggest any modifications to this Policy considered necessary. The Responsible Entity may amend or supplement this Policy from time to time.

14. Reporting and review processes

The Compliance Officer must—

- (a) carry out an annual review of this policy to ensure that it continues to comply with ASIC policy and the Act
- (b) provide a report to the Board and the Compliance Committee outlining any recommendations or issues associated with the procedures, and
- (c) provide a report to the Board and the Compliance Committee outlining any non-compliance with this policy.

Schedule 1—Dictionary

Application Price	The price at which a Unit is issued, calculated in accordance with the Constitution.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
Compliance Plan	The compliance plan for the Trust lodged with ASIC, as amended and in force.
Constitution	The constitution for the Trust lodged with ASIC, as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth), as amended and in force.
Discretion	A discretion to do either or both of the following: (a) Decide a matter that affects the value of a factor included in the Unit pricing formulae set out in clauses 5 and 6 of this Policy. (b) Decide a matter that is an aspect of the method for calculating an Application Price or Redemption Price.
PDS	Any product disclosure statement under which investment in the Trust is offered (as may be supplemented or replaced from time to time).
Policy	This policy, including all of its annexures and schedules.
Redemption Price	The price at which a Unit is redeemed, calculated in accordance with the Constitution.
Responsible Entity	Waratah Funds Management Limited.
Trust	Waratah Hotel Fund.
Unit	A unit in the Trust.
Unit Holder	A person who holds Units.

Schedule 2—Departure report

DEPARTURE REPORT

Date: #[insert date of report]

Trust: Waratah Hotel Fund

Person responsible: Name: #

Position: #

Company: **Waratah Funds Management Limited**

Date discretion exercised	How was the discretion exercised?	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 property being valued in accordance with ordinary commercial practice, why was it impracticable to do so?

This form must be completed and handed to the Managing Director as soon as practicable following the date the discretion was exercised.

Completed by: _____ Signed: _____ Date: ___ / ___ / ___

Comments

Confirmed by Managing Director Signed: _____ Date: ___ / ___ / ___