



# **Centro Direct Property Funds**

## **Unit Pricing Policy**

- **Centro Direct Property Fund**
- **Centro Direct Property Fund International**

Updated: June 2008

# Centro Direct Property Funds Unit Pricing Policy

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## 1.0 FOREWORD

The purpose of this Unit Pricing Policy is to clearly outline the methodology and basis for calculating the Unit Price of the Centro Direct Property Fund (DPF) and Centro Direct Property Fund International (DPFI), both registered managed investment schemes.

The Unit Price represents the fair market value of Units held by investors in the underlying investments. This reflects the realisation value of Units assuming the underlying properties and other investments were disposed and liabilities repaid at the relevant date.

This policy may change from time to time and we will ensure the latest is available upon request to investors in the Funds.

## 1.1 INTRODUCTION TO CENTRO

Centro Properties Group ('Centro') is an investment organisation specialising in the ownership, management and development of retail shopping centres. Centro manages both listed and unlisted retail property and has an extensive portfolio of shopping centres across Australia, New Zealand and the United States.

Centro's listed property investment products include Centro Properties Group (CNP) and Centro Retail Trust (CER). In unlisted funds, Centro also manages 34 Centro MCS direct property syndicates, two wholesale funds in addition to the Centro Direct Property Fund and the Centro Direct Property Fund International. The DPF and DPFI are unlisted property funds investing primarily in Centro Syndicates and funds.

The Responsible Entity of the DPF and DPFI is Centro MCS Manager Limited, a wholly owned subsidiary of Centro.

## 2.0 DEFINITIONS

This document uses the same definitions as used in the Funds' combined PDS. In addition, the following definitions also apply:

AIFRS	Australian equivalents of International Financial Reporting Standards
Application Price	Unit Price plus Buy Spread
ASIC	Australian Securities and Investment Commission
Buy Spread	As determined by the Responsible Entity used to calculate the Application Price
Funds	Centro Direct Property Fund (DPF) and Centro Direct Property Fund International (DPFI)
NAB	Net Asset Backing per unit of an underlying investment of the Fund, being the NTA adjusted for actual or likely property acquisition costs, structuring and establishment costs, exit and success fees and selling costs
NAV	Net Asset Value per unit being the NTA of the Fund plus allowable accruals
NTA	Net Tangible Asset Value per unit as calculated in accordance with Australian Accounting Standards, including AIFRS adjustments

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PDS	Product Disclosure Statement
Responsible Entity	Centro MCS Manager Ltd
Sell Spread	As determined by the Responsible Entity and used to determine the Withdrawal Price
Unit Price	The Price of Units in the respective funds at a particular time as published by the Responsible Entity on the respective Fund's web site
We or Us	The Responsible Entity
Withdrawal Price	Unit Price less Sell Spread (if applicable)

### **3.0 PURPOSE**

Centro considers this Unit Pricing Policy will assist investors to understand the basis on which the DPF and DPFI Unit Prices are calculated.

This Unit Pricing Policy ensures compliance with ASIC regulatory requirements which require that the determination of the issue and redemption price under the respective Constitutions of the Funds be independently verifiable. However, ASIC recognises that a Responsible Entity (RE) commonly exercises discretions in calculating unit prices and provides conditional relief from the Corporations Act requirement which allows the RE to exercise discretion in certain matters that impact the unit price of the Funds, provided certain conditions are met.

The Funds' PDS outlines the key concepts and methods in calculating the Funds' unit prices. This policy provides additional details in this regard.

### **4.0 UNIT PRICE FREQUENCY and PUBLICATION**

The Unit Prices for the Funds are calculated on a daily basis. Unit Prices are published on the respective Fund's web site on a daily basis.

### **5.0 FUND STRUCTURE**

The products covered under this policy, in accordance with the PDS, contain investment parameters open to investment in Centro Syndicates and funds, Centro listed trusts as well as external listed and unlisted products. For valuation methodologies on each of these components, please see Section 7.

## **6.0 UNIT PRICING**

### **6.1 Calculation Basis**

The Unit Price is calculated daily by the respective Fund accountant in consultation with the respective Fund Manager based on the following formulae:

$$\text{Application Price} = \frac{\text{NAV} + \text{Transaction cost Estimate}}{\text{Units on Issue}}$$

$$\text{Withdrawal Price} = \frac{\text{NAV} - \text{Transaction Cost Estimate}}{\text{Units on Issue}}$$

1. The Fund's Net Tangible Asset Value is calculated in accordance with Australian Accounting Standards, which includes AIFRS; plus
2. Applying allowable accruals to reach the Net Asset Value (NAV) of the Fund; and
3. Dividing the NAV by the number of Units on issue as at the relevant valuation date.

For further information on Transaction Cost Estimate, see Section 8.

### **6.2 Net Tangible Asset Value**

The Net Tangible Asset Value is calculated in accordance with Australian Accounting Standards which includes the Australian equivalents of International Financial Reporting Standards (AIFRS). Centro will apply the following significant accounting policies in preparing the financial reports for the Funds:

### **6.3 Accruals**

In determining a Fund's Unit Price, investment income is accounted for on an accrual basis where there is a reasonable level of certainty as to the level of distribution, otherwise income is booked upon receipt.

1. Income is treated as follows:
  - Income entitlements for Fund investments in Centro managed funds are accrued on a daily basis, where there is a high degree of certainty or reliability as to the receipt of such amounts.
  - Income entitlements from investing in external unlisted investments will also be accrued on a daily basis, where there is a high degree of certainty or reliability as to the receipt of such amounts. Failing this, the income will be accounted for on receipt.
  - Income relating to listed investments are accrued daily based on the latest publicly available information.
  - Rebates and trail commissions are accrued on a daily basis based on the applicable rebate rate.

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- Interest on monies placed in an operating bank account, 11am call deposit or term deposit is accrued daily based on confirmed deposit rates from the banks concerned.
2. Expenses are treated as follows:
- Management fees and custodian fees are accrued on a daily basis based on the gross assets of the Fund for that day at the applicable fee rate.
  - Trustee fees, accounting fees, audit fees, compliance fees, registry fees, legal fees and report costs are accrued daily, based on the expected annual amount.
  - Other expenses are accounted for when incurred when the invoice is received.

### 6.4 Asset Valuation

The valuation of investment assets are treated as follows:

- For Centro Syndicates and funds, the initial value of investments on acquisition is its acquisition costs less any fees rebated and Buy Spread applied. Fee rebates are usually reflected in a grossed up number of units issued.
- For Centro MCS managed funds, investments will usually be carried at cost for the initial 12 months.
- Interests in investments are revalued to their net asset backing (NAB) or net tangible asset backing (NTA) values (as the case may be) upon this information being published by the manager of the respective investments. Centro undertakes six-monthly revaluations of its syndicates and quarterly revaluations of its wholesale funds. In determining whether to adopt an NAB or NTA value for a particular investment, the Manager may consider the following factors:
  - Whether the manager of the underlying investment publishes an NAB or NTA;
  - NAB is typically preferred for investments such as syndicates with a fixed timeframe as the Manager believes it more accurately represents the fair value of the investment for that timeframe;
  - NTA is typically preferred for investments such as open ended funds with no fixed timeframe; and
  - NTA may be adopted in preference to NAB where the Fund's timeframe for the investment is different to that stated by the underlying investment manager;
- For investments in funds where the responsible entity is not related to Centro, consideration will be given to the original acquisition price, the updated NTA or updated NAB for that fund (whichever the case may be) as advised by the relevant responsible entity.
- DPF investments in DPFI are revalued daily based on the ex-distribution Withdrawal Price of the DPFI.
- Investments in listed investments are recorded at cost, excluding any brokerage which is applied to the spread reserve. The carrying value is then adjusted on a

daily basis to the volume weighted average price (VWAP) applicable to each investment.

- The Manager of the DPF and DPFI may have regard to published information, economic data and trends in property values and may adjust the value of underlying investments accordingly where it believes it would be prudent to do so at any time.

## **6.5 Forward Pricing**

The daily unit pricing for both DPF and DPFI utilise forward pricing for all investor transactions. This ensures that both applications and redemptions are processed at the next calculated price as opposed to the previous price applicable. Accordingly, investors cannot take advantage of market movements on the day of their transaction as these will already be factored into their relevant application or withdrawal price.

## **7.0 PRICING ERRORS**

### **7.1 Materiality**

IFSA Guidance Notes recommend that a materiality benchmark should be selected for situations of incorrect pricing. The Responsible Entity has determined that the materiality benchmark for the DPF and DPFI will be set at 0.3 percent of the unit price. In such circumstances, compensation for disadvantaged unitholders will be considered. This benchmark has been deemed appropriate given the *growth* nature of the investments and the fact that it also aligns the funds with standard industry practice.

### **7.2 Procedure**

In the event that the Manager detects a pricing error on either the DPF or DPFI, there are clear procedures in place to rectify the error and determine its impact on unitholders within each of the Funds.

Once an error has been detected the Manager must take all appropriate steps to ensure the following actions are satisfied:

- Contain the error by identifying the extent of the problem;
- Liaise with the Compliance Officer concerning the extent of the problem and appropriate course of action to address the error;
- Ascertain the number of disadvantaged unitholders as a result of the error;
- Consider the need for compensation and identify what constitutes a material exposure; and
- Communicate to affected or all unitholders if appropriate.

The Manager is also aware of its requirements under its AFS licence to inform ASIC within the prescribed times of all material errors in respect of the Funds. The Manager must provide full advice on the error and the proposed course of action to rectify the position of the Fund and affected unitholders.

## **8.0 TRANSACTION COSTS**

Buy and sell spreads are used to cover the transaction costs related to the purchases or sales of assets in underlying investments. The buy/sell spread is structured to minimise the impact of such costs on non-transacting members who should not bear these transaction costs. These transaction costs, in the form of a buy/sell spread, are applied to the unit price when calculating the Application Price for an application or Redemption Price for withdrawal from the Fund.

The level of the buy/sell spread will be reviewed from time to time with changes to the spreads permitted, provided one month notice is given to unitholders. The current Funds' PDS states that the buy spread is 1.0% and there is a nil sell spread.

## **9.0 AVAILABILITY OF POLICY**

Members of the respective Funds may obtain a copy of this Unit Pricing Policy via the Fund's web site or by requesting a copy directly from the Responsible Entity.

Centro Investor Services

1800 802 400

<http://www.centro.com.au/dpf>