

## Centuria NZ Property Fund **Unit Pricing Policy**

Version 1.0 (September 2021)

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## 1 Overview

### 1.1 Definitions

The meaning of words and phrases used in this document is set out in Appendix 1.

### 1.2 Introduction

#### 1.2.1 Policy Purpose, Ownership and Change Management

##### **Purpose**

The purpose of this document is to outline Centuria Funds Management (NZ) Limited's (CFMNZ) policy with respect to the pricing of Centuria NZ Property Fund (CNZPF) units. The Unit Price is the price at which an investor can purchase or redeem units in CNZPF.

This unit pricing policy is designed to ensure that CFMNZ adheres to good market practice and is consistent with the standards and principles identified by regulators and industry bodies. Its purpose is also to set out how CFMNZ will exercise discretions it has in relation to aspects of the calculation of the CNZPF Unit Price; and to ensure that Unit Prices are calculated and applied consistently and equitably.

This Policy outlines the Unit pricing methodology and approach adopted. In particular, the following areas are considered:

- + Identification of an appropriate Unit pricing methodology in line with good market practice;
- + Guidance to sourcing appropriate valuations of underlying assets;
- + The circumstances in which CFMNZ may exercise discretion in relation to an aspect of calculating the Unit Price;
- + Roles and responsibilities.

##### **Policy Ownership**

This Policy document shall be maintained by CFMNZ finance, and shall be reviewed on a regular basis to ensure the content is current. In addition, compliance with this Policy will be incorporated as part of CFMNZ's Risk Management and Compliance Framework.

##### **Change Management**

Any changes made to this document shall be conducted in accordance with the following guidelines:

##### **Static Data**

Static data refers to changes to the following:

- + Name of CNZPF;
- + Inclusion of additional managed investment schemes, only where the methodologies are consistent with the current policy;
- + Updates to governing documents (i.e. issue date or name of document), provided there is no impact to a Governing Policy within this document;

- + Titles or Team changes;
- + Updates to definitions in Appendix 1;

Changes to Static Data may be made with the approval of the CFMNZ Chief Operating Officer, or as delegated. Board approval is not required for such changes.

## Governing Policies

Governing Policies refer to the methodologies and assumptions outlined in Sections 2 to 5 and to any other data in this policy other than Static Data.

Changes to Governing Policies must be approved by the Board of CFMNZ.

## Communication of Changes

Any changes to the Policy must be communicated in writing to CNZPF's Supervisor (currently Covenant Trustee Services Limited) and any appointed service provider and disseminated internally as appropriate.

## 1.2.2 Policy Scope

This Policy is applicable to the CNZPF.

## 1.2.3 Relevant Documentation

The governing documents which support the content in this Policy document have been listed below:

### i. Scheme Governing Documents

Scheme	Governing Documents
CNZPF	Centuria NZ Property Fund - Trust Deed dated 13 July 2020 as amended from time to time

### ii. Other Policies

Scheme	Policy
CFMNZ	Property and Insurance Valuation Policy
Centuria Capital Group	Conflicts of Interest Policy

## 2 Pricing Methodology

### 2.1 Pricing Basis

The following table details the key Unit pricing principles:

Product Group	Frequency	Basis (historical v forward)	Rounding principles
CNZPF	Monthly on last day of each calendar month	Forward	4 decimal places

For the purposes of a PDS or offering document CFMNZ may set a fair and reasonable Unit Price that is not calculated in accordance with this Policy and is disclosed in the PDS or offering document.

### 2.2 Unit Price Calculation

Unit Prices are calculated in-house by CFMNZ.

Unit Prices are calculated based on the Adjusted Net Asset Value as follows:

Unit Price = (Net Asset Value + establishment, capital raising and acquisition cost adjustment + acquisition premium – provision for selling costs) / number of Units on issue

### 2.3 Discretions

Calculating the Unit Price involves the exercise of certain discretions by CFMNZ.

The matters in relation to which CFMNZ may exercise discretions are as follows:

- + Calculating the Adjusted Net Asset Value
- + Determining relevant costs for the establishment, capital raising and acquisition cost adjustment
- + Determining the provision for selling costs
- + Determining the time at which the Unit Price should be struck.

CFMNZ will act reasonably in exercising any discretion. Conflicts of interest are to be managed in line with the Centuria Capital Group policy.

### 2.4 Aspects of the Formulas

#### Net Asset Value

This represents all assets less all liabilities of CNZPF, calculated in accordance with the provisions of this Policy and the Trust Deed.

For the avoidance of doubt, liabilities include accrued distributions payable to unitholders and accrued performance fees.

Information about how assets are valued is contained in section 3.

## **Establishment, Capital Raising and Acquisition Cost Adjustment**

Establishment costs, capital raising costs and acquisition costs such as acquisition fees, brokerage fees, due diligence costs and legal costs are gradually written off on a “straight line” basis over five years from the time an asset is acquired. On the sale of all or part of the relevant asset, any remaining amount is reduced to zero.

### **Acquisition Premium**

Where CNZPF acquires an asset for an amount greater than its proportionate share of the underlying net asset value, but records the value of the asset at its underlying net asset value rather than its acquisition cost, an amount equal to the difference is gradually written off on a “straight line” basis over five years from the time the asset is acquired. On the sale of all or part of the relevant asset, any remaining amount is reduced to zero.

### **Provision for Selling Costs**

Where an asset has been purchased by CNZPF a provision for the anticipated costs of selling that asset is gradually recognised over five years from the time the asset is first acquired. This provision will be amended to reflect the actual costs of selling the relevant asset once known and reduced to zero once the asset is sold.

The default provision for selling costs is 2.5% of the purchase price, however this can be adjusted if it is not considered reasonable for an asset.

## **2.5 Backdating**

Under no circumstances can a Unit pricing transaction be backdated in CNZPF’s records.

## **2.6 Pricing Suspension**

CFMNZ may suspend the Unit pricing, and therefore the processing of applications and redemptions in CNZPF, in the following instances:

- + Identification of a Unit pricing error;
- + Significant market movements resulting in an inability to calculate fair value of CNZPF;
- + Inability to value an asset;
- + Material variances are likely between current valuations and the true value of assets; and
- + Any similar or other circumstances determined by the Board where it would not be in the best interests of CNZPF investors to strike a Unit price or to allow applications or redemptions from CNZPF.

Where reasonable suspicion exists that the above events have been triggered, management are to cease Unit pricing pending resolution of the relevant issue.

Management monitor the Unit prices on a regular basis, which ensures the timely identification of a matter which may require Unit pricing to be suspended.

## 3 Valuation of Assets

The value of the assets of CNZPF is relevant to calculating the Adjusted Net Asset Value for the purpose of determining the Unit Price (see section 2).

The following table details the asset classes which the CNZPF can invest in and the valuation methodology which is followed for each asset class.

Asset Type	Valuation Methodology	Responsibility / delegations	Frequency
Directly held investment property	Most recent property value determined by a valuer (in accordance with CFMNZ's Property and Insurance Valuation Policy)	Board	Annually or if CFMNZ considers there has been a material change
Unit, share or other investment parcel in a property fund not listed on a recognised exchange	The unit price issued by the fund.  If the fund does not issue a unit price, the proportionate share of net asset value as disclosed in most recent financial statements issued for the fund.	Financial Controller, or as delegated	Annually or more regularly if publicly available
Securities listed on a recognised exchange	Market close price from exchange	Financial Controller, or as delegated	Monthly
Cash deposits with banks	Face value plus accrued interest	Financial Controller, or as delegated	Monthly
Derivative financial instruments	Mark to market valuation provided by financial institution, valuer or valuation system (including Bloomberg or similar)	Financial Controller, or as delegated	Monthly
All other assets and liabilities	Net realisable value at the end of the month	Financial Controller, or as delegated	Monthly or less regularly if the nature of the asset or liability permits

Additional information:

## **Unit Prices**

The unit prices for any unit, share or other investment parcel in a property fund not listed on a recognised exchange are inclusive of fees (“net unit prices”).

## **Independent Property Valuations**

CFMNZ has a valuation policy for directly held investment property. CFMNZ adopts that policy for CNZPF, in relation to any directly held investment property.

Under the valuation policy, properties are to be independently valued at least once every 12 months. CFMNZ may also obtain an independent valuation at such other times as it determines where there has been a significant change in market value. At financial year end a full valuation report will be obtained. Desktop valuations may be used for interim valuations.

The fair market value of CNZPF properties as disclosed in the Adjusted Net Asset Value calculation is reviewed by the CNZPF Board at a minimum every 6 months, or more frequently if market or property circumstances require.

Independent valuations of directly held properties are undertaken by recognised valuers, selected based on specified criteria in the CFMNZ valuation policy. Written instructions are provided to the valuers specifying that the valuation reports are to be in accordance with IVS Standards and the API/PINZ Guidelines. Valuers shall have no pecuniary interest that would create any conflict with the proper valuation of the properties. Unless otherwise specified, valuations will be based upon the capitalisation of income approach, a discounted cash flow approach and/or a comparable sales approach in accordance with industry convention.

## **4 Errors**

If any errors in the pricing of Units are identified it must be immediately reported to the Chief Operating Officer and General Counsel and Company Secretary so that the relevant error and its impact can be considered. The Chief Operating Officer may suspend any transactions upon an error being identified if allowing transactions to continue would materially adversely impact investors. Following rectification of the errors, transaction processing may resume. A decision on suspension of transaction processing must be made within one business day of an error being identified.

The Supervisor must also be informed of all unit pricing errors as soon as reasonably practicable (and in any event within two business days) following identification and be kept informed throughout the process of determining the materiality of the error and its rectification. The report to the Supervisor must include, to the extent possible at the time of the report, the following:

- (a) that the pricing error or non-compliance relates to the CNZPF;
- (b) the nature and cause of the pricing error or non-compliance;
- (c) the amount of the pricing error or the cost of the non-compliance as a percentage of the price of a unit in CNZPF or of the net asset value of CNZPF;
- (d) the number and classes of current and former CNZPF participants affected by the pricing error or non-compliance; and

- (e) the date on which the pricing error or non-compliance was corrected and the period of time before which CFMNZ became aware of the pricing error or non-compliance
- (f) if applicable, the steps taken, or to be taken, to correct, reimburse for, and compensate for the pricing error or non-compliance (including how reimbursement will be made and compensation will be paid) and the time frame within which CFMNZ intends to take any steps not already taken; and
- (g) what steps (if any) have been taken, or will be taken, to minimise risk of a recurrence of the pricing error or non-compliance and the time frame within which CFMNZ intends to take any steps not already taken.

If any of the above information is not available at the time of the report, a further report must be made to the Supervisor with that information as soon as is reasonably practicable after the information becomes reasonably ascertainable.

Any unit pricing errors will also be reported to the CFMNZ Audit, Risk and Compliance Committee at either: (a) the next scheduled meeting as part of issues and breaches reporting; or (b) immediately if the Chief Operating Officer considers the error is a material error.

Following the identification and reporting of any error, CFMNZ must take all reasonable steps to, as soon as is reasonably practicable and in event within 10 working days:

- (a) ensure that every disadvantaged current CNZPF investor is reimbursed, and every disadvantaged former CNZPF investor is compensated, so as to restore that person as near as possible to the position the person would be in (in relation to the scheme) had the pricing error or non-compliance not occurred; and
- (b) notify each of those current or former CNZPF investors of:
  - (i) the pricing error or non-compliance; and
  - (ii) any action that has been or will be taken to compensate or reimburse them; and
- (c) ensure that CFMNZ and its associated persons do not retain any benefit from the pricing error or non-compliance.

## 5 General

### **Responsibilities**

Key responsibility for calculating the daily Unit Prices belongs to the Financial Controller, or as delegated.

All Unit Price calculations will be prepared by a member of the finance team and validated by a second member of the finance team.

### **Conflicts of Interest**

Conflicts of interest are to be assessed in line with the Centuria Capital Group policy which sets out procedures for identifying and managing conflicts of interest.

### **Departures from this Policy**

If CFMNZ 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, or
- + in a way that involves a departure from this Policy,

then CFMNZ will prepare a document which sets out:

- + the date on which the discretion is exercised;
- + how the discretion is exercised;
- + an explanation why it was reasonable to exercise the discretion the way it was exercised;
- + if CFMNZ does not exercise the discretion in a way which is consistent with assets being valued in accordance with ordinary commercial practice, an explanation why it is impracticable to do so.

## **Review**

This Policy will be reviewed by the Board annually or more frequently if required.

## Appendix 1

Term	Meaning
Adjusted Net Asset Value	<p>Total assets less total liabilities adjusted for the amortisation over 5 years (or such other period as considered appropriate) of any establishment costs, capital raising costs, acquisition costs, acquisition premiums and provisions for selling costs.</p> <p>Refer to the Trust Deed for a comprehensive definition.</p>
Board	Board of Directors of Centuria Funds Management (NZ) Limited.
Business Day	<p>A day of the week other than:</p> <ul style="list-style-type: none"> <li>(a) Saturday, Sunday, Good Friday, Easter Monday, Anzac Day, the Sovereign's Birthday, Labour Day, Waitangi Day, and the Auckland anniversary day; and</li> <li>(b) A day in the period commencing on the 24th of December in any year and ending on the 5th day of January in the following year, both days inclusive.</li> </ul>
CFMNZ	Centuria Funds Management (NZ) Limited.
CNZPF	Centuria NZ Property Fund.
Governing Policies	The methodologies, policies and assumptions outlined in Sections 2 to 5 of this document.
Investor(s)	Those persons, whether they be natural persons or not, whose name a unit in CNZPF may be registered in from time to time.
Supervisor	CNZPF's Supervisor appointed pursuant to the Financial Markets Conduct Act 2013 and the Trust Deed.
Trust Deed	The Trust Deed of CNZPF as amended from time to time.
Unit	A unit in the CNZPF.
Unit Price	The Unit price, calculated in accordance with the Trust Deed and this Policy.