

# **Newmark Capital Limited**

## **Unit pricing policy**

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## 1 Unit pricing policy

- (a) This document details the formulas and considerations used by Newmark Capital Limited (Newmark Capital, us or we), as responsible entity, in determining unit prices for the registered managed investment schemes it operates from time to time and sets out the principles that Newmark Capital adheres to in exercising judgement on certain aspects of the calculation of unit prices.
- (b) Our policy may change from time to time and we will ensure that the latest policy is available upon request to any investor of the relevant scheme.

## 2 Why do we need a unit pricing policy?

- (a) It is important that our investors have access to and understand how the unit prices for their investments are determined. This is outlined in each scheme's constitution and described in the product disclosure statement (PDS) for the issue of units in each scheme.
- (b) This policy also ensures that we comply with the regulatory requirements set out by the Australian Securities and Investments Commission (ASIC). ASIC requires that the determination of the issue and redemption price under the terms of the constitution of a managed investment scheme which is registered under the *Corporations Act 2001 (Cth)* must be independently verifiable.
- (c) However, ASIC recognises that a responsible entity commonly exercises discretions in calculating unit prices. ASIC Class Order 05/26 and 13/655 (Class Orders) provide conditional relief from the *Corporations Act* requirement as follows: For managed investment schemes that became a registered scheme
  - (i) before 1 October 2013, ASIC Class Order 05/26 allows the responsible entity to exercise discretion to decide a matter that affects the value of a factor included in the formula for determining issue and redemption prices under the constitution of the relevant scheme; and
  - (ii) after 1 October 2013, ASIC Class Order 13/655 allows the responsible entity to provide a formula or method that is to be used to determine the issue and redemption prices under the constitution of the relevant scheme,  
  
provided the responsible entity meets certain requirements.
- (d) This policy sets out how we fulfil these requirements and details are set out below.

### 3 Which schemes does this policy apply to?

This policy applies to all of our unlisted registered schemes. As at the date of this policy, Newmark Capital is only the responsible entity for the Newmark Hardware Property Trust No. 1 ARSN 161 274 111.

### 4 Unit Price - current unit value

- (a) Generally, the formula or method for the calculation of issue and redemption prices contained in each scheme constitution is based on the value of scheme property less any liabilities divided by the number of interests on issue. Allowances may be made for expenses that are associated with acquiring and disposing of scheme property.
- (b) The first step in determining the issue and redemption prices is calculating the current unit value. The current unit value of each scheme is determined by reference to the pricing methodology stated in the constitution of each scheme.
- (c) Unless the constitution provides otherwise, the formula for the calculation of the current unit value is:

$$\text{Current unit value} = \frac{\text{Net asset value}}{\text{Number of units on issue}}$$

### 5 Net asset value

- (a) The net asset value (NAV) is defined as the gross asset value of the scheme assets less all amounts required to meet liabilities, including any distributable amount payable but not paid to unitholders on the day which the net asset value is determined.
- (b) Determining the net asset value involves an exercise of discretion by Newmark Capital in order to determine the value of the scheme's assets and where applicable, to assign a value to those liabilities which have not been quantified at the time of calculation. Newmark Capital's policy on how such discretions will be exercised is set out below under 'Valuation methods'.
- (c) Newmark Capital has adopted the NAV approach to unit valuation for closed funds as this unit value more appropriately reflects the fair value of the underlying investments by taking into account the fixed term, illiquid nature of a syndicate or closed fund.

## 6 Gross asset value

The gross asset value is the sum of the value of all assets plus any amounts which, in the opinion of Newmark Capital, should be included for the purpose of making a fair and reasonable determination of the value of the scheme having regard to ordinary accounting principles. Generally, Newmark Capital will use Australian International Financial Reporting Standards (AIFRS) for determining assets and liabilities and in recognition of accruals of expenses. However, other methods may be used as detailed below.

## 7 Liabilities

Generally, Newmark Capital will use AIFRS to determine liabilities. However, as stated in the ASIC & APRA Good Practice Guide, changes to AIFRS has meant that a financial instrument can be recorded as equity only if the instrument does not include a contractual obligation to deliver cash to another entity. Because a unit pricing product provider has a contractual obligation to deliver cash to unitholders when units are redeemed, for financial reporting purposes unitholder entitlements are recorded as liabilities rather than equity in the financial statements.

For unit pricing purposes, each scheme's constitution provides that the definition of liabilities excludes any amount representing unitholders' capital and other amounts representing the value of rights attaching to units, regardless of whether characterised as equity or debt in the accounts of the scheme.

Newmark Capital considers this to be reasonable as it reflects current market practice and is equitable for new, existing and exiting unitholders, while general purpose reporting standards may take such considerations into account.

## 8 Issue (application) price

- (a) The issue price of a unit in each scheme is determined by reference to the pricing methodology stated in the constitution of each scheme.

Unless the constitution provides otherwise, the formula for calculating the issue price is:

$$\text{Issue price} = \text{Current unit value} + \text{transaction charge}$$

- (b) The unit price for units of each scheme which are issued under a distribution reinvestment plan are generally calculated in accordance with the methodology used to calculate the issue price.

## 9 Withdrawal (redemption) price

- (a) The withdrawal (redemption) price of each scheme is determined by reference to the pricing methodology stated in each of the scheme's constitution.

Unless the constitution provides otherwise, the formula for calculating the withdrawal price is:

$$\text{Withdrawal price} = \text{Current unit value} - \text{transaction charge}$$

- (b) Newmark Capital considers the valuation methodology used to determine the issue price and withdrawal price for the relevant schemes is reasonable as the valuation methodology is consistent with the scheme constitutions and the current PDS for each scheme.

## 10 Valuation methods

- (a) Newmark Capital may determine valuation methods and policies for each category of asset in accordance with the Valuation Policy and change them from time to time as required. The value of an asset for the purpose of calculating the net asset value will be determined in accordance with ordinary commercial practice, each scheme's constitution and as follows:
- (i) Purchased assets are initially recorded at cost (excluding transaction charges). Documents recording this information will be retained.
  - (ii) In accordance with Newmark Capital's Valuation Policy, direct property assets are revalued to fair value at least once every two years by an appropriately qualified independent valuer. The independent valuation will be used in determining the net asset value of the relevant scheme assets. However, where Newmark Capital believes that there have been significant changes in the value of the assets, a valuation will be undertaken at each reporting period in consultation with the scheme auditor. The revaluation will occur in accordance with ordinary commercial practice and will comply with AASB 140 – Investment Property and AASB 117 – Lease. Documents recording the information outlined above will be retained by Newmark Capital.
  - (iii) Property acquisition costs may be capitalised as an asset. This only applies to those closed funds investing in direct property. Records stating this information will be retained by Newmark Capital.
  - (iv) Structuring and establishment costs may be capitalised as an asset and amortised over the expected life of the investment. This only applies to

closed direct property funds. Records stating this information will be retained by Newmark Capital.

- (b) Where the value of a liability is uncertain at the time of calculation, Newmark Capital will value the liability in accordance with ordinary commercial practice and AIFRS. Newmark Capital considers this to be reasonable as the policy on valuing liabilities is in accordance with the Class Orders.
- (c) The exercise of discretion by Newmark Capital in determining the valuation methods and policies for each category of asset will be documented in writing and retained for a period of 7 years.

## 11 Transaction charges

- (a) Transaction charges are an amount determined by Newmark Capital in relation to a unit which reflects a fair estimate of costs incurred or would be incurred for the purchase or acquisition of assets on the issue of units in the relevant scheme, or for the sale or disposal of assets on the withdrawal of units in the relevant scheme.
- (b) An asset that has been acquired or disposed of will have quantifiable transaction charges. The costs of an acquisition or disposal yet to be incurred will not have a final value. Newmark Capital will exercise its discretion in assigning a value to the transaction charges likely to be incurred. In exercising its discretion, Newmark Capital will rely on an estimate or quote received in respect of the likely transaction charges to be incurred.
- (c) Examples of the types of costs associated with the purchase or sale of scheme assets are stamp duty on asset acquisitions and other government charges, legal fees incurred, finance costs, responsible entity fees and brokerage fees on listed investments.
- (d) The difference between the issue price and withdrawal price is known as the buy/sell spread. By utilising a buy/sell spread the costs associated with members entering or leaving the relevant scheme do not fully fall on those members remaining in the relevant scheme. The application of the buy/sell spread therefore aims to ensure that each investor bears the same proportion of transaction charges associated with their entry to, or exit from, any of the schemes.
- (e) Newmark Capital considers the policy on transaction charges to be reasonable as allowance for transaction charges is recommended in the ASIC & APRA Good Practice Guide as a means of retaining equity between new, remaining and exiting members.

## 12 Frequency of unit pricing

- (a) The unit price for each fund will be calculated as at each balance date.
- (b) A unit price will also be calculated as at the date of each future capital raising event as required. This unit price will be made available to investors and remain constant during the raising period or until such time as the required allocation has been exhausted.
- (c) Withdrawal prices will also be calculated for those closed funds offering limited redemption facilities and will be available to investors during the redemption period for which they apply.

## 13 Suspension of unit pricing

- (a) Newmark Capital will suspend unit pricing if there are conditions, whether internal or external, which mean that it is not appropriate to declare a unit price. This will only be applicable if it is in the best interest of the unitholders as a whole to take such action. Unit pricing will not recommence until such time as Newmark Capital believes any deficiencies have been rectified. Any applications and withdrawals received during the suspension period will be processed at the next available price subject to normal considerations.
- (b) While Newmark Capital has established processes and procedures that are designed to limit any material issues, it is not possible to rule out these occurring. In order to maintain reasonable equity between unitholders it is necessary to have the ability to suspend prices until the material issues can be resolved.
- (c) Newmark Capital considers the suspension of unit pricing to be reasonable as it safeguards the interests of unitholders and is in accordance with ordinary commercial practice.

## 14 Rounding of unit pricing

- (a) The issue price, withdrawal price and reinvestment price will be rounded to four decimal places. The number of units to be issued or proceeds of a withdrawal, will be calculated using the rounded issue price or withdrawal price (as applicable) and in accordance with the relevant scheme constitution. The number of units issued will be rounded down to the nearest two decimal places. Proceeds of a withdrawal will also be rounded down to the nearest cent. Any remaining monies will become an asset of the relevant scheme.
- (b) Newmark Capital considers this to be reasonable as the policy is in accordance with the scheme constitutions and ordinary commercial practice.

## 15 Deviation from unit pricing policy

- (a) Newmark Capital is required to keep a record of the exercise of any discretion not covered by this unit pricing policy or which deviates from this unit pricing policy. The exercise of discretion by Newmark Capital that is not covered by, or deviates from this unit pricing policy will be documented in writing and retained for a period of 7 years. These documents (if any) recording the exercise of discretion by Newmark Capital are available free of charge on request.
- (b) Newmark Capital considers the ability to depart from this unit pricing policy as reasonable as it safeguards the interests of unitholders in the event that conditions arise that have not been outlined in this unit pricing policy. Any deviation from this unit pricing policy will be documented in accordance with the Class Orders.

## 16 More information?

If you have any questions or would like to request more information available to existing or potential investors, please contact Newmark Capital on the following:

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