

Investa Funds Management Limited

ABN 48 120 839 447
AFSL # 303614



Unit pricing policy

Version 2.0 dated 27 February 2008

What is this policy about?

This document details the background considerations used in reaching decisions regarding the discretions we use in calculating unit prices for our unlisted registered managed investment schemes which are “continuous issuers” of units under their Product Disclosure Statements and Constitutions.

Our policy may change from time to time and we will ensure that the latest policy is available upon request to any member of the scheme or any person who has (or should have) received the scheme’s PDS.

Background

The Australian Securities & Investments Commission (**ASIC**) interprets certain provisions of the Corporations Act to mean that it must be possible to objectively test the determination of the issue and redemption price from the terms of the constitution of a managed investment scheme which is registered under the Corporations Act.

Put another way, the constitution must specify an ‘independently verifiable’ issue and redemption price.

However ASIC class order 05/1236 (which amends class order 05/26) (together the **class order**), provides conditional relief from this, so that certain discretions commonly exercised by responsible entities in calculating issue and redemption prices can be exercised.

This policy – particularly the section “**Our pricing principles**” below, explains how we exercise such discretions.

What schemes does this policy apply to?

This policy applies to the managed investment scheme listed below which is registered under the Corporations Act, for so long as it is registered and ASIC requires such a policy.

Investa Diversified Office Fund (IDOF)

ARSN: 113 369 627

What do our pricing formulas say?

These are in each constitution and described in the product disclosure statement (**PDS**) for each fund.

Generally the formula or method is based on the value of the scheme property less any liabilities that under the constitution may be met from that property (this gives the net asset value), divided by the number of interests on issue. The Net Asset Value is often adjusted to make allowance for the expenses that are associated with acquiring or disposing of scheme property (often called the **transaction costs allowance** or the **buy/sell spread**).

What discretions does ASIC allow?

The class order allows us discretion in:

- estimating an allowance in transaction costs;
- selecting a valuation method;
- determining entry or exit (application/withdrawal/switching/) fees;
- determining the total Net Asset Value of the scheme, where this is to be used in valuing an interest;
- allocating assets, liabilities, revenue and expenses between classes;
- rounding off the issue price or withdrawal amount
- determining a time at which the issue price will be determined, where applications received before that time will be issued at one price and applications received after that time will be issued at a later price; and
- determining the time at which asset values and liabilities will be calculated.

What we must do

In addition to all of our usual duties to you (such as to act in your best interests) the class order requires us to:

- act reasonably in exercising any relevant discretion;
- exercise the discretion in a way that is consistent with ordinary commercial practice, unless it is impracticable to do so;
- either exercise its discretion in accordance with a current documented policy (such as this policy), or provide a written explanation explaining how the discretion was exercised and why such exercise was reasonable; and
- retain the documents that are relevant to each discretion for seven years.

Some limits

Remember that this policy does not apply to unregistered trusts (sub-trusts).

This policy does not apply to other types of discretions that may properly be exercised by us in relation to the structure and operation of a scheme including:

- ◆ investment decisions;
- ◆ distributions;
- ◆ consolidations; and
- ◆ amendments to the scheme constitution.

Questions?

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Our pricing principles

This section sets out the discretions where in setting a unit price we can decide a matter that:

- Affects the value of a factor included in the formula, or
- Is an aspect of the method.

Determining Total Net Asset Value of the Fund

Concept

The Net Asset Value is the Total Asset value less the value of the Liabilities. In general we use AIFRS standards as a benchmark in determining the value of assets and liabilities and for the recognition of accruals of expenses etc. However there are some times when we will use other values, as detailed below.

Our Policy

Values, other than AIFRS values, will be established for assets or liabilities if the method is detailed in the Constitution or PDS, irrespective of whether they satisfy AIFRS.

Provisions will be established in the unit pricing valuation where there may be a “reasonable expectation” that they will be required rather than the AIFRS standard for recognition in Financial Statements. The Portfolio Manager is required to detail all variances from AIFRS valuation bases for review and confirmation by the responsible entity of the relevant fund (RE) on a yearly basis.

Reasonableness

We consider this reasonable because:

- where the methodology is detailed in the Constitution or Product Disclosure Statement to value assets and liabilities by another method would be in breach of the offer documents.
- AIFRS is designed for general purpose reporting while unit pricing may have considerations to enhance equity between new, remaining and leaving unit holders that are not required to be reflected in the financial statements (eg contingencies may only be detailed in the notes under AIFRS because payment is not certain but may be probable enough for equity purposes to require it to be allowed for).

Valuation Methods

Concept

The way in which assets are valued will determine the value we give to the fund and this impacts on the value of units. Our constitutions generally allow us to determine the methods by which we calculate the value of the assets.

Our Policy

1. We generally use independent valuations from sources we consider reliable.
2. In the case of securities quoted on any stock exchange, we use the last bid price on the day that the value is calculated, in line with AIFRS requirements.

3. For real property, we use an independent valuer to conduct a valuation on each property generally every 12 months. The properties within the portfolio are revalued during the year a rotating basis.
4. For unlisted managed funds, we use the AIFRS Net Asset Value most recently quoted, in line with the ASIC's "Unit pricing – Guide to good practice" (November, 2005).
5. For short term and floating rate deposits and loans we use the book value.
6. Accruals will be entered for each pricing period. However we will not allow for contingent charges until we believe there is a reasonable likelihood of their becoming payable.

We will depart from this basis if we consider that events have occurred that we believe will materially affect the value of an asset (eg if interest rates have moved significantly). If this occurs, subject to the suspension policy, we will value the asset at what we believe (on advice from the Portfolio and Asset Managers) is a realistic current valuation.

Any instances of this will be immediately reported to the RE for confirmation.

Reasonableness

We consider this reasonable because:

- although for direct property assets the revaluation cycle is not in line with the pricing cycle, this is the industry approach and represents a reasonable compromise between the expenses of obtaining valuations of assets and the likely movement of value of the asset. This logic also applies where we have investments in other unlisted property funds;
- the value for listed assets is in line with AIFRS requirements for determining fair value and is one of the common methods used in the industry;
- the value obtained for unlisted investments is Net Asset Value;
- the ability to depart from this basis should conditions materially change is a safeguard for the unitholders.

Transaction Costs

Concept

In valuing units in a managed investment scheme there are usually 3 prices determined.

1. The Net Asset Value representing the underlying value of the assets.
2. The buy price being the price obtained after adding the estimated costs associated with equity raising and purchasing the underlying assets.
3. The sell price being the price obtained after deducting the estimated costs of redemption and selling the underlying assets.

The difference between the buy and the sell prices is known as the buy/sell spread. By utilising a buy/sell spread the costs associated with members entering or leaving the scheme do not fully fall onto those members remaining in the scheme.

Our Policy

Based on advice from our Asset Managers we determine the estimated costs of buying and selling the assets. When we expect the net flow of funds to be increasing we will apply the buy price as the basis of our pricing determination. When we expect the net flow of funds to be decreasing we will apply the sell price as the basis of our pricing

determination. Where we are unable to form a strong opinion on the net flow of funds we will allow for both a buy spread and a sell spread.

Based on the advice received regarding net flow of funds and costs associated with buying the assets (equity raising, acquisition and legal etc but excluding stamp duty which is specifically dealt with in the PDS), we have set the buy spread to 5% of Net Asset Value. We have set the sell spread to nil.

The RE has authorised the establishment of a reserve for the amounts of buy/sell spread for applications received prior to property acquisition.

We can change the buy/sell spread. The Portfolio Manager will review the transaction costs and expected fund flow and make recommendations on the buy/sell spread and release of reserve before each distribution.

Reasonableness

We consider this reasonable because:

- allowance for transaction costs is recommended in the ASIC Good Practice Guide as the recommended method of retaining equity between, new, remaining and exiting members;
- the allowance set has been based on the advice of the Investment Managers of the Fund at June 2006 having regard to the actual costs associated with the establishment of the original portfolio; and
- property purchases are large and lumpy. If new applications buy/sell spread was allowed to flow through into Net Value Asset rather than be established as a reserve for the expected future costs it would advantage those exiting the fund just prior to a purchase compared to those entering and remaining.

Determining a time at which the issue price will be determined

Concept

Our constitutions generally allow us to run the unit price calculation and calculate Net Asset Value whenever we consider it appropriate.

Our Policy

Generally we calculate the unit price as at close of business each Friday, although we can value more frequently than this if we consider there has been a material change in the value of the assets. Where there is a public holiday on Friday the weekly price will generally be calculated on the last business day of the week, subject to the suspension policy.

Reasonableness

We consider this reasonable because the values of the majority of underlying assets will not be normally expected to show significant movements within this timeframe. Given the timeframe that would be required to test the underlying valuations in a sale this is a reasonable compromise between the expenses required for more frequent valuations and the expected movements of value in the unit price.

Cut-off (prescribed) times for Pricing

Concept

Our constitutions allow us to set a time, sometimes called a dealing time, or a cut-off time, so that applications received before that time will be issued at one price and applications received after that time will be issued at a later price.

Our Policy

Generally we calculate the unit price as at close of business on the last business day of the week. Completed applications received and accepted at the registry office before midday on the day of calculation will receive the price next calculated. Backdating of either applications or redemptions of units is not allowed.

Reasonableness

There is an operational time that needs to be set to enable the pricing process to function efficiently. We feel that this timeframe does not systematically disadvantage any identifiable unitholder or group of unitholders and is therefore a practical and cost effective approach.

Suspension of Unit Pricing

Concept

Normally we will value and price units on a weekly cycle. There may be times when it is necessary to suspend unit pricing if we think it is in the best interests of the body of unitholders.

Our Policy

We will suspend unit pricing if there are conditions – either internal or external – which mean that we believe it is not appropriate to declare a unit price. Unit pricing will not recommence until we believe any deficiencies have been rectified. Applications and redemptions received during suspension will be processed at the next available price subject to normal considerations.

Reasonableness

Whilst we have established processes and procedures that are designed to limit any critical issues, it is not possible to rule out these occurring either more frequently or to a greater than envisaged severity. In order to maintain reasonable equity between unitholders it is necessary to have the ability to suspend prices until equity can be re-established.

Holdings in Associated Entities

Concept

The Fund is permitted to hold units in unlisted trusts, including those managed by Investa. These trusts are subject to their own fees and charges.

Our Policy

In order to prevent an inappropriate amount of assets being dual charged, the holdings in other trusts managed by Investa for which Investa receives management fees will not be increased without specific board approval.

Reasonableness

Initially this is a useful measure to obtain diversity and hence a spread of risk that justifies paying the additional management fee. The limit on the holdings without reference to the Board is designed to ensure that there is limited double charging of fees to the RE.

Unit Roundings

Concept

The constitution allows us to determine the fractions of units accumulated for each holding.

Our Policy

We are maintaining all holdings as whole units and will always round down to the nearest whole unit.

Reasonableness

- We believe this is reasonable as it is akin to holdings in listed shares and so the concept is familiar to most unitholders.
- Holding fractions of a unit would merely increase administration and reporting complexity without adding to any material improvement in unitholder equity.

Recovery of uncharged fees

Concept

The RE may reduce its fees for a period set out in the PDS subject to being able to recover the shortfall at a later date.

Our Policy

The RE has agreed to defer charging up to half the management fee for the financial years ending 30 June 2006 and 2007. Any fee deferred may be recovered if the subsequent distributions exceed 8.3 cpu in 2007 or 8.5 cpu subsequently. As these are contingent amounts they will not be raised in the unit price calculation until there is a reasonable expectation of their becoming payable.

Reasonableness

The investment in the Fund is a medium to long term investment. The RE is prepared to accept that some of its fees in the initial years of the fund can be contingent on distribution levels on the basis set out in the PDS.