

Centuria Property Funds Limited
Unit Pricing Policy

Version 1.0 (August 2019)

Contents

Overview	3
1.1 Definitions	3
1.2 Introduction	3
1.2.1 Policy purpose, ownership and change management.....	3
1.2.2 Policy Scope	4
1.2.3 Relevant Documentation	4
2 Pricing Methodology	5
2.1 Pricing Basis.....	5
2.2 Unit Price Calculation	5
2.3 Discretions	5
2.4 Aspects of the formulas	6
3 Valuation of Investments	8
4 Fees and Expenses.....	10
4.1.1 Performance Fee	10
4.1.2 Management Fee.....	11
4.1.3 Expenses	11
4.2 Backdating	11
4.3 Pricing Suspension	11
4.3.1 Circumstances	11
5 Errors.....	12
6 General	12

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 Property Funds Management Limited's (CPFL) policy with respect to the pricing of its Centuria Diversified Property Fund (CDPF, Fund). This Unit Pricing Policy is designed to ensure that CPFL 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 CPFL will exercise discretions it has in relation to aspects of calculation of the Fund's issue Unit Price and withdrawal Unit Price; and to ensure that the 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 CPFL may exercise a discretion in relation to an aspect of calculating the Unit Price;
- + Roles and responsibilities.

Policy Ownership

This Policy document shall be maintained by CPFL compliance, 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 CPFL'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 CDPF;
- + 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 Chief Financial 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 CPFL.

Communication of Changes

Any changes to the Policy must be communicated in writing to any appointed service provider and for dissemination as appropriate internally.

1.2.2 Policy Scope

This Policy is applicable to the CDPF.

1.2.3 Relevant Documentation

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

i. Scheme Constitution and Compliance Plan

Scheme	Constitution and Compliance Plan
Centuria Diversified Property Fund	Constitution for CDPF dated 21 March 2016 as amended from time to time
	Master Compliance Plan dated December 2017 as amended from time to time

ii. Product Disclosure Statements

Scheme	Product Disclosure Statements
Centuria Diversified Property Fund	Product Disclosure Statement dated [date will be updated to reflect the date of PDS approval]

iii. Relevant Legislation and Guidance

Regulatory Body/Legislation	Document
APRA/ASIC	Regulatory Guide 94 - APRA/ASIC Good Practice Guide to Unit Pricing dated August 2008
Corporations Act	Managed Investment Schemes registered under Chapter 5C,

Regulatory Body/Legislation	Document
2001	additional obligations include: s601FC(1) (a), s601FC(1) (b), s601FC(1) (c), s601FC(1) (d), s601FC(1) (j), s601FC(1) (k)

iv. Other Policies

Scheme	Policy
Centuria Diversified Property Fund	Property Valuation Policy
Centuria Diversified Property Fund	Performance Reporting 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
Centuria Diversified Property Fund	Every Business Day	Forward	4 decimal places for reporting purposes.

2.2 Unit Price Calculation

Unit Prices for the CDPF are calculated in accordance with the following formulas:

Issue Unit Price = (Net Asset Value of the Fund + any allowance for transaction costs + Indirect Acquisition Cost Adjustment (*note- this relates to the amortised value of acquisition costs associated with underlying property of unlisted property schemes invested in*)/number of Units on issue

Withdrawal Unit Price = (Net Asset Value of the Fund – any allowance for transaction costs + Indirect Acquisition Cost Adjustment (*note- this relates to the amortised value of acquisition costs associated with underlying property of unlisted property schemes invested in*)/number of Units on issue

2.3 Discretions

Calculating the issue Unit Price and withdrawal Unit Price involves the exercise of certain discretions by CPFL. CPFL can decide certain matters which affect the values of variables making up the formulas for calculating the issue Unit Price and withdrawal Unit Price.

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

- + Calculating the Net Asset Value.
- + Making any allowance for transaction costs.
- + Calculating the “Indirect Acquisition Cost Adjustment”.
- + Determining the time at which the issue Unit Price and withdrawal Unit Price should be struck.

CPFL will act reasonably in exercising any discretion.

2.4 Aspects of the formulas

Net Asset Value

This is the value of all assets and liabilities of CDPF, calculated in accordance with the provisions of this Policy and the Fund Constitution, applicable to the effective date of the Unit Price.

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

Acquisition expenses & Indirect Acquisition Cost Adjustment

Acquisition expenses usually include for example capital raising expenses, legal fees, brokerage, stamp duty, taxes and other costs that have been incurred in connection with the acquisition of assets held within the portfolio.

However, in the case of the Fund, acquisition expenses associated with the acquisition of direct property assets by the Fund are normally written off over a five year period. The Net Asset Value is adjusted, to take into account these amortised acquisition expenses. The “Indirect Acquisition Cost Adjustment” similarly contemplates an amortisation of acquisition expenses associated with the underlying property of other unlisted property schemes in which the Fund itself invests. When an asset is sold, any outstanding acquisition and sale costs will be written off immediately against the sale price. Where the investment has a shorter, or longer, holding period, the amortisation of acquisition expenses will be in line with this period. E.g. should the Fund invest in another property syndicate which has two years remaining on the fund term, the amortisation of acquisition expenses will occur on a pro-rata basis over two years. This includes any acquisition costs the Fund incurs or charges associated with the purchase of any investment.

Buy / Sell Spreads – Transaction costs allowance

The buy-sell spread reflects CPFL’s estimation of the transaction costs the Fund incurs in acquiring and selling its investments, and the administrative costs associated with issuing and redeeming Units. The buy-sell spread affects the issue price and the withdrawal price. The issue price (the price at which a Unit may be acquired) is calculated by adding the applicable buy spread to the prevailing Unit Price. The withdrawal price (the price at which a Unit may be redeemed) is calculated by subtracting the applicable sell spread to the prevailing Unit Price. The difference between the issue price and the withdrawal price is referred to as the buy-sell spread.

The buy-sell spread is set by CPFL from time to time and may change. At the time of this Policy, CPFL has exercised its discretion not to apply a buy spread or sell spread. However, the buy-sell spread is reviewed on a regular basis. The buy-sell spread is not paid to CPFL but rather, remains as an asset of the Fund. Also, if a buy-sell spread is applied, then CPFL will ensure that the estimated costs included in it do not result in any double-up with the amortised acquisition costs already included in the Unit Price (as explained earlier).

Unit Pricing Timing - Applications

Unit prices are to be calculated daily. Applications are accepted and processed on a daily basis. On the basis that the effective date of these transactions is date of receipt, this necessitates daily Unit pricings. Under a forward pricing regime, the price offered to investors will be based on:

- where an application is received prior to [2pm] on a Sydney Business Day, the Unit price (i.e. issue price) at the close of business of the Business Day the application was received; and
- where an application is received after [2pm] on a Business Day, the unit price (i.e. issue price) at the close of business of the Business Day immediately following the Business Day the application was received.

Unit Pricing Timing – Redemptions

As redemptions are processed once per month, for investors withdrawing from CDPF the applicable redemption Unit price will be:

- where a redemption request is received prior to [2pm] on the final Business Day of the month, the Unit price (i.e. withdrawal price) at the close of business on the last Business Day of the relevant month; and
- where a redemption request is received after [2pm] on the final Business Day of the month, the request is taken to be received in the following month and therefore the Unit price (i.e. withdrawal price) will be the price at the close of business on the last Business Day of that following month..

Redemption proceeds received - generally within 21 days of the last business day of the relevant month

Effective date of transactions - last Business Day of the month

Please see the PDS for information in relation to the Fund's limited monthly withdrawal facility.

Unit Pricing – Dividend Re-investment

An Investor may elect to re-invest some or all of their distribution in additional Units. In this event, Centuria will be treated as having received and accepted an application to re-invest distributions immediately before the first valuation time after the end of the relevant income distribution period. The investor will therefore receive Units at a unit price as at the first business day of the month. These units will be allocated at the time the distribution is paid.

Units are issued at the Unit Price applicable on the first business day of the month which follows the relevant distribution period. The calculation of the allocation of Units under the DRP may result in a residual amount. This is because your distribution amount is used to acquire a whole number of Units, which may leave a residual amount which is less than the price of one Unit. For each distribution, the value of that residual amount is carried forward, without interest, and added to your next distribution.

3 Valuation of Investments

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

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

Asset Type	Valuation Methodology	Responsibility / delegations	Frequency
Cash deposits with banks	Market value	Chief Financial Officer, or as delegated.	Daily
A-REIT's: <ul style="list-style-type: none"> • Direct; • via a managed fund; or • via ASX listed ETF 	Net asset value	Chief Financial Officer, or as delegated.	Daily
Investment Property held directly	Based on property value (which is determined in accordance with Centuria's separate Property Valuation Policy). Property values will be adjusted based on audited financial statements or management accounts, or updated approved valuations, if required (Note, the Unit Price is also adjusted for the amortisation of acquisition costs- see section 2.4).	Board.	Independent valuations at least every 24 months. However, in practice, independent valuations are generally conducted annually, or if there is a material change. An internal (i.e. directors') valuation is generally undertaken at each other reporting date (i.e. 30 June, 31 December) when an independent valuation does not occur.
Centuria Unlisted Property Scheme	Based on underlying accounts of the Unlisted Property Scheme, which are in turn based upon the underlying Property Accounts. Property Accounts will be adjusted based on audited financial statements or management accounts, or updated approved valuations, if required. (Note, the Unit Price is also adjusted for the amortisation of acquisition costs- see	Chief Financial Officer, or as delegated.	Bi- annual or more regularly if there is a material change.

Asset Type	Valuation Methodology	Responsibility / delegations	Frequency
	section 2.4).		
Externally managed property trust	If trust subject to unit pricing, the unit price issued by the external fund manager If the fund is not unit priced, Net Asset Value as disclosed in bi-annual audited financial accounts	Chief Financial Officer, or as delegated.	Bi- annual or more regularly as deemed appropriate by the external manager.
Derivative Financial Instruments	Mark to market valuation provided by financial institution or external valuer	Chief Financial Officer, or as delegated.	Monthly or more regularly if the Directors deem necessary to facilitate unit issues or redemptions
All other assets and liabilities	Net realisable value at the close of the day	Chief Financial Officer, or as delegated.	Daily or less regularly if the nature of the asset or liability permits

Additional information:

A-REITS

Valuation for the purpose of Unit pricing will be taken from the net asset value on the trading day the unit price is struck.

Externally Managed, Managed Investment Schemes

The unit prices obtained from externally managed, managed investment schemes are inclusive of fees ("net unit price").

Independent Property Valuation

CPFL has a valuation policy for direct property. CPFL adopts that policy for the CDPF, in relation to any direct properties held. Under the valuation policy, properties are to be independently valued at least once every 24 months. However, in practice, independent valuations are generally conducted annually, or if there is a material change. Accordingly, generally CPFL will value the CDPF's direct properties twice a year, alternating between an independent valuation and an internal Directors' valuation. CPFL may also obtain an independent valuation at such other times as it determines where there has been a significant change in market value.

Independent valuations of CDPF's direct properties are undertaken by recognised valuers, selected from Centuria's (and, if the purpose is for refinancing, the respective Bank's) approved valuation panel, having a minimum of 5 years' relevant experience. The Head of Portfolio and Asset Management is responsible for coordinating and obtaining valuations. Written instructions will be provided to the valuers specifying that the valuation reports are to be in accordance with the Australian Property Institute standards and that the valuers shall have no pecuniary interest that would create any conflict with the proper valuation of the properties. Unless otherwise specified, current market valuations for the investment properties will be based upon the capitalisation of net income approach and include a discounted cash flow calculation in accordance with industry convention.

The fair market value of the Fund's properties as disclosed in the Net Tangible Assets calculation is reviewed by the CPFL Board at a minimum every 6 months, or more frequently if market or property circumstances require.

4 Fees and Expenses

Responsibility for ensuring that only fees and expenses properly incurred and payable from the assets of CDPF are so paid rests with the Chief Financial Officer, or as delegated.

4.1.1 Performance Fee

This is the fee paid to CPFL as an incentive to maximise the value of the portfolio. CPFL will be entitled to a performance fee of 20% of the outperformance of CDPF over the benchmark.

The benchmark reflects the long term target asset allocation of CDPF and comprises:

- 80% IPD Unlisted Core Retail Property Index pre fee net asset value;
- 15% ASX S&P 300 A-REIT Accumulation Index; and
- 5% the RBA official cash rate.

The performance fee will be charged on a High Watermark basis such that any underperformance must be recovered prior to any performance fee being paid. The performance fee is accrued quarterly where the High Watermark has been exceeded and if payable, is also paid quarterly

Example of calculation of performance fee

This example is provided for information purposes only to illustrate the calculation of the performance fee. Actual results may vary significantly from those in this example.

The benchmark performance for the quarter was	3.0%
The closing Unit price was	\$1.02
The opening Unit price was	\$1.00
Distributions for the quarter were	\$0.015
Number of Units on issue at the end of the relevant calculation period	50,000,000

It is assumed for the purposes of this example that there has been no prior underperformance in the Fund.

The performance for the quarter is 3.5%, calculated as:

Formula = (Closing Unit price – Opening Unit price + distributions)/Opening Unit price

Example = $(\$1.02 - \$1.00 + \$0.015) / \$1.00 = 3.5\%$

The Fund's outperformance is calculated as:

Formula = (Fund performance – benchmark performance) X number of Units on issue at the end of the calculation period

The performance fee is then 20% of the outperformance:

Example = $((3.5\% - 3.0\%) * 50,000,000) * 20\% = 50,000$ Units

4.1.2 Management Fee

The management fee is calculated as 0.80% p.a. of the Fund's Gross Asset Value, paid monthly in arrears.

If the Fund invests indirectly in property via investment in another fund managed by an entity within Centuria, any management fee charged at the underlying fund level is deducted from the management fees payable in the Fund. For example, if an underlying Centuria managed fund has a management fee of 0.60% p.a. of that fund's gross asset value, the Fund only charges a management fee referable to the underlying asset of 0.20% p.a. of the gross asset value of the relevant fund to ensure the total management fee on the asset does not exceed 0.80% p.a.

4.1.3 Expenses

Under the Constitution, CPFL is entitled to pay from the Fund, or be reimbursed for, a wide range of expenses relating to the operation of the Fund.

These operating expenses include for example (but are not limited to) expenses associated with issuing Units, expenses of establishing and maintaining registers, accounting records costs, as well as service provider costs, compliance costs and audit costs.

To provide Investors with certainty regarding expense recovery, Centuria Property Funds has, as at the date of this Policy, agreed to cap (for a period- see below) the operating expenses of the Fund (excluding Abnormal Expenses) at 0.35% p.a. of the Funds' Gross Asset Value.

Operating expenses will therefore be accrued at 0.35% p.a. of the Funds' Gross Asset Value.

Centuria Property Funds will therefore pay any expenses (excluding Abnormal Expenses) the Fund incurs above the expense cap, but will be entitled to recover these expenses in future years once the Fund's Gross Asset Value reaches a sufficient level to cover the reimbursement of those expenses.

Note, as explained above, Abnormal Expenses are not included in the expense cap. Abnormal Expenses are expenses not generally incurred during the day-to-day operation of the Fund and not necessarily incurred in any given year. These expenses are due to abnormal events and include (but are not limited to) the cost of convening and hosting a meeting of Investors, preparing a new offer document for the Fund, legal costs incurred by changes to the Fund's constitution or commencing or defending legal proceedings, and agent's costs for the sale of real property assets.

4.2 Backdating

Under no circumstances can a Unit pricing transaction be backdated in the Fund's records.

4.3 Pricing Suspension

4.3.1 Circumstances

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

- + Identification of a Unit pricing error;
- + Significant market movements (i.e. September 11, significant change to tenancy arrangements of property) resulting in an inability to calculate fair value of CDPF;
- + Inability to value an investment;
- + Current valuations do not accurately reflect the true value of the CDPF investments; and
- + Any similar or other circumstances determined by the Board where it would not be in the best interests of CDPF investors to strike a Unit price or to allow applications or redemptions from CDPF.

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, and therefore Unit applications and redemptions, to be suspended.

5 Errors

Any errors in the pricing of Units will be dealt with and managed in accordance with the relevant principles set out in the Joint ASIC and APRA guide, *'Unit Pricing Guide to Good Practice'*.

6 General

Responsibilities

Key responsibility for calculating the daily Unit Prices belongs to the Chief Financial Officer, or as delegated (or another delegate from the finance team in their absence).

The daily calculations will be reviewed and validated by a second member of the finance team.

Taxation

As per clause 15.16 of the Fund constitution, the Responsible Entity may take any action that it considers necessary to ensure to the extent possible that any Tax liability under the Tax Act in respect of the Distributable Income is borne by the Investors in proportions that correspond with the shares of Distributable Income to which they are presently entitled, and the Responsible Entity incurs no liability to pay Tax under the Tax Act as Responsible Entity of the Fund's assets.

Accordingly as no Tax is likely to be payable by the Fund, and any Tax payable in relation to distributions will pass through to the Investors and former Investors of the Fund, no Tax will be taken into account in relation to the Unit Price of the Fund.

Departures from this Policy

If CPFL 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 CPFL 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 CPFL does not exercise the discretion in a way which is consistent with Fund property being valued in accordance with ordinary commercial practice, an explanation why it is impracticable to do so.

Record keeping

CPFL will keep its records in such a way as to identify any documented policy which is applied in the exercise of a discretion, in relation to the Unit Price.

CPFL will:

- + Retain any documents concerning the exercise of a discretion (including this Policy) for seven years after they cease to be current, and
- + Give a copy of the documents on request at no charge to an Investor or an applicant to invest.

Appendix 1

Term	Meaning
Board	Board of Directors of Centuria Property Funds Limited.
Business Day	A day that is not a Saturday, a Sunday or a public holiday or bank holiday in Sydney, NSW
CDPF	Centuria Diversified Property Fund.
Constitution	The Constitution of CDPF as amended from time to time.
Fund	Centuria Diversified Property Fund.
Governing Policies	The methodologies, policies and assumptions outlined in Sections 2 to 4 of this document.
High Watermark	Requirement for CDPF to recover underperformance before the calculation of the performance fee can occur within the Fund.
Investor(s)	Those persons, whether they be natural persons or not and including responsible entities, managers and trustees, in whose name an interest in CDPF may be registered from time to time.
Net Asset Value ('NAV')	Total gross assets less total gross liabilities (inclusive of accrued distributions payable to Unit Holders), adjusted for the amortisation over 5 years (or such other period as considered appropriate) of any acquisition expenses or other expenses as CPFL determines.
Net Asset Value Per Unit	Net Asset Value divided by the number of Units in CDPF issued.
Product Disclosure Statement	As defined by requirements set out in Part 7.9 of the Corporations Act 2001.
Property (direct)	Refers to direct holdings of real estate.
Responsible Entity	The company named in ASIC's record of the Fund's registration as the Responsible Entity of the Fund.
Unit	A unit in the Fund.
Unit Price	The Unit price, calculated in accordance with the Constitution.