

UNIT PRICING POLICY

This document details the formulas and considerations used by APN Funds Management Limited (APN FM, us or we), as responsible entity, in determining unit prices for a number of our registered managed investment schemes and sets out the principles that APN FM adheres to in exercising judgement on certain aspects of the calculation of unit prices.

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.

Why do we need a unit pricing policy?

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.

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 must be independently verifiable.

However, ASIC recognises that a responsible entity commonly exercises discretions in calculating unit prices. ASIC Class Order 02/1236 (which amends Class Order 05/26) (the class order) provides conditional relief from the Corporations Act requirement which 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, provided that the responsible entity meets certain requirements.

This policy sets out how we fulfil these requirements and details are set out below.

Which schemes does this policy apply to?

This policy applies to all of our registered schemes. However not all of the discretions outlined below apply to all of our schemes and so we have classified our schemes into the following categories:

- Listed on the Australian Stock Exchange (ASX) – “Listed”
- Continuous issuer funds – “Open”
- Non-continuous issuer open-ended funds – “Closed”

Please refer to Appendix 1 for a detailed product listing for each category. These categories will be referred to where appropriate throughout the Unit Pricing Policy.

Unit Price - Current unit value

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 and may make allowances for expenses that are associated with acquiring and disposing of scheme property.

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.

The formula for the calculation of the current unit value is:

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

Net asset value

The net asset value (NAV) is defined as the gross asset value of the scheme 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.

Determining the net asset value involves an exercise of discretion by APN FM 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. APN FM's policy on how such discretions will be exercised is set out below under "Valuation Methods".

APN FM 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.

Gross asset value

The gross asset value is the sum of the value of all assets plus any amounts which, in the opinion of APN FM, 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, APN FM 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.

Liabilities

Generally, APN FM 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, however, amendments to each scheme's constitution has been made in accordance with ASIC Class Order 04/1575 so 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.

APN FM 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.

Issue (application) price

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

The formula for calculating the issue price is:

Issue price = Current unit value + transaction charge

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

Withdrawal (redemption) price

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

The formula for calculating the withdrawal price is:

Withdrawal price = Current unit value - transaction charge

APN FM 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.

Valuation methods

APN FM may determine valuation methods and policies for each category of asset 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:

- Purchased assets are initially recorded at cost (excluding transaction charges). Documents recording this information will be retained.
- ASX listed securities are marked to market daily. Where listed securities are thinly traded, APN FM may exercise discretion in valuing the security by comparison of initial cost against the average traded price over a period commensurate with the nature of the holding and then considering whether any permanent increase or diminution in value has occurred. Documents recording instances of the use of this discretion will be recorded and retained.
- Investments in unlisted managed funds are periodically revalued (at least once a year) by determining their fair value. Fair value is determined by reference to the

latest financial information for the relevant scheme, any opinion as to the value publicised by independent research houses from time to time and unbooked movements in the value of underlying assets. Where APN FM reasonably believes that the latest financial information does not accurately reflect the fair value, investments will be valued according to AIFRS. The valuation will be used in determining the net asset value of the relevant scheme assets. Documents recording the latest financial information and/or an opinion from independent research houses will be retained.

- Direct property assets are revalued to fair value, determined at least once every 2 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 APN FM 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 AIFRS. Revaluations are based on market values which represent the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Although the revaluation cycle for direct property assets is not in line with the unit pricing cycle, this is the industry approach and represents a reasonable compromise between the expense of obtaining valuations of assets and the likely movement of the value of those assets. Documents recording the information outlined above will be retained by APN FM.
- Property acquisition costs may be capitalised as an asset and amortised over the expected life of the investment. This only applies to those Closed funds investing in direct property. Records stating this information will be retained by APN FM.
- Structuring and establishment costs may be capitalised as an asset and amortised over the expected life of the investment. This only applies to Closed funds. Records stating this information will be retained by APN FM.
- AIFRS adjustments: where there is an intention to hold derivative instruments, such as interest rate swaps and currency hedges, to expiry, APFM may not mark to market the valuation of these instruments for unit pricing purposes. This only applies to Closed funds. Records stating this information will be retained by APN FM.
- Any short term deposits, including cash at bank, and liabilities payable are carried at face value. Financial records stating this information will be retained by APN FM.

Where the value of a liability is uncertain at the time of calculation, APN FM will value the liability in accordance with ordinary commercial practice and AIFRS. APN FM considers this to be reasonable as the policy on valuing liabilities is in accordance with the class order.

The exercise of discretion by APN FM 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.

Transaction charges

Transaction charges are an amount determined by APN FM 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.

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. APN FM will exercise its discretion in assigning a value to the transaction charges likely to be incurred. In exercising its discretion, APN FM will rely on an estimate or quote received in respect of the likely transaction charges to be incurred.

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.

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.

APN FM 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.

Frequency of unit pricing

Open funds

The unit price for each open fund is calculated as at the close of business for every business day in Melbourne or more frequently where there have been material market movements.

The unit price for a particular day is generally available by 12.00pm on the following day. The prices are posted on our website as soon as they are finalised.

Applications for units received and accepted by APN FM by 4.00pm on a Melbourne business day will be processed at the next determined issue price.

Withdrawal requests received and accepted by APN FM by 4.00pm on a Melbourne business day will be processed at the next determined withdrawal price. APN FM may delay or refuse the withdrawal of units, if in the reasonable opinion of APN FM, it is in the best interests of the unitholders as a whole, that the withdrawal be delayed or refused as outlined in the scheme's constitution.

The timeframes for acceptance of applications and withdrawals is necessary to enable the unit pricing process to function efficiently. APN FM considers this policy to be reasonable as this timeframe does not systematically disadvantage any identifiable unitholder or groups of unitholders, is in accordance with ordinary commercial practice and is therefore a practical and cost effective approach to be used for unit pricing.

Closed funds

The unit price for each closed fund will be calculated as at each balance date.

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.

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.

Suspension of unit pricing

APN FM 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 APN FM 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.

While APN FM 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.

APN FM considers the suspension of unit pricing to be reasonable as it safeguards the interests of unitholders and is in accordance with ordinary commercial practice.

Rounding of unit pricing

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.

APN FM considers this to be reasonable as the policy is in accordance with the scheme constitutions and ordinary commercial practice.

Deviation from unit pricing policy

APN FM 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 APN FM 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 APN FM are available free of charge on request.

APN FM 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 order.

More information?

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

1800 996 456 for Investor Services
1300 027 636 for Adviser Services

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APPENDIX 1

Listed – Funds listed on the Australian Stock Exchange

- APN European Retail Property Group (ARSN 114 153 641) (**AEZ**)

Open – Continuous issuer funds

- APN Property For Income Fund (ARSN 090 467 208) (**PFIF**)
- APN Property For Income Fund No.2 (ARSN 113 296 110) (**PFIF2**)
- APN International Property For Income Fund (ARSN 101 227 534) (**IPFIF**)
- APN Direct Property Fund (ARSN 113 296 432) (**DPF**)
- APN Diversified Property Fund (ARSN 113 296 263) (**DIV**)
- APN AREIT Fund (ARSN 134 361 229) (**AREIT**)

Closed – Non-continuous issuer open-ended funds

- APN Retirement Properties Fund (ARSN 093 243 424) (**RPF**)
- APN National Storage Property Trust (ARSN 101 227 712) (**NSPT**)
- APN Property Plus Portfolio (ARSN 101 227 614) (**PPP**)
- APN Regional Property Fund (ARSN 110 488 821) (**REGI**)
- APN Development Fund No.1 (ARSN 113 737 652) (**DEV1**)
- APN Development Fund No.2 (ARSN 125 786 227) (**DEV2**)
- APN Vienna Retail Fund (ARSN 119 990 840) (**VRF**)
- APN Poland Retail Fund (ARSN 112 452 779) (**PRF**)
- APN Euro Fund (ARSN 123 172 930) (**EURO**)