

Unit Pricing Discretions Policy

UBS Asset Management (Australia) LTD

ABN 31 003 146 290

AFSL 222605

1 December 2023

1. Purpose of this document

This Policy has been prepared by **UBS Asset Management (Australia) Ltd** ("**UBS AM**") in respect of all registered managed investment schemes ("**UBS AM Funds**", "**Schemes**" or "**Funds**") of which UBS AM is the responsible entity.

This Policy is designed to meet the requirements of ASIC Corporations (Managed investment product consideration) Instrument 2015/847 relating to Schemes registered prior to 1 October 2013, and ASIC Corporations (Discretions for Setting the Issue Price and Withdrawal Price for Interests in Managed Investment Schemes) Instrument 2023/693 for Schemes registered on or after 1 October 2013, (together, the "**Instruments**"). The Instruments allow the responsible entity to decide a matter that affects the method or formula used to calculate the unit price of the Schemes (the discretion) when the conditions under the Instruments are met. The policy sets out the documentation relating to the responsible entity's discretion as required for reliance on relief under the Instruments.

UBS AM wishes to rely on the Instruments and has written this Policy to:

- satisfy the relevant conditions of the Instruments; and
- explain UBS AM's policy with regard to the discretions it may exercise under the constitution of each Fund in calculating the application price and redemption price of units in its Funds.

The exercise of any discretion by UBS AM is subject to compliance with the relevant Fund constitution and the responsible entity's statutory duties, pursuant to the Corporations Act 2001 (Cth) ("**Corporations Act**"), including to exercise its powers and carry out its duties with a reasonable degree of care and diligence, and in the best interest of Fund members. This Policy has also been prepared taking into account Financial Services Council ("**FSC**") guidance.

2. Unit pricing

2.1 Calculation of unit prices

The constitution for each of UBS AM's Funds prescribes the formula for calculating the application price and redemption price for units at any time.

The application price is the price UBS AM uses to calculate the number of units to be allocated in respect of an application. It is represented by the following formula:

$$\frac{\text{Net Asset Value of the Fund} + \text{transaction costs}}{\text{Total number of units on issue}}$$

The redemption price is the price UBS AM uses to calculate the number of units to be redeemed in respect of a withdrawal from the Fund. It is represented by the following formula:

$$\frac{\text{Net Asset Value of the Fund} - \text{transaction costs}}{\text{Total number of units on issue}}$$

While the number of units on issue is a known amount and does not involve any discretion being exercised by UBS AM, each of the remaining elements in the formula to ascertain an application price and a redemption price may require UBS AM to exercise its discretion.

2.2 Monitoring of unit prices

Prior to their release, unit prices are reviewed and reasonableness checks are performed by comparing portfolio returns against benchmarks to assist in identifying any irregularities in unit pricing. If a Fund's performance versus its benchmark falls outside a predetermined tolerance level it is escalated for further review.

3. Areas of discretion

UBS AM exercises the following discretions in calculating the entry and exit prices of each Fund. The unit pricing function is carried out by a third party. However UBS AM, in its capacity as responsible entity for the Funds, remains responsible to unit holders for the calculation of unit prices and monitors the performance of the third parties to ensure appropriate controls are in place and they remain competent to carry out the function. This policy has been developed in accordance with industry standards and ordinary commercial practice, and accordingly, UBS AM considers the exercise of each discretion under the Policy as reasonable.

3.1 Transactions costs

There are various costs associated with purchasing or selling assets in a Fund such as brokerage and taxes. These costs are commonly referred to as transaction costs, or the buy/sell spread.

UBS AM applies a buy/sell spread when calculating application and redemption prices of units in its Funds. The buy/sell spread is derived from a pre-determined estimate of the actual costs a Fund would incur to buy assets (for applications) or sell assets (for withdrawals). It is set having regard to UBS AM's experience of the costs involved in investing in the relevant asset type(s) and the actual trading costs that a Fund has incurred. For an application, an adjustment is made to increase the issue price by the amount of the transaction costs per unit; and for a withdrawal, an adjustment is made to decrease the withdrawal price by the amount of the transaction costs per unit.

UBS AM, as responsible entity of various managed investment schemes, continuously monitors trading costs and will periodically adjust the buy-sell spread as and when required, having regard to actual transaction costs incurred for each Fund. The current buy/sell spread for each of our Funds is available on our website at www.ubs.com/am-australia

UBS AM has the discretion to reduce or waive the buy/sell spread in circumstances where an application and/or withdrawal request does not require assets to be bought or sold in the market, or where the transaction costs associated with the purchase or sale of assets are reduced. Examples of where this may occur include:

- an in-specie asset transfer, where the application or redemption request is fully funded (waive the spread) or partially funded (reduce the spread) by an in-specie transfer of assets into or out of the Fund; and
- the transfer of Fund interests between Fund unit holders.

Transaction costs paid by a unit holder may be different to the transaction costs a Fund has actually incurred and any difference, which may be a benefit or a loss, is borne by the Fund. UBS AM considers that its buy/sell spread methodology is reasonable as it treats all types of investors fairly and does not favour transacting or non-transacting investors. The spread is retained by the relevant Fund and is not a fee paid to UBS AM. It aims to protect continuing investors in the Fund from the transaction costs incurred as a result of other investors investing in or withdrawing from the Fund. Records are kept in relation to periodic reviews of transactions costs and any approved change in the buy/sell spread.

3.2 Cut-off time for application and redemption requests

For the fair and efficient operation of the Funds, it is necessary to specify a time by which applications and redemption instructions must be received in order for the instructions to be processed using the unit price for that day. UBS AM adopts a forward pricing methodology to process applications and redemptions for UBS AM Funds. This approach is consistent with ordinary commercial practice and means that transactions are processed using unit prices calculated after investor instructions have been received. The cut-off time for UBS AM Funds is set out in the relevant PDS and is generally 2pm Sydney time. An application or redemption request that is received before the cut-off time is taken to be received on that business day, and is processed at the application/redemption price calculated for that business day. Application and withdrawal requests received after the cut off time on a business day are normally processed using the application or redemption price calculated for the following business day.

3.3 Backdating

Backdating occurs when the unit price given to a transaction is different to the unit price that should be used to process other transactions in the Fund on the same date.

In general, for each application, redemption or switching request, UBS AM will record the date of receipt, the date of processing and the price used to issue units on that date. Units will be issued and redeemed at the price and in the timeframes stated in the relevant governing documents and in the PDS.

However, there may be limited circumstances where backdating is required as a result of processing turnaround times to ensure transacting investors receive the appropriate value for the effective date of their transaction requests. Backdating may have a positive or negative impact on the Fund. UBS AM will monitor for any backdating transactions and will assess whether compensation is required to be paid to the Fund.

3.4 Asset valuations

Under each Fund's constitution the total net asset value is calculated as the value of assets less the liabilities. Subject to each Fund's constitution, UBS AM will value investments within each Fund at their market value in accordance with applicable Australian Accounting Standards and other valuation policies adopted by the responsible entity from time to time. UBS AM normally arranges for the valuation of the assets (and the unit price) of each UBS AM Fund daily, based on the market prices and valuations available at the end of each Australian business day. UBS AM believes daily valuations are reasonable as this is consistent with having daily unit prices and is also consistent with ordinary commercial practice. In unusual circumstances, such as in times of extreme market volatility, UBS AM may arrange for valuation of investments more than once during a business day. The valuation of assets and unit pricing for the UBS AM Funds is outsourced to a third party. However, UBS AM remains accountable for the calculation of unit prices. In valuing the assets of each UBS AM Fund, these third parties apply market prices sourced from independent information providers. Valuation of exchange traded assets are generally determined by reference to the latest available market price, normally the official price on closing.

Valuations of infrequently traded assets may be determined by reference to the latest available market information. Where market prices are not available (for example, because the asset is not traded on a recognised exchange) the value will be calculated using the best information available, including the value most recently obtained, or an adjustment by reference to comparable investments. Where reasonable estimates are used, based on a verifiable methodology, they are independently reviewed.

UBS AM believes that exercising its discretion in this way is reasonable as all assets are valued in accordance with industry practice and FSC standards.

3.5 Exchange Rate

Where the valuation of an asset or liability of a UBS AM Fund is denominated in a currency other than Australian dollars, the exchange rate to be used in converting the valuation to the base currency will be the 4pm London Exchange Rate.

3.6 Accruals for assets and liabilities

UBS AM exercises its discretion regarding accruals for assets and liabilities in accordance with applicable accounting standards, generally accepted accounting principles and other mandatory professional Australian reporting requirements. Assets and liabilities are accrued within the Net Asset Value of a Fund where they have a known value or where the value can be reasonably estimated.

Liabilities, including management fees, are accrued in the Funds' unit price on a daily basis and, in the case of management fees, paid to UBS AM on a monthly basis. UBS AM charges management fees, as set out in the relevant PDS, for administering and managing the Funds. From time to time, UBS AM may individually negotiate management fees with wholesale clients (within the meaning of the Corporations Act) who invest sizeable amounts into any of our Funds.

Under the constitution of the Funds, UBS AM is authorised to pay for expenses incurred in managing the Funds, including compliance committee costs, custodial and insurance costs, accounting and audit expenses, and legal and regulatory expenses, out of the assets of the Fund. Unless disclosed otherwise in the Fund's PDS or by other communication to investors, UBS AM will generally bear the ordinary operating expenses

of the Fund itself rather than pay for them out of the assets of the Fund.

Where expenses are incurred in relation to a number of UBS AM Funds, they are apportioned by UBS AM fairly amongst the affected Funds. Where a Fund offers more than one class of unit to unit holders and assets and liabilities are clearly identifiable as relating to one class or another they will be attributed to the relevant class. However, where assets and liabilities do not clearly relate to a particular class, they will be allocated on a pro-rata basis, according to the Net Asset Value of each relevant class. This approach is considered reasonable because this will avoid a particular Fund or class bearing a disproportionate allocation.

Asset accruals, such as income receivable for dividends, interest and trust distributions, may also be estimated based on the latest available information. Assets or liabilities that are immaterial, non-recurring or of an unexpected nature are generally not accrued in the Net Asset Value of a Fund. Expenses that meet one of these criteria are paid and deducted from the Net Asset Value of a Fund as soon as practicable after receipt of an invoice.

When a Fund participates in a class action any potential outcome is uncertain, often unquantifiable and potentially protracted such that it cannot be incorporated into the trust as a receivable and reflected in the unit pricing of the Fund. As a result, and to ensure a consistent process is applied, proceeds from a class action are accounted for in the Fund on a cash basis when the payment is actually received by a participating Fund.

UBS AM believes that exercising its discretion in this way is reasonable as it ensures that the valuation process for Fund assets and liabilities is applied consistently over time and is fair to incoming, outgoing and continuing investors.

3.7 Rounding

The constitution of each Fund permits units to be issued as a fraction. The number of units issued/redeemed in connection with an application/redemption request will be rounded to two decimal places where the number of units would otherwise include more than two decimal places.

The constitutions of UBS AM Funds also provide that the application and redemption prices can be rounded up or down, and that the amount of rounding must be no more than 1% of the application or redemption price. UBS AM rounds application and withdrawal prices of its Funds to four decimal places.

In accordance with the requirements of each Fund constitution any excess money or property which results from rounding becomes an asset of the relevant Fund. This rounding convention is considered reasonable because it is consistent with ordinary commercial practice, ensures a high degree of unit pricing accuracy and the impact to unit holders as a result of rounding is negligible.

3.8 Asset Transfers

Where permitted by the UBS AM Fund's constitution, UBS AM may in some circumstances exercise discretion to permit an investor to:

- transfer assets to a UBS AM Fund instead of paying cash in exchange for an issue of units; or
- receive assets from a UBS AM Fund instead of cash on a redemption of units.

UBS AM will only exercise its discretion to do so in accordance with the relevant Fund's constitution and in the best interests of investors in the relevant Fund.

Where UBS AM exercises this discretion, the assets to be transferred will be valued by reference to appropriate market prices and valuations (on the same basis as if UBS AM was valuing the assets for the purpose of determining the unit price) to ensure that the value of the assets as closely as possible matches the cash that would otherwise have been payable. All expenses of the transfer will be borne by the transacting investor. UBS AM may also agree that there will be no transaction costs or buy/sell spread if assets do not need to be acquired or sold for the application or redemption.

3.9 Distributions

The frequency with which UBS AM Funds distribute taxable income and realised taxable capital gains is set out in the relevant Fund's PDS. However, UBS AM may exercise its discretion to vary this frequency, based on the amount and timing of taxable income and capital gains within a Fund and other Fund specific factors, such as any anticipated large deposits into or withdrawals from the Fund.

Where a large deposit is made into, or a large withdrawal is made from, a UBS AM Fund, UBS AM may assess the Fund's tax position to determine whether a special distribution is required. A special distribution will be made if UBS AM considers that it is appropriate to distribute the Fund's income before the deposit or withdrawal, to ensure that all investors in the Fund are treated fairly for tax purposes, and that no group of investors bears a disproportionate share of the tax on the Fund's income or realised gains.

4. Suspension of unit pricing

In certain circumstances UBS AM may exercise discretion to suspend or delay the ability of investors to withdraw from a UBS AM Fund. In those circumstances, unit prices will generally not be available.

The circumstances in which UBS AM may exercise its discretion to suspend or delay unit pricing include (without limitation):

- a significant disruption in financial markets
- the inability to obtain reliable valuations of assets
- very large redemptions which may impose unreasonable tax or other burdens on remaining investors
- if the Fund ceases to become liquid (as defined in section 601KA of the Corporations Act).

Application and redemption instructions received during the suspension period will be processed as soon as practicable following the resolution of the conditions causing suspension and the recommencement of Fund unit pricing. UBS AM believes that having the discretion to suspend unit pricing is reasonable and necessary to facilitate the proper management of its Funds and ensure investors are able to apply for or redeem units at prices that reflect their actual value (as far as can be determined).

5. Records maintained by UBS AM

UBS AM will act reasonably in exercising the discretions documented in this Policy to ensure the pricing of Fund interests is consistent and fair to incoming, outgoing and continuing investors. Where UBS AM exercises discretion in a manner that involves a

departure from this Policy, or on a matter not covered by this Policy, it will document the following detail:

- the date the discretion was exercised and the Fund(s) involved
- who exercised the discretion (UBS AM or a delegate)
- how the discretion was exercised
- an explanation as to the reasonableness of the exercise of the discretion, and if it was not in accordance with ordinary commercial practice, an explanation of why it was impractical to do so.

In accordance with the Instruments, UBS AM will retain this Policy, and other records regarding the exercise of unit pricing discretion, for seven years after they cease to be current. You may request a copy of these records at no charge.

6. Review and alteration of this Policy

This Policy will be reviewed regularly to ensure that it remains current and compliant with all applicable laws and industry best practice.

7. Further information

If you have any questions about this Policy, or require further information, please contact us by:

- Calling Client Services on (02) 9324 3222
- Visiting our website: www.ubs.com/am-australia
- Writing to us at Level 16, Chifley Tower, 2 Chifley Square, Sydney NSW 2000
- Emailing us at ClientServices-UBSAM@ubs.com

Disclaimer:

This Policy only relates to the registered managed investment schemes of which UBS Asset Management (Australia) Ltd (UBS AM) is the responsible entity. The most recent version of this policy is available to you on our website at www.ubs.com/am-australia or by contacting us on (02) 9324 3222. This Policy does not form part of any product disclosure statement.

When making investment decisions in relation to the Funds specified in this Policy you should refer to the relevant PDS. The information in this document does not constitute advice and does not take into consideration your investment objectives, legal, financial or tax situation or particular needs in any other respect. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.