

1. Policy on Unit Pricing for the Viento Diversified Property Fund

1.1 Introduction

The *Policy on Unit Pricing for the Viento Diversified Property Fund* is issued by the Board of Directors (the “**Board**”) of Viento Property Limited (ABN 51 095 920 648) (AFSL 224663) (“**the Manager**”) as the licensed Manager responsible for pricing units issued in the Viento Diversified Property Fund (ARSN 096 494 576) (“**the Fund**”). Viento Property Limited is a wholly owned subsidiary of Viento Group Limited (ABN 79 000 714 054).

The *Policy on Unit Pricing* is approved by the Board and can be amended only by the Board of Viento Property Limited.

The *Policy on Unit Pricing* contains an overview of the associated *Procedures for Unit Pricing* currently maintained by Viento Property Limited. It should be read in conjunction with the Fund’s *Constitution* and *Compliance Plan*, both of which are lodged with ASIC, and the Fund’s current *Product Disclosure Statement*, which is available to the public through the Internet, from financial advisers and from the Viento Property Limited.

1.2 Application

This policy and related procedures apply to the Responsible Managers and staff of Viento Property Limited and any agent or contractor, including Viento Group Limited, engaged in any aspect of the unit pricing process. This is to be reflected in the contract or agreement between Viento Property Limited and its agents and contractors.

1.3 Commitment

The Board of Viento Property Limited is ultimately responsible for Viento Property Limited’s compliance with this Policy and relevant laws.

The Board is committed to maintaining accurate, consistent, and timely unit pricing processes. The implementation of this policy through associated procedures evidences this commitment.

Reports on the implementation, effectiveness, and review of this *Policy on Unit Pricing* are to be presented to the Board, through the Compliance Committee or directly, on a regular basis.

1.4 Resources

The Board of Viento Property Limited supervises all aspects of the management of the Fund. Viento Property Limited has engaged Viento Group Limited to provide Asset Management, Accounting, Registry, Marketing and Compliance services for the Fund.

Viento Group Limited has appointed its Chief Financial Officer with responsibility to support the implementation and effectiveness of this *Policy on Unit Pricing*. The CFO is to ensure that adequate resources are to continue to be made available to support this *Policy on Unit Pricing*.

Viento Group Limited has authorised personnel from its Asset Management, Accounting, Registry, Marketing and Compliance functions to fulfil the obligations of the engagement. These skills are central to calculating unit prices.

Viento Property Limited has entered into a Property Management Agreement with regard to all the Fund's real property investment assets. The Property Manager is to be selected from nationally operating managers with skill sets relevant to the Fund's investment assets. The Property Manager is to report each month to the Viento Property Limited Head of Property on all relevant aspects of its mandate in time for the report to be considered in the monthly property evaluation process that precedes the setting of redemption unit prices.

Accounting services, including the calculation of unit prices to be applied to monthly applications and withdrawal offers, are provided by the Accounting function of Viento Group Limited. The Executive Accountant is to be responsible for maintaining this *Unit Pricing Policy*.

The Board has chartered a Compliance Committee made up of 2 external members and 1 internal member who meet, formally, at least 4 times per year.

Viento Group Limited's Compliance function has appointed its Head of Compliance to assure the Viento Property Limited Board, through the Committee or directly, that Viento Property Limited's compliance arrangements conform to legislative and regulatory requirements, as well as this *Policy*. The Head of Compliance is to be responsible for:

- Conducting or overseeing any testing or monitoring required to provide assurance that the *Policy* is being operated appropriately
- Regulatory liaison in relation to compliance issues, and
- Recommending amendments to this *Policy* and its associated procedures.

Investment Taxation information provided in annual statements to Members is to be confirmed by external experts.

All audit services are to be provided by external consultants. The Fund's Auditor is disclosed in the current *Product Disclosure Statement*.

1.5 Objectives

This policy expresses the Viento Property Limited Board's commitment to the implementation of effective unit pricing practices at all levels by Viento Property Limited.

The Board expects that Viento Property Limited, its agents and contractors, will meet scheme members' unit pricing expectations by honest, diligent, and impartial attention to detail.

The procedures and processes implemented by management to achieve the Board's unit pricing policy are to endeavour to maximise the accuracy, consistency, and timeliness of unit pricing for the benefit of all scheme members.

Whenever an actual value becomes available to replace an estimated value, it is to be reflected in the Unit Price at the next opportunity.

The Fund is to comply with the requirements of relevant Australian accounting standards.

The Board is aware that there is a range of information that is of interest to Members and potential investors. Accurate, consistent, and timely unit prices are central to this information. The Board requires management to provide Members with access to unit prices and other relevant information through the Internet, by telephone and in writing.

Through the Fund's *Product Disclosure Statement*, the Board lists a sample of the important risks faced in property management and investment. Unit pricing is a "Fund Risk" and errors in the process of calculating unit prices can occur. The Board requires management to identify and to rectify promptly any error in unit pricing. Where appropriate, scheme members who may have suffered a loss due to a material error in unit pricing are to be compensated. Compensation is intended to restore the total value of a scheme members' holding of units in the Fund to its current market value as if the error had not been made.

Through the Fund's *Constitution*, the Board has established rules and processes that foster equity between members by reducing the opportunity for a member of the scheme to buy or sell units to the disadvantage of another member. These include application and redemption rules, and processes for the calculation of application and redemption prices. The effect of these rules and processes is to be disclosed and discussed in the Fund's current *Product Disclosure Statement* and an overview is provided in the *Procedures* section of this *Policy*.

So as to monitor the effectiveness of these rules and processes for the preservation of equity between members, the Board requires management to periodically assess members' acquisition and redemption practices and report on these to the Board.

The Fund's *Constitution* permits investment in "Assets", which are defined as "all resources from which future economic benefits are expected to flow:

- (a) *Controlled by the Responsible Entity for the benefit of the members as a result of past events;*

- (b) *To which the members have the beneficial entitlement by virtue of their respective Units in the Trust; and*
- (c) *The future economic benefits of which:*
 - (i) *will probably flow to the Trust; and*
 - (ii) *have a cost or value which can be measured reliably.”*

Viento Property Limited’s Board has limited the range of investments in which the Fund is to invest to real property, listed and unlisted property trusts and cash. These investment assets are to be described in each *Product Disclosure Statement* issued by the Responsible Entity. The limited range of investments reduces the complexity of the Fund’s unit pricing arrangements and the nature of direct real property investment reduces the volatility of change in the capital value of units.

The Fund’s *Constitution* requires that:

- (a) The *Application Price* be calculated as: Net Asset Value plus Transactions Costs divided by Units on Issue; and
- (b) The *Redemption Price* be calculated as: Net Asset Value minus Transaction Costs divided by Units on Issue.

Net Asset Value is defined at a particular time, to mean: *“the amount, which is the Value of all Assets less the amount of all Liabilities, as determined by the Responsible Entity from time to time.”*

To the extent possible, the Board relies on and uses written estimates provided by independent experts, such as valuers and real estate agents or research consultants in the property sector. The accrual rate for changes (i.e. movements up or down) that occur between formal revaluations in the capital value of a property is an example.

Where independent input is not available, such as the proportion of Fund assets to be maintained as liquid assets to meet redemptions, the Board requires that management document the basis for the estimates used in the Unit Pricing process and maintain evidence that the estimates are reasonably formed and consistently applied.

The Board’s *Procedures* seek to minimise the variation between estimates of income, expense, and changes in capital value, and the actual outcomes subsequently experienced.

Each real property acquisition is to be accompanied by an independent valuation that is to include an estimate of the property’s potential for capital growth. The Board is to use this estimate as an input to the accrual of capital value in the unit pricing model. Asset Managers are to engage external, qualified and insured property valuers at least every two (2) years, and more frequently if required, to assess the value of each property in the portfolio.

Between independent valuations, the Board of Viento Property Limited will form an estimate of the impact on portfolio property values of developments in real property markets. These estimates of current capital value are tested and supported using commercially available software developed for property valuation estimates. These estimates are made on a six monthly basis and approved by the Board of Viento Property Limited.

If the Board becomes aware of reasons to suspect that the carrying value of a real property could differ materially (i.e. up or down by 10% or more) from the most recent external valuation, a new, independent valuation is to be sought. Valuations for properties which are to be sold will seek to estimate the net proceeds of sale after all disposal costs, including government charges and Goods and Services Tax if applicable.

When an estimated value can be matched to an actual value, for example, when an offer to purchase a property held in portfolio is made at a specific price, the difference between the estimated and the actual value of the asset is to be immediately reflected in the next unit price calculation.

Transaction Costs applying to the Application and Redemption prices are to be specified from time to time in the current *Product Disclosure Statement* and are not to change without adequate notice.

The transaction costs applying to the Application Price are wholly determined by each investor. Each investor instructs the Manager to pay to their financial adviser a percentage, or an equivalent amount, between 0% and 3% of the initial investment, and/or subsequent investments.

The Manager sets the transaction costs applying to the Redemption Price. The Board seeks to minimise redemption transaction costs, but sets its estimates at values that are expected to result in a small positive margin that becomes an asset of the Fund. The basis for the calculation of transaction costs is to be detailed in the current *Product Disclosure Statement*.

The Board has prepared its *Unit Pricing Policy* and its associated procedures with the intent of communicating to investors and of complying with the requirements of:

- Viento Property Limited's Australian Financial Services Licence
- ASIC Regulatory Guide 94 - *Unit Pricing: Guide to Good Practice*
- IFSA Standard No.8.00 – *Scheme Pricing*.

The Board has implemented measures to ensure that it continues to meet its responsibilities. These measures include an assessment and classification of risks faced by the Fund, and the process for their management, and a matrix of controls to be applied to monitor risk management and compliance outcomes.

1.6 Management Responsibility

Viento Property Limited's Responsible Managers are responsible for reflecting the commitment of the Board to all contractors engaged by Viento Property Limited.

It is incumbent on staff and contractors to consider this policy and its associated procedures when undertaking their duties.

The Chief Financial Officer is to be responsible for overseeing the implementation of these procedures and for engendering an organisational culture that supports the compliance and risk management objectives of the Board in general, and for unit pricing particularly.

Managers and staff are responsible, and are to be held accountable, for their compliance performance and risk management of the unit pricing activities over which they have control.

The timely and accurate calculation of unit prices is a specific element in Viento Property Limited's engagement of the Accountant.

Induction and continuing training are to be made available to all those with unit pricing responsibility so as to sustain and support their accountability for unit pricing.

Breaches, and potential breaches of the *Unit Pricing Policy* are to be reported immediately they are identified to the CFO or Head of Compliance. Breaches are to be recorded, investigated, analysed, and reported in writing to the Compliance Committee, through the Compliance Officer. A Register of Breaches is to be maintained and, at least once each year, the Register is to be analysed for signs of systemic failure.

1.7 Continuous Improvement

The Board is committed to the practise of continuous improvement. With regard to unit pricing, this is to be achieved by:

- The Head of Property, the Executive Accountant, and the Compliance Manager each keeping abreast of best practices
- Fostering risk awareness to produce compliant outcomes within Viento Property Limited, particularly in regard to unit pricing,
- Undertaking appropriate, relevant training of staff to foster compliance and risk awareness
- Encouraging innovation, honesty, diligence, and impartiality in unit pricing processes,
- Recognising exemplary compliance behaviour.

2 Procedures for Unit Pricing for Viento Diversified Property Fund

An overview of the *Procedures for Unit Pricing for Viento Diversified Property Fund* is provided in this section of the *Policy on Unit Pricing for Viento Diversified Property Fund*.

2.1 Schematic Overview

On the next page is a flowchart of the processes that lead to the *Procedure for Calculating the Price of Units in the Viento Diversified Property Fund*.

The *Policy on Unit Pricing* requires that unit prices be calculated accurately, consistently, in a timely manner and that they be communicated through the Internet, by telephone and in writing.

Four functions within VIENTO GROUP LIMITED act to achieve Viento Property Limited's *Policy on Unit Pricing*.

- **Registry** accurately records the number of units on issue as a result of new and additional unit applications. Units are also issued as a result of the Distribution Reinvestment Plan and Regular Investment Plan. Units may be redeemed as the result of a Withdrawal Offer. Each of these features of the Fund is described in the current *Product Disclosure Statement*. Registry distribute unit pricing information to all those who are interested.
- **Asset Management**, after using external consultants as required, determines the values for each investment asset and the Fund's liabilities and budgets for the income and expenses associated with investments.
- **The Accountant** determines the current value of cash investments, the administrative income and expenses arising from management of the Fund, and calculates the application and redemption unit prices.
- **Compliance** monitors the operation of this *Policy*.

Each process is to be supported by a description of the procedures required to complete it. The procedures are to be made available for induction, continuing and refresher training.