

# National Mutual Funds Management Ltd Asset Valuation Policy

Owner	Group Executive, Superannuation & Investments
Approver	Ipac Asset Management Ltd Board and National Mutual Funds Management Ltd Board
Manager	Head of Investment Operations
Target Audience	All AMPI Staff
Effective Date	27/11/2023
Next Approval Date	27/11/2024
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## 1. Purpose

The purpose of the National Mutual Funds Management Limited Asset Valuation Policy (the Policy) is to determine the appropriate prices at which unitholders or investors entitlements may be transacted on in respect of Funds in which they are invested, as well as to determine the Responsible Entities (RE)s entitlements under the relevant constituent documents of each Fund. The valuation of assets is also a key input in the preparation of a Fund's financial report, where applicable.

A consistent valuation methodology enables an accurate reflection of Fund returns to assist in investment management decisions and performance calculations. In the context of this Policy, a Fund can consist of a single asset or a number of assets grouped together for reporting and/or unit pricing purposes.

## 2. Application

The Policy applies to all Funds and Mandates managed by National Mutual Funds Management Ltd (NMF) and all Funds where ipac Asset Management Ltd (IAML) is RE. It is binding on all staff directly engaged by AMP Investments (AMPI) and any personnel who perform services for the benefit of AMPI (including directors, officers, temporary agency staff, external contractors, and consultants) (collectively referred to as 'staff' for the purpose of this Policy).

The RE may calculate unit prices and NAVs of some Funds itself and has outsourced unit pricing for some Funds to a Custodian which obtains valuations from independent third-party providers. The Custodian will value the assets of the Funds in accordance with its Securities Pricing Policy (or equivalent) and the Price Source Agreement (as relevant) as agreed between RE and the Custodian.

The RE has implemented control processes which monitor the adherence to this Policy by AMPI and appointed agents, including its appointed Custodian.

## 3. Governance

This Policy is owned by the Group Executive, Superannuation & Investments. Material changes to this Policy outside of scheduled review are approved by the Group Executive, Superannuation & Investments and the AMPI Valuation Committee (AMPI VC). Non-material changes outside of scheduled review may be approved by the AMPI VC.

This Policy will be reviewed annually. The Head of Investment Operations will coordinate the review of this Policy by the Business Circulation List at least annually to ensure that it remains relevant, current and compliant with all applicable laws governing NMF's relevant activities and functions including obtaining approval from relevant stakeholders, followed by endorsement by the IAML and NMF Boards.

## 4. Asset Valuation Requirements

### 4.1 General

Under each Fund constitution, investment management agreement or other governing document, the RE may determine the NAV at any time, including the timing (which may be more than once a day). This Policy has been developed in accordance with relevant industry standards, such as:

- ASIC/APRA Unit pricing: Guide to good practice (RG94);
- Financial Services Council Guidance Note No. 50: Valuation of Scheme Assets and Liabilities (FSC Guidance Note No.50);
- Financial Services Council Guidance Note No.26: Asset Valuation and Unit Pricing for Infrequently Valued Assets (FSC Guidance Note No. 26);
- Accounting Professional & Ethical Standard (APES) 225: Valuation Services;
- Australian Accounting Standards Board ("AASB"): Standard 13: Fair Value Measurement; and
- International Accounting Standard (IFRS 13): Fair Value Measurement.

Specifically, the guidance under Section 5 of RG94 provides direction on determining asset values in the following areas:

- Valuation of non-exchange traded assets;
- Frequency of transacting and frequency of unit pricing;
- Frequency of unit pricing and frequency of asset valuation; and
- Assets valued periodically using recognised methodologies.

The NAV for a given business day is generally determined by valuing all the assets of a Fund and subtracting the value of liabilities of the Fund at a valuation point associated with the cut off time for the relevant Fund.

Accruals for assets and liabilities are provided for within the NAV when they have a known value or a value that can be reasonably estimated. Liabilities are generally defined as all present liabilities of the Fund including any provision which the RE decides should be considered in determining the liabilities of the Fund.

Liabilities generally include, but are not limited to, borrowings, derivative financial instruments, management fees, performance fees and other expenses, and will be accrued when they have a known value or can be reliably estimated.

Asset accruals, such as income receivable for dividends, distributions and interest may also be subject to estimation based on the latest available information.

In Funds where there is more than one class of units offered to unitholders, the allocation of the Fund assets, liabilities, revenue and expenses for each class is generally calculated based on the proportion of the NAV of the Fund to which the class relates. Where a particular expense (for example management fees or performance fees) is exclusive to a particular class, the RE will usually determine the expense applicable to each class of units independently.

The RE may exercise discretion in assigning a value to certain Fund liabilities for the purpose of determining the NAV.

## 4.2 Fair value

The international accounting standard for fair value measurement (IFRS 13) defines fair value as “the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.” This price should reflect “an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.” The fair value should be measured “using the assumptions that market participants would use when pricing the asset”.

Fair value is the approach used by the RE to determine a value for those assets (either exchange traded assets or non-exchange traded assets) for which current market prices are not readily available. The determination of fair value is intended to provide, on a reasonable efforts basis, the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

When the RE believes that an external value or values provided by a valuer or price source is not available for an asset or does not accurately reflect the market value of an asset (for example the valuation is outdated or is unreliable) at the valuation point then the RE may determine the fair value of the asset based on valuation principles, processes and methodologies set out in this Policy, including the use of a more recent independent external valuation.

Further details on the processes and methodologies used to determine Fair Value for certain non-exchange traded assets is contained in Section 4.4 of this Policy.

## 4.3 Governance of valuation process

### 4.3.1 Approval

When fair value is adopted, the RE will ensure that the fair value is determined in good faith and is documented at the time of its calculation. Any security or redemption/NAV price value adjusted or overridden to reflect fair value will be documented at the time of change and approved by the AMPI VC and implemented by the Head of Investment Operations for both exchange traded assets and certain non-exchange traded assets, as applicable.

### 4.3.2 Valuation Committee – non-exchange traded assets

The AMPI VC is responsible for reviewing and approving changes to valuation methodologies and related asset valuations, where required, for non-exchange traded assets which may include investments in unlisted investment structures, including “Alternatives”:

“Alternatives” includes unlisted Investment Structures investing in various asset classes including private assets and hedge funds.

### 4.3.3 Requirements

The Head of Investment Operations and the AMPI VC must ensure that the current version of this Policy is formally communicated and made available to all staff directly involved in the valuation process.

## 4.4 Valuation of assets

### 4.4.1 Valuation of exchange traded assets

Exchange traded instruments including equities, listed unit trusts, fixed interest securities, derivative financial assets/liabilities (including futures) and placements are generally traded more frequently than non-exchange traded instruments.

The Custodian will value the assets of the Fund in accordance with its Securities Pricing Policy (and, as applicable, the Price Source Agreement as agreed between the RE and the Custodian). The Custodian's Pricing Policy is reviewed by the Head of Investment Operations on an annual basis. The Custodian will notify the RE of any material changes to its policy before such changes are implemented including a change of price source.

There may be circumstances when a market price or value may be unavailable or thought to be unreliable. The RE, at the direction of the AMPI VC, will consider the use of an adjusted fair value price, determined in accordance with the fair value methodology that is relevant to the asset.

The Head of Investment Operations will ensure the Custodian maintains appropriate processes to identify zero-movement or stale securities. Once a stale price is identified, the Head of Investment Operations will endeavour to locate the most recent available price to apply at the next valuation point or consider the use of an adjusted fair value price, working with the AMPI VC as appropriate.

If an asset has been suspended from a recognised exchange, the Head of Investment Operations and the AMPI VC (if required) will review the particular asset to determine if the last sale price is appropriate and when the AMPI VC believes otherwise, then all relevant factors will be considered to determine fair value.

If an asset has been delisted from a recognised exchange, including those companies in liquidation, under appointed or voluntary administration, receivership or bankruptcy, the AMPI VC (if required) will review the particular asset to determine if the last sale price is appropriate and when it believes otherwise, then all relevant factors will be considered to determine fair value.

### 4.4.2 Valuation of non-exchange traded assets

#### 4.4.2.1 Unlisted Investment Structures including "Alternatives"

The Custodian will value the assets of the Fund in accordance with its Securities Pricing Policy (or, as applicable, the Price Source Agreement as agreed between the RE and the Custodian).

The AMPI VC may engage an independent valuer or internal valuer to carry out the valuation as considered appropriate for any given type of unlisted investment structure. The method used by the valuer, whether internal or external, should be drawn from this Policy. The AMPI VC is responsible for determining the appropriate valuation methodology to be applied if any uncertainty or potential conflict exists.

Unlisted internal unit trusts	When the assets in a Fund are units in another RE-operated Fund, the units held by the investing Fund will be valued using the latest available redemption or NAV price, as applicable, for the valuation point.
Unlisted external investment structures (including unit trusts)	When the assets of a Fund include an interest in an externally managed fund/investment vehicle, the investment held by the investing Fund will be valued using the latest available redemption or NAV price, as applicable, for the valuation point as provided by the external fund manager or their appointed agents, third parties or counterparties.

Prior to investment in external funds, NMF / AMP Investments will review the pricing and valuation policies of the funds and report to the AMPI VC and/or the RE, as applicable.

Valuation adjustments may be required to either internally or externally (refer to the table above) calculated net asset values when a redemption or NAV price:

- is not available (for example when there is a stale NAV price; and/or a known delay in NAV reporting);
- is thought to be an unreliable representation of fair value (for example NAV of infrequently traded funds; the fund is known to trade at a significant premium or discount to its NAV; and/or there has been significant changes in the investment environment since the NAV of the fund was last reported); and
- does not reflect cash contributions, distributions, and other transactions since the date that the NAV of the fund was last reported.

In these cases, to ensure fair value of each asset is appropriately determined, AMPI (in agreement with the RE, where applicable) will consider the use of indexing to the relevant market indices or applying a premium or discount adjustment to the redemption or NAV price based on:

- observable market transactions; and / or
- unobservable valuation inputs, when appropriate (for example external consultant assessments and internal market research; and/or secondary market offers that are considered highly probable of being satisfied).

#### **4.4.2.2 Non-exchange traded derivatives**

Non-exchange traded instruments can also include some over-the-counter (OTC) derivative financial assets/liabilities.

- The Custodian values OTC derivatives in accordance with the Custodian's Securities Pricing Policy and the Price Source Agreement as agreed between the RE and the Custodian as applicable. The Custodian in conjunction with the RE will attempt to source asset or liability prices from independent third-party vendors in respect to OTC derivatives.
- When appropriate, OTC derivatives may be valued using RE approved models or counterparty valuations.

## **4.5 Frequency of asset valuation**

The RE will ensure that Fund assets are valued at least as frequently as interests in the Fund may be traded (e.g. daily, monthly, quarterly), except for certain non-exchange traded assets, such as alternatives, where the RE considers it impractical or not in the best interest of unit holders to value assets in this manner.

Where the formal valuation of certain assets is at extended or infrequent intervals (for example when asset valuations occur less frequently than fund prices are calculated), the RE will ensure the following principles are adhered to to maintain equity across inter-generational investors:

- Formal valuations are sought at least annually or more frequently if required;
- To avoid sudden significant changes in the NAV, when circumstances permit, formal valuations will be staggered throughout the year; and
- When the RE forms the view that there has been a significant movement in the underlying asset between formal valuation periods, the RE will consider reflecting this movement in the valuation used for unit pricing purposes.

## **4.6 Suspension of valuation of assets**

There may be circumstances when the RE forms the view that the valuation of Fund assets or liabilities cannot be reasonably calculated or obtained and may produce an inequitable outcome for investors.

The RE maintains a Unit Pricing Discretions Policy which outlines the circumstances in which the RE may exercise its discretion to suspend unit pricing and/or processing of applications and redemptions, to ensure an equitable outcome for investors. The suspension of unit pricing or the processing of investor transactions is a last resort and where possible other potential solutions may take precedence.

Please refer to the NMF Unit Pricing Discretion Policy with regards to suspension of unit pricing and/or processing of applications and redemptions.

## 5. Key Definitions

Term	Definition
AMP Investments	Refers to the AMP Investments business unit within AMP Limited, which is responsible for managing schemes for NMFM as investment manager, on behalf of but not limited to: <ul style="list-style-type: none"><li>• IAML and</li><li>• National Mutual Funds Management Ltd (as trustee).</li></ul>
Custodian	Refers to BNP Paribas Fund Services Australasia Pty Ltd (ACN 002 655 674) trading as BNP Paribas Securities Services (BNP) or any other entity appointed by the RE to administer and provide custodial, accounting and unit pricing services for scheme assets (appointed Custodian).
Fund	Refers to a managed investment scheme registered with ASIC which IAML is the responsible entity or an unregistered trust which NMFM is the trustee.
IAML	Refers to ipac Asset Management Limited.
NMFM	Refers to National Mutual Funds Management Ltd as the investment manager for the Funds covered by this Policy.
Responsible Entity (RE)	Refers to: <ul style="list-style-type: none"><li>• NMFM as trustee (unregistered trusts); and</li><li>• IAML as responsible entity (registered trusts), as applicable.</li></ul>

## 6. Ownership and management

The table below outlines the key roles and their responsibilities as it pertains to this Policy.

Role / Line of Defence	Responsibility
Owner (Group Executive, Superannuation & Investments)	<ul style="list-style-type: none"> <li>The Group Executive, Superannuation &amp; Investments owns this document.</li> <li>The Group Executive, Superannuation &amp; Investments will:               <ul style="list-style-type: none"> <li>review this Policy at least annually, to ensure it remains relevant and current,</li> <li>review and approve any proposed material changes between annual reviews.</li> </ul> </li> </ul>
Approver (IAML Board and NMF Board)	<ul style="list-style-type: none"> <li>Review and approve the Policy at least annually, to ensure it remains relevant and current.</li> </ul>
Implementation (AMPI Valuation Committee)	<ul style="list-style-type: none"> <li>Ensure the Policy is current, complies with all regulatory requirements applicable to the Policy, and is reviewed in accordance with the review cycle.</li> <li>Review the Policy at least annually, to ensure it remains relevant and current.</li> <li>Review and approve any proposed non-material changes to the Policy between annual reviews.</li> <li>Approve valuation adjustments when current value is not available or appropriate.</li> </ul>
Manager (Head of Investment Operations)	<ul style="list-style-type: none"> <li>The Head of Investment Operations is responsible for the day-to-day application of this Policy, including the monitoring of the Custodian and valuers.</li> <li>The Head of Investment Operations will review this Policy at least annually, to ensure it remains relevant and current.</li> </ul>
Risk & Compliance (First Line BU ERM)	<ul style="list-style-type: none"> <li>Monitor the effectiveness of the control environment of asset valuation operations.</li> <li>Review and monitor compliance risk in relation to this Policy.</li> <li>Review and provide expert advice regarding any evident gaps in the asset valuation process on an ongoing basis.</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>Provide independent assurance on the effectiveness of the asset valuation practices and control as part of GS007 audit.</li> <li>Assess the reasonableness of the fair value of investments and the observability of the valuation inputs.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>Provide independent assurance on the effectiveness of key controls over valuation practices.</li> </ul>
First line business: AMP staff	<ul style="list-style-type: none"> <li>AMP staff are required to comply with this Policy. Staff are to report suspected or actual incidents or breaches of the Policy in accordance with the Issue and Incident Management Policy</li> </ul>

## 7. Approvals and Exemptions

This Policy is approved by the IAML and NMFM Boards. Material changes to this Asset Valuation Policy outside of scheduled review are approved by the Group Executive, Superannuation & Investments and reported to the IAML and NMFM Boards. Non-material changes outside of scheduled review may be approved by the AMPI VC.

This Policy will be reviewed every year.

The Group Executive, Superannuation & Investments and the AMPI VC may grant exemptions to this Policy. Exemptions must be recorded in the AMPI VC meeting minutes and be subject to periodical review.

Breaches of this Policy must be notified to either the Approver or Owner and must be managed in accordance with the [Issue and Incident Management Policy](#). Non-compliance with this Policy may result in disciplinary action in accordance with the [Consequence Management Policy](#).

Where you have a concern that a serious breach of this Policy has occurred or will occur, and that pursuing your concern through the normal channels will be personally damaging, you should report your concern in accordance with the [Whistleblowing Policy](#).

## 8. Monitoring and oversight

The Head of Investment Operations is accountable for reviewing incidents and issues on an ongoing basis and ensuring that incidents and issues are recorded and managed in accordance with the AMP Issue and Incident Management Policy, that the actions attached to incidents appropriately address the underlying root causes of an incident, actions and their delivery are appropriately managed and, that the impact of incidents and the potential impact of issues is appropriately reflected in risk assessments. The monitoring of incidents, issue and actions must be shared in the appropriate Risk Committees. AMPI Risk & Compliance will provide quarterly reporting on the management of issues and incidents.

## 9. Appendices

### 9.1 Appendix 1 – Related document

The key document that must be read in conjunction with this Asset Valuation Policy are:

Document	Relationship
National Mutual Funds Management Unit Pricing Discretions Policy	The NMFM Unit Pricing Discretions Policy sets out the principles used by each responsible entity to calculate unit prices for their registered managed investment Schemes. It sets out how the discretions allowed under the constitution of each Scheme are exercised by the relevant responsible entity in relation to the unit pricing methodology including application and withdrawal prices of units