



Ventura Investment Management Ltd
ABN 49 092 375 258 AFS Licence No: 253 045

Unit Pricing Policy

Date: 1 May 2007, as last updated 27 July 2007

1. Introduction

Ventura Investment Management Ltd (“Ventura IM”) is the responsible entity (“RE”) for the Ventura Retail Funds (the “Funds”). The Ventura Retail Funds are managed investment schemes. Constitutions of the Funds permit Ventura IM to exercise discretions in determining a factor that impacts on the formula for calculating issue price or withdrawal price for the Funds.

This policy sets out the manner in which Ventura IM will exercise its discretionary powers under the constitutions in the calculation of unit prices of the Funds, so as to comply with the legal requirements below.

This policy is available upon request to any Fund member or person who has been or should have been given a copy of the Product Disclosure Statement of the Fund and at no charge by:

- calling Client Services on 1300 131 264 or;
- by downloading from the website www.venturainvestments.com.au

2. 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 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 withdrawal price under the terms of the constitution of a managed investment scheme which is registered under the Corporations Act must be independently verifiable.

3. Legal Requirements

Paragraph 601GA(1)(a) of the *Corporations Act 2001* (the **Act**) requires the constitution of a registered managed investment scheme to make adequate provision for the consideration to acquire an interest in the scheme (**entry**). Subsection 601GA(4) of the Act provides that, if members have a right to withdraw from the scheme, the constitution must specify that right and set out adequate procedures for

dealing with withdrawal requests, including the amount to be paid to the member on withdrawal from the scheme (**exit**).

The Australian Securities and Investments Commission (“ASIC”) permits an RE to exercise discretion to determine one or more matters which impacts on the calculation of unit price, where the fund’s constitution provides for the exercise of that discretion and provided the RE meets certain conditions. ASIC sets out these conditions in ASIC Class Order 05/26 “Constitutional provisions about the consideration to acquire interests”, as varied by ASIC Class Order 05/1236.

4. Application

This policy applies to the Ventura Retail Funds managed investment schemes operated by Ventura IM.

Ventura IM currently has five schemes open for investment (the “Funds”):

Ventura Retail Capital Stable Fund (ARSN 099 691 086)
Ventura Retail Diversified 50 Fund (ARSN 099 690 418)
Ventura Retail Growth 70 Fund (ARSN 099 690 356)
Ventura Retail Australian Shares Fund (ARSN 099 689 728)
Ventura Retail International Shares Fund (ARSN 099 688 945)

Ventura IM will ensure that its exercise of RE unit pricing discretions is in accordance with its documented policies, as far as practicable.

5. Outsourcing

The Ventura retail registered managed investment schemes invest in the following registered managed investment schemes operated by Russell Investment Management Ltd ABN 53 068 338 974 (“Russell”).

1. Ventura Capital Stable Fund
2. Ventura Diversified 50 Fund
3. Ventura Growth 70 Fund
4. Ventura Australian Shares Fund
5. Ventura International Shares Fund
6. Ventura Australian Opportunities Fund

Russell calculates the unit prices of the above schemes and provides these to Ventura IM or its agent for calculation of unit prices for the Ventura Retail Funds.

Notwithstanding this arrangement, Ventura IM is still the party exercising discretions permitted by the Funds’ constitutions and is responsible for preparing this policy. Ventura IM does not outsource its responsibility for ensuring that unit prices are properly calculated.

6. Departure from Policy

If Ventura IM exercises its unit pricing discretions in a way which departs from this policy or where there is no documented policy current at the time when the discretion was exercised, Ventura IM will document the following in accordance with ASIC Class Order 05/26:

- date the discretion was exercised;
- who exercised the discretion;
- how the discretion was exercised;
- why it was reasonable to exercise the discretion the way it was exercised; and
- if the discretion was exercised in a way that was not consistent with the Fund property being valued or unit prices calculated in accordance with ordinary commercial practice, an explanation why it was impracticable to do so.

7. Record Retention

In accordance with the ASIC Class Order 05/26, Ventura IM will retain appropriate documentation for seven (7) years of the following, after they cease to be current:

- this policy and any revisions to it from time to time; and
- documentation of exercise of unit pricing discretions which are not in accordance with or which are not covered by this policy, including all the matters described above under Section 6 “Departure from Policy”

8. Unit Price Discretions

The entry price (also known as application or issue price) is the price used to process applications for units in a Fund. The exit price (also known as withdrawal or redemption price) is the price used to process withdrawals from a Fund. The constitutions of the Funds describe the formula to be used in calculating the entry or exit price, other than the “initial issue price” of \$1 per unit.

The net asset value (“NAV”) of each Fund is calculated in accordance with its constitution and Product Disclosure Statement. The unit price is calculated by dividing the current NAV by the total number of units on issue as at the open of business on that business day.

The entry price is the unit price plus the buy spread (if applicable). The withdrawal price is the unit price less the sell spread (if applicable). See section 8c below regarding buy/sell spreads.

The constitutions of the Funds allow Ventura to exercise certain discretions to determine the following factors which impact on the entry or exit prices.

8a. Valuation of Assets and Liabilities

In calculating NAV of a Fund, it is necessary to determine the market value of the Fund’s investments. Ventura may determine this value at any time, but must do so at least once a month.

The investment valuation methods used by Ventura are specified in the Fund’s Constitutions for each scheme as summarised below for each asset type.

- (a) For units in unlisted unit trusts and personal property investments, all costs and expenses of acquisition or creation or the value indicated by the most recent revaluation;
- (b) For shares, units or debentures which are quoted on a stock exchange, the last sale price on the date when value is to be ascertained or the nearest day as is practicable to that day;
- (c) For shares which are not quoted on a stock exchange, the value calculated on the basis of net tangible asset backing as shown in the last audited consolidated balance sheet of the company in which the shares are held;
- (d) For a deposit or unsecured loan, the amount of the deposit or loan at the date when the value is required to be ascertained;
- (e) For commercial bills of exchange or negotiable certificates of deposit, their market value as determined by the Auditor; or
- (f) For any other Authorised Investment, the amount determined by the Auditor in accordance with prevailing market practice at the time of the valuation.

Ventura may at its discretion have any Fund's assets valued by an expert or if Ventura believes the NAV of a Fund is incorrect, incomplete or out-of-date, it must redetermine the NAV of the Fund or have it revalued by an expert.

For the purpose of calculating NAV of a Fund, liabilities of the Fund include all accrued fees payable, borrowings, contingent liabilities and any provision which Ventura reasonably decides should be taken into account in determining the liabilities of the Fund.

For unit price calculation purposes, liabilities do not include unitholders' funds (e.g. Unit Holders capital, undistributed profits, capital reserves) even though the Australian equivalents of International Financial Reporting Standards ("AIFRS") require unitholders' funds to be characterised as a liability in the financial statements of the Fund.

Accruals for fees are made daily and reflected in the unit prices of the Funds when calculated. Accruals for expenses are made daily for the purposes of covering expected expenses of the Funds and reflected in the unit prices of the Funds when calculated. Accruals for performance fees are made according to the frequency that the Funds are priced and reflected in the unit prices of the Funds when calculated. All fees and expense accruals are made in accordance with the methodology and any limitations in the Product Disclosure Statement for the Funds.

Expenses which are incurred specifically for a certain Fund or unit class will be accrued to that Fund or unit class. General expenses which are incurred across multiple Funds or unit classes are allocated consistently and fairly across the relevant Funds or unit classes based on assets under management.

The Fund's unit prices do not reflect tax credits collected by the Funds or tax liabilities of assets of the Funds as these are simply passed on to unitholders.

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Reasonableness of the Policy

Ventura's above policy for valuation of assets and liabilities is reasonable because:

- it is in accordance with IFSA Standard No. 9.00 Valuation of Scheme Assets and Liabilities which is the standard for ordinary commercial practice in the funds management industry; and
- it is in accordance with the Constitutions and the PDS of the Funds.
- AIFRS is for the purpose of general purpose financial reporting (preparation of financial statements) rather than providing an equitable method of valuations for unit pricing calculation purposes.

8b. Frequency of unit pricing

The Funds' constitutions provide that Ventura IM may, at any time, ascertain the unit price of the Funds, but must do so at least once every month. Generally, valuation of scheme assets and liabilities occur as frequently as transactions in a Fund may occur, which is a predetermined regular basis disclosed in the Product Disclosure Statement of the Fund. The Product Disclosure Statement provide that for the majority of our Funds, unit price is calculated daily.

Ventura IM adopts a Forward Pricing policy. This means that Ventura IM requires investors to deliver their application and redemption notifications prior to calculation/publication of unit prices. In most cases application and redemption notifications are actually required before close of all relevant markets for the Funds. The exception is where Ventura IM is invested in another externally managed fund where Ventura IM may use the price last advised by the managed fund that Fund is invested because that is the most current price for valuing the holding.

The following is Ventura IM's policy for applying unit prices to applications and redemptions:

Valid applications/withdrawal requests received by the "cut-off time" (12.00 noon Sydney time) on a business day will receive the relevant application/withdrawal price for that day. Otherwise, they will be processed using the relevant price for the next business day after receipt of the trade request.

Suspension of Unit Price

Where, at the Valuation Point, the valuation of assets and liabilities cannot be determined, and to process transactions gives rise to the risk of prejudicing investors, Ventura IM will suspend valuations and processing transactions until the said values can be determined.

A suspension period will not exceed 30 days for the Funds. Transactions received during the period of suspension will be processed using the unit price applicable on the first pricing day after the lifting of the suspension.

Reasonableness of the Policy

Daily valuations and therefore daily pricing is necessary as the value of the Fund assets will change on a daily basis in accordance with market price movements.

Forward pricing (unit prices being calculated in arrears) and application of transaction cut-off times are intended to protect existing investors from “arbitrage” opportunities (trades made to profit from known market movements). This approach aims to provide equitable outcomes to all investors.

Although Ventura IM has put in place measures to limit any material pricing issues arising, Ventura IM expects that from time to time it may be necessary to suspend unit prices until those issues are resolved. This is aimed at maintaining equity between transacting and remaining unitholders.

8c. Transaction costs (Buy/Sell Spreads)

The constitutions for the Funds provide that Ventura IM may make an adjustment for transaction costs in the determination of entry and exit price. These are known as buy-sell spreads. The Product Disclosure Statement for the Funds set out the current buy-sell spreads for the Funds.

When an investor withdraws cash from a Fund, the Fund must sell underlying securities to raise the withdrawal proceeds. Similarly, when a person invests cash into a Fund, the Fund must buy underlying securities to invest the application monies.

In doing so the Fund incurs transaction costs. These costs include observable costs such as stamp duty and brokerage, as well as unobservable costs such as market impact. Buy-sell spreads represent Ventura IM’s estimate of these transaction costs, and is set by reference to the transaction costs anticipated to be incurred by the fund in the medium to long term. Buy-sell spreads are designed to reduce the impact on existing members of a Fund against transaction costs which the Fund incurs when other members invest or withdraw. Where actual transaction costs vary from the buy/sell spread, the impact will be borne by the Fund.

The buy-sell spreads are set by Ventura IM based on an analysis of the actual and estimated costs incurred when buying and selling units in a Fund, and by having regard to industry market practices. Ventura IM reviews appropriateness of buy/sell spreads generally once every 2 years. Generally, Ventura IM will charge the full buy-

sell spread on all applications and redemptions in the Funds other than reinvestment or rebates.

However for certain transactions, Ventura IM may agree to reduce the buy-sell spread in accordance with the following policies, where the investor has made a request with adequate advance notice:

- Ventura IM may permit in-specie applications. An in-specie application may not incur the same level of transaction costs, when compared to a cash application. As a result, Ventura IM may reduce the buy spread. Ventura IM will estimate what actual transaction costs if any will be incurred by the Fund in relation to the in-specie application and will pass these costs onto the investor either by charging a reduced spread or by directly charging the costs to the investor.
- Ventura IM may permit in-specie withdrawals. An in-specie withdrawal may not incur the same level of transaction costs, when compared to a cash withdrawal. As a result, Ventura IM may reduce the sell spread. Ventura IM will estimate what actual transaction costs if any will be incurred by the Fund in relation to the in-specie withdrawal and will pass these costs onto the investor either by charging a reduced spread or by directly charging the costs to the investor.
- When two or more investors are applying and withdrawing offsetting amounts in the same Fund on the same trade date, a crossing may be facilitated. Effectively the offsetting application and withdrawal net each other out and the Fund does not incur transaction costs because there is no trading of underlying assets. As a result, Ventura IM may reduce the spreads to zero.
- In the case of a withdrawal from one fund and the investment of the proceeds into another fund, a switch occurs. Ventura IM may reduce the buy-sell spread when an existing investor is switching between Funds on the same trade and settlement date, if the Funds meet certain conditions (eg, they are similar Funds, clone Funds or hedged/unhedged versions of the same Fund).

Reasonableness of the Policy

In Ventura IM's view, the above Transaction Cost/Buy-Sell Spread policy is reasonable on the following basis:

- Buy-sell spreads are a common feature of the Australian managed funds industry, and Ventura IM policies are set with regard to normal commercial industry practices;
- Buy-sell spreads are designed to reduce the impact on existing investors of a Fund against transaction costs which the Fund incurs when other members invest or withdraw. Therefore they are in the interest of the Funds and investors.
- Buy-sell spreads are waived or reduced only where Ventura IM considers that the Fund and remaining investors are not disadvantaged by the waiver or reduction.
- Allowance for transaction expenses is recommended in the ASIC Good Practice Guide as a means of retaining equity between investors transacting into/out of the Funds and investors remaining in the Funds.
- Ventura IM's practice is consistent with the approach provided under IFSA Standards 8.00.

8d. Rounding of unit prices

All unit prices are rounded to four (4) decimal places. A “4” or less in the next decimal place is rounded down, a “5” or greater in the next decimal place is rounded up.

Need more information about this Unit Pricing Policy?

Please contact us on the following:

Client Services

Telephone: 1300 131 264

(Monday to Friday between 8.30am and 5.30pm Sydney time, excluding national public holidays)

Correspondence Address:

Ventura Investment Program

Locked Bag 1000

Wollongong NSW 2500