



Unit pricing policy

Westlawn Income Fund ARSN 639 742 288

Effective: 20 October 2021

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1 Introduction

The Westlawn Income Fund ARSN 639 742 288 (**Fund**) is a registered managed investment scheme. The responsible entity of the Fund is Westlawn Financial Services Limited ACN 141 420 920 (**Responsible Entity**). This document provides guidance on how the Responsible Entity will exercise the discretions permitted under the constitution of the Fund to determine the unit issue price and redemption price.

2 Date

This unit pricing policy is effective as at 20 October 2021.

3 Definitions and interpretation

Definitions

3.1 In this document:

Term	Definition
Asset	means any real property, cash, right, income and other property or asset of the Fund.
Associate	means an Associate as defined in Division 2 of Part 1.2 of the Corporations Act.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, New South Wales.
Class	means Units or Options created and issued by the Responsible Entity from time to time with different rights and restrictions as set out in the terms of issue.
Class Liabilities	of a Class, means, as at a particular day, the Fund Liabilities relating to that Class (including, without limitation, a fee payable to the Responsible Entity under this document which relates to an Asset in that Class) and includes accrued but unpaid Member entitlements in connection with that Class.
Class Value	of a Class, means the Fund Value attributable to the Class Asset of that Class (including any, or any interest in any, Asset which is not a Class Asset and which the Responsible Entity determines, from time to time, to allocate to that Class for the purpose of calculating Class Value).
Constitution	means the constitution of the Fund as amended from time to time.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).

Term	Definition
Establishment Units	has the meaning provided in clause 1.1 of the Constitution.
Exercise Price	has the meaning provided in section 7.
Foreign Unitholders	means Unitholders whose address on the Register is outside Australia and New Zealand.
Fund Liabilities	means, as at a particular day, the total of losses, taxes, fees and expenses and other liabilities of the Responsible Entity relating to the Fund and includes accrued but unpaid Member entitlements in connection with the Fund, but excludes Unitholder Liabilities.
Fund Value	means the value of the Assets calculated under clause 12 of the Constitution.
Issue Price	has the meaning provided in section 4.
Member	has the meaning given to that term in the Corporations Act.
Net Class Value	of a Class, means the Class Value less the Class Liabilities.
Option	means an option to subscribe for a Unit.
Redemption Amount	is calculated as follows: (Redemption Price × Number of Units being redeemed) – any amount owing to the Responsible Entity by the relevant Unitholder.
Redemption Price	has the meaning provided in section 9.
Unit	means a unit in a Class of units in the Fund.
Unit Value	of a Unit in a Class means the amount calculated as: $\frac{\text{Net Class Value}}{\text{Units on Issue in that Class}}$
Unitholder	means a holder of a Unit.
Unitholder Liabilities	means the liability of the Fund to the Members for their undivided interest in the Assets.
Units on Issue in that Class	means, for a Class, the number of Units on issue in that Class at the date of calculation.
Valuation Date	means the latest date on which the value of an Asset was determined.
Wholesale Client	has the meaning given to that term by section 761G Corporations Act.

Interpretation

- 3.2 In the interpretation of this document, words which are capitalised and are not otherwise defined in this document will have the same meaning as given to such terms in the Constitution, unless the context requires otherwise.

4 Issue price

- 4.1 The Constitution of the Fund sets out the Issue Price for Units.
- 4.2 The Issue Price for the issue of Establishment Units is \$1.00 per Unit.

- 4.3 The Issue Price for issue of Units in a Class in response to the first offer of Units in that Class made pursuant to a Disclosure Document is \$1.00 per Unit.
- 4.4 The Issue Price for Units in a Class issued after the first offer of the Units in that Class will be equal to the Unit Value of that Class determined on the date those Units are issued, adjusted if the Responsible Entity considers it appropriate, for the expenses associated with acquiring Class Assets of that Class.
- 4.5 If Units are to be issued (in whole or in part) for the acquisition of property, the Unit Value must be calculated as per section 4.4 as at the date of the agreement to issue the Units.
- 4.6 The Constitution also provides that the Responsible Entity may offer Units for less than the Issue Price calculated above in the circumstances mentioned in sections 5, 6, 7 and 8 below.

5 Rights issue

- 5.1 The Constitution provides that the Responsible Entity may offer Units under a rights issue, at a price determined by it, to Unitholders subject to the following conditions:
- (a) the Responsible Entity complies with the conditions of any ASIC relief applicable to the offer of Units;
 - (b) the Issue Price must not be less than 50% of the Issue Price for the Units in that Class (calculated as per section 4.4) on the day five Business Days before the date on which the intention to make the offer or issue is announced;
 - (c) all Units offered are in the same Class;
 - (d) the Issue Price of all Units offered is the same; and
 - (e) the amount of Units offered to each Unitholder is in proportion to the value of that Unitholder's interest in that Class of Units.
- 5.2 Under the Constitution, the Responsible Entity may exclude Foreign Unitholders from any rights issue if it reasonably considers that to be in the best interests of all Unitholders. The Responsible Entity may also sell Foreign Unitholders' entitlements under a rights issue, provided the Foreign Unitholders are promptly paid the sale proceeds.
- 5.3 For rights issues the relevant ASIC relief is ASIC Class Order [CO 13/655].
- 5.4 In making a rights issue offer to Unitholders, the Responsible Entity may offer Units at a discount, provided the Issue Price of those Units is not less than 50% of the Issue Price for the Units in that Class. In deciding whether to apply a discount and in determining the extent of any discount, the Responsible Entity may consult with underwriters, brokers, investment analysts and other financial market participants and have regard to the following factors:
- (a) the Fund's capital needs and the timeframe in which funds are required;
 - (b) the current market conditions and sentiments;
 - (c) the Fund's current level of borrowings, the availability of debt funding, the impact of financial accommodation on the Fund's loan to value ratio, the current interest rate market and likely terms and conditions on which debt funding can be obtained;
 - (d) the existence and terms of rights issues offered by other pooled mortgage trusts;

- (e) the discount to the Issue Price at which Units were or will be issued under any recent or proposed Wholesale Client offer, Options' Exercise Price or the Fund's distribution reinvestment arrangements; and
- (f) the composition of Unitholders, particularly the split between retail and institutional investors.

5.5 The Responsible Entity believes this policy of determining the discount to the Issue Price at which the Units of a Class will be offered (if any) for a rights issue is consistent with commonly accepted market practice.

6 Wholesale clients

6.1 The Responsible Entity may issue Units at a price individually negotiated and agreed between the Responsible Entity and a person who is a Wholesale Client. The price offered for Units to a Wholesale Client may be less than the Issue Price calculated in accordance with section 4, only to the extent lower fees are payable to the Responsible Entity. In such circumstances the Responsible Entity must ensure that:

- (a) a statement of fact is disclosed to all Unitholders by no later than the date of the first communication the Responsible Entity makes to all Unitholders which is made after the date a fee arrangement is first offered;
- (b) a statement of fact is disclosed in any product disclosure statement used for an offer of Units; and
- (c) the fee arrangement does not adversely affect the fees that are paid or ought to be paid by any other Unitholder who is not a party to the fee arrangement.

6.2 In deciding to proceed with an offer of Units to Wholesale Clients at a discount to the Issue Price, the Responsible Entity can consult with underwriters, brokers, investment analysts or other financial market participants to determine the size of the discount to the Issue Price and will have regard to the following factors:

- (a) the Fund's capital needs and the timeframe in which the funds are required;
- (b) the current market conditions and sentiments;
- (c) the Fund's current level of borrowings, the availability of debt funding, the impact of further financial accommodation on the Fund's loan to value ratio, the current interest rate market and likely terms and conditions on which debt funding can be obtained;
- (d) the existence and terms of Wholesale Client offers by other pooled mortgage trusts;
- (e) the discount to the Issue Price at which Units were or will be issued under any recent or proposed rights issue, Options' Exercise Price or the Fund's distribution reinvestment arrangements; and
- (f) the composition of Unitholders, particularly the split between retail and institutional investors.

6.3 The Responsible Entity considers that this policy is consistent with market practice.

7 Options

- 7.1 The Constitution provides that the Responsible Entity may offer Options on the basis that the price for a Unit to be issued on the exercise of the Option (**Exercise Price**):
- (a) is the Issue Price determined in accordance with section 4.4, calculated as at the last Valuation Date before the calculation date; or
 - (b) at a price as determined by the Responsible Entity to the extent it is permitted to do so under any ASIC relief and the following conditions set out in the Constitution:
 - (i) the Responsible Entity complies with the conditions of any ASIC relief applicable to the offer of the Options;
 - (ii) the Exercise Price must not be less than 50% of the Issue Price for the Units in that Class (calculated as per section 4.4) on the day five Business Days before the Options are offered;
 - (iii) all Options offered are in the same Class;
 - (iv) the Exercise Price of all Options offered is the same and the means of working out the Exercise Price must be set out in the Option terms; and
 - (v) the Responsible Entity must offer the Options to Unitholders on a record date determined by the Responsible Entity in proportion to the value of their interests;
 - (vi) the amount of Options offered to each Unitholder is in proportion to the value of that Unitholder's interest in that Class of Units; and
 - (vii) Options offered to the Unitholders but not acquired by them may be issued to other persons (but not to the Responsible Entity's Associates unless they are existing Unitholders to whom the Options have already been offered).
- 7.2 For options issues the relevant ASIC relief is ASIC Class Order [CO 13/655].
- 7.3 In making an Options offer to Unitholders, the Responsible Entity may offer the Options at a discount, provided the Issue Price of those Units is not less than 50% of the Issue Price for the Units in that Class. In deciding whether to apply a discount and in determining the extent of any discount, the Responsible Entity may consult with underwriters, brokers, investment analysts and other financial market participants and have regard to the following factors:
- (a) the Fund's capital needs and the timeframe in which funds are required;
 - (b) the current market conditions and sentiments;
 - (c) the Funds current level of borrowings, the availability of debt funding, the impact of further financial accommodation on the Fund's loan to value ratio, the current interest rate market and likely terms and conditions on which debt funding can be obtained;
 - (d) the existence and terms of rights issues offered by other pooled mortgage trusts;
 - (e) the discount to the Issue Price at which Options were or will be issued under any recent or proposed rights issue, Wholesale Client offer or the Fund's distribution reinvestment arrangements; and

- (f) the composition of Unitholders, particularly the split between retail and institutional investors.
- 7.4 The Responsible Entity believes this policy of determining the discount to the Issue Price at which the Options will be offered (if any) is consistent with commonly accepted market practice.

8 Distribution reinvestment

- 8.1 The Constitution provides that the Responsible Entity may offer Units at an Issue Price determined by it under a distribution reinvestment arrangement if the Responsible Entity complies with any ASIC relief applicable to the issue.
- 8.2 For distribution reinvestment plans the relevant ASIC relief is ASIC Class Order [CO 13/655].
- 8.3 In deciding to proceed with a distribution reinvestment plan at a discount to the Issue Price, the Responsible Entity can consult with underwriters, brokers, investment analysts or other financial market participants to determine the size of the discount to the Issue Price and will have regard to the following factors:
- (a) the Fund's capital needs and the timeframe in which the funds are required;
 - (b) the current market conditions and sentiments;
 - (c) the Fund's current level of borrowings, the availability of debt funding, the impact of further financial accommodation on the Fund's loan to value ratio, the current interest rate market and likely terms and conditions on which debt funding can be obtained;
 - (d) the existence and terms of Wholesale Client offers by other pooled mortgage trusts;
 - (e) the discount to the Issue Price at which Units were or will be issued under any recent or proposed rights issue. Wholesale Client offer or the Options' Exercise Price arrangements; and
 - (f) the composition of Unitholders, particularly the split between retail and institutional investors.
- 8.4 The Responsible Entity believes this policy of determining the discount to the Issue Price at which a distribution reinvestment plan will be offered (if any) is consistent with commonly accepted market practice.

9 Redemption

- 9.1 The Constitution provides that a Unit may only be redeemed at the Redemption Price.
- 9.2 The Redemption Price is the Unit Value of a Unit in the applicable Class adjusted, if the Responsible Entity considers it appropriate, for the expenses that are associated with disposing of any Fund property corresponding to that Class in order to pay the Redemption Amount.
- 9.3 Where the Redemption Price of a Unit to be redeemed, is less than the Issue Price per Unit to be redeemed, then the Redemption Price of such a Unit and the Redemption Price of Subordinated Units is to be redeemed pursuant to the same redemption offer will be adjusted by D as follows:

$$\text{Issue Price} - \text{Redemption Price} = D$$

and up until such time as D is equal to nil:

The Redemption Price for each Unit = Redemption Price + D

The Redemption Price for each Subordinated Unit = Redemption Price – D

- 9.4 The Subordinated Units will be issued by the Responsible Entity at the Issue Price but with different terms to other Units issued in the Fund, importantly as a mechanism to facilitate the Redemption Price of a Unit to be redeemed to be not less than the Issue Price per Unit to be redeemed.

10 Expenses discretion

- 10.1 Both the Issue Price and the Redemption Price calculations include a discretion by the Responsible Entity to adjust the Unit Value of a Unit in the applicable Class by an amount equal to the expenses associated with acquiring Class Assets of that Class (Issue Price) or the expenses associated with disposing of any Assets corresponding to that Class in order to pay the Redemption Amount (Redemption Price).
- 10.2 When applying this expenses discretion, the Responsible Entity will have regard to:
- (a) when calculating the Issue Price of a Unit, the Responsible Entity's reasonable estimate of the average amount necessary to avoid an adverse impact on other Unitholders of the same Class because of the issue of these Class of Units, provided that in no case may this amount exceed 5% of the Issue Price of the Unit; and
 - (b) when calculating the Redemption Price of a Unit, the Responsible Entity's reasonable estimate of the average amount necessary to avoid an adverse impact on other Unitholders of the same Class because of the redemption of these Class of Units, provided that in no case may this amount exceed 5% of the Redemption Price of the Unit.
- 10.3 Subject to the Corporations Act, the Responsible Entity has the discretion in connection with any particular application or request for redemption of Units, deem these expenses to be a lesser sum or zero.

11 Valuation methodology

- 11.1 The Fund invests in debt instruments (**Loans**) with a fixed monetary value and which provides fixed returns to the Fund.
- 11.2 The Loans will be valued at cost. If the Responsible Entity becomes aware that a Loan is 'at risk' then the Responsible Entity, in conjunction with the auditor of the Fund, will undertake an analysis of the potential for a capital loss.
- 11.3 Where the Responsible Entity considers a change in the value of a Loan is warranted due to the credit quality of a borrower or a Loan security, and it is proposed that the value of a Unit be adjusted, then the adjustment will be undertaken by the Responsible Entity in consultation with the auditor of the Fund and if applicable an updated valuation of any security will be requested from an Approved Valuer. The methodology and revaluation practices will be in accordance with accepted commercial practices and comply with generally accepted accounting principles.
- 11.4 The Assets will, for the purpose of calculating 'the total value of the Fund', be valued in accordance with the accounting policies of the Fund (and consistent with ordinary commercial

practice) as stated in the Fund's most recent financial audited accounts lodged with ASIC. The accounting policies are generally made in accordance with current Australian Accounting Standards and accepted accounting principals.

- 11.5 The Compliance Plan also details how regularly the Responsible Entity will value the Assets.

12 Records

- 12.1 In all circumstances, where the Responsible Entity exercises its discretion in relation to Unit pricing, the rationale and reasons for the exercise of the discretion must be documented in writing (refer to the annexure) and retained for a period of not less than seven years.
- 12.2 Copies of this policy and the annexure will be provided, free of charge, if requested by a Unitholder or a person who has been, or should have been, given a product disclosure statement for an offer of Units. The Responsible Entity will retain this policy for seven years after this policy ceases to be current.
- 12.3 The Responsible Entity will also document, in accordance with the requirements of ASIC Class Order [CO 13/657], any exercise of discretion applied in determining the Issue Price and the Redemption Price of Units, where such discretion is not documented in this policy or is exercised in a way that involves a departure from this policy.

Annexure

Summary of discretions exercised by the Responsible Entity

Date	Issue Price or Redemption Price and number of Units	Description of how discretion was exercised	Rationale ¹	Additional comments ²	Who is making the decision	Compliance sign off

¹ Include an explanation of why it was reasonable to exercise the discretion and the way it was exercised.

² If the discretion is not exercised in a way that is consistent with the Assets being valued, or the market price of Units being worked out, in accordance with ordinary commercial practice or the valuation being reasonably current, include an explanation on why it is impracticable to do so.