

Abacus Funds Management Limited

Regulatory Guide 46 Disclosure Policy

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Amended:

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1 Definitions

- 1.1 **Fund** means a retail managed investment schemes managed by Abacus Funds Management Limited (or collectively **Funds**).

2 Gearing Policy

- 2.1 The Fund will ensure that it meets the loan to valuation ratio (LVR) specified in each credit facility with its banks or other lenders. The Fund will aim to have a reasonable headroom between the maximum permitted LVR and the actual LVR to ensure that unforeseen circumstances do not cause a breach of the LVR covenant, for example a reduction in the asset security value. The Treasury Management Committee (TMC) will assess the headroom at each meeting of the TMC to ensure that there is no breach of the LVR covenant and to ensure that the headroom is reasonable.
- 2.2 There may be circumstances where the LVR headroom is small, for example where new assets are to be added to the security pool, there are expected debt repayments in the short term or the Fund has an expectation of higher asset values in the near term which will create appropriate headroom. In such circumstances the Responsible Entity will determine whether it is in the Fund's best interests to maintain higher debt levels.

3 Interest Cover Policy

- 3.1 The Fund will ensure that it meets the interest cover ratio (ICR) specified in each credit facility with its banks or other lenders. The Fund will aim to have a reasonable headroom between the minimum permitted ICR and the actual ICR to ensure that unforeseen circumstances do not cause a breach of the ICR covenant, for example a deterioration in profits.
- 3.2 There may be circumstances where the ICR headroom is small, for example where there are prospects of higher profits in future periods from new leases, upward rent reviews or realised gains on disposal of assets or reduced interest charges in the short term. In such circumstances the Responsible Entity will determine whether it is in the Fund's best interests to maintain higher debt levels.

4 Valuation Policy

- 4.1 This Policy sets out the requirements for the valuation of real property owned by **Funds**. This policy does not limit the requirements of Fund financiers for valuations. Where external valuations are required more frequently by Funds' financiers additional valuations are not required by this policy.
- 4.2 All external property valuations must:
- Be undertaken by a valuer licenced under the law of the state or territory in which the property is located to practise as a valuer, who has at least five years of continuous experience in valuation and who has no pecuniary interest that could conflict with their valuation.
 - Follow the principles set out in the guidelines established by The Australian Property Institute and when appropriate include a discounted cashflow analysis

for income producing properties. All relevant methodologies and analysis of comparable sales should be included.

- If the relevant valuation is not required to satisfy the requirements of any of Funds' financiers (in which case the valuer must be acceptable to the financier) the valuer must be a member of The Australian Property Institute.

- 4.3 All properties owned by a Fund are to be valued (whether by internal or external valuation) at least once every 12 months.
- 4.4 All properties owned by a Fund are to be externally valued"
- (a) before purchase; and
 - (b) within two months if directors think that there has been a material change in the value of the property.
- 4.5 External property valuations will be staggered over a 24 month period with the aim of valuing approximately a quarter of the property portfolio every 6 months.
- 4.6 An internal valuation must be completed for each property 12 months after the external valuation.
- 4.7 Due to the nature of development properties, a valuation of development properties is not required in accordance with the schedule outlined above.
- 4.8 Periodic valuations may be required during a development to meet financier requirements.
- 4.9 The same independent valuer will not be used more than three times in succession.

5 Related Party Transaction Policy

- 5.1 Related party benefits must be on terms that would be reasonable if the Fund and the related party were dealing at arm's length, or are less favourable to the related party, or the financial benefit must be approved by Fund investors. The Chief Operating Officer must consider the terms of the transaction for the dealing to ensure this requirement is satisfied.
- 5.2 When dealing with potential related party appointments as service providers, the consideration of the appointment of related parties involves the same evaluation process as used for other external service providers.
- 5.3 External legal sign off may also be obtained as to the related party issues of any particular dealing if the Chief Operating Officer considers that to be desirable.

5 Review

- 5.1 This policy will be reviewed annually and updated as required.