

Unit Pricing Discretions Policy

30 September 2019

Issued by Colonial First State Investments Limited ABN 98 002 348 352 AFSL 232468.

This Policy has been prepared to comply with Class Order 05/26 as varied by Class Order 05/1236 for Funds registered before 1 October 2013 and for Funds registered on or after that date; Instrument 2015/847 issued by the Australian Securities & Investments Commission and Class Order 13/655.

Legal Disclaimer

This Policy only relates to Commonwealth Investment Funds and is current as at the date of issue. Before you rely on this document, you should ensure that you have the most up to date Policy available from CFS. This Policy does not form part of any product disclosure statement and should not be relied upon by investors when making investment decisions in relation to the Funds specified in this Policy.

Contact Us

If you have any queries in relation to this Policy or you require further information, you can contact us by:

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In this document we refer to	As
Colonial First State Investments Limited	Colonial First State, CFS, we, our or us
Product Disclosure Statement	PDS
Net Asset Value	NAV
Funds	Commonwealth Income Fund Commonwealth Balanced Fund Commonwealth Growth Fund Commonwealth Australian Share Fund Commonwealth Share Income Fund Commonwealth Property Securities Fund Commonwealth International Share Fund Commonwealth Bond Fund

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1. Purpose of the Unit Pricing Permitted Discretions Policy

The purpose of this Unit Pricing Permitted Discretions policy is to outline:

- the methodology used to calculate the unit prices and distributions for the Funds;
- the discretions that we are allowed to exercise which affect the calculation of the unit prices and distributions of the Funds.
- the circumstances in which we may exercise the pricing discretions and our policy on how we propose to exercise the discretions.

When we refer to Business Days in this policy, we mean all weekdays that are not public or bank holidays in Sydney.

2. Unit Pricing Methodology

The entry and exit prices of units are calculated by taking the total value of Fund assets less Fund liabilities and less undistributed income (“Net Asset Value”) at the valuation time, dividing it by the total number of units on issue and then adjusting the prices (where applicable) to include an allowance for transaction costs.

The unit price for a Fund will change according to changes in the Net Asset Value and the total number of units on issue for that Fund.

Investments and switches into a Fund are processed using an entry price (generally the unit price is increased for the transaction cost allowance).

Withdrawals and switches out of a Fund are processed using an exit price (generally the unit price is decreased for the transaction cost allowance). If a withdrawal or switch is made part way through a distribution period, an income entitlement is included as part of the withdrawal or switch proceeds. This income entitlement is calculated using the distribution rate as at the date of the withdrawal or switch. This distribution rate is based on the amount of the income accumulated in the Fund up until the day of withdrawal or switch, as if the day prior to withdrawal or switch was the last day of the distribution period.

The methodology described allows us to exercise certain discretions in the calculation of the unit prices of the Funds. The circumstances in which we may exercise these discretions and our policy on how we propose to exercise these discretions are set out below.

3. Unit Pricing Frequency

Under each constitution, CFS may calculate the unit price at the close of business on each Business Day. Our policy is to calculate unit prices on each Business Day as at the close of trading of all markets on that day. This ensures that investors are transacting using prices that have been calculated using the most recently available investment valuations. The policy is consistent with ordinary commercial practice and is reasonable.

In some circumstances, including, but not limited to, market suspension, restrictions, closure or in case of an emergency we have the power to suspend the calculation of unit prices.

Withdrawals and switches out of a Fund that we receive during a period of such suspension will be deemed to have been received immediately after the suspension has been lifted.

Investments and switches into a Fund that we receive during any period of suspension will be processed using the next determined unit price after the suspension has been lifted. This is consistent with ordinary commercial practice and is reasonable.

4. Transaction Cut-Off Times

All Funds (other than suspended, illiquid or terminated Funds)

We have the discretion to nominate transaction cut-off times by which investment, switch and withdrawal requests need to be received in order to receive the next determined unit price.

Our currently policy is that if any valid investment, switch or withdrawal request is received by the relevant transaction cut-off time (Sydney time) on a Business Day, the investor will receive the next determined unit price.

Details of transaction cut-off times are set out in the relevant PDS or can be obtained by calling us on 13 2015.

For funds received electronically, either by direct debit, EFT, Bpay or transfers from another institution, the unit price used will be the one effective the date we receive the funds in our bank account.

Any valid transaction requests that we receive after the relevant transaction cut-off time will be processed using the next applicable unit price.

The relevant transaction cut-off times are reasonable in the circumstances as they allow reasonable time for processing investments and withdrawals and are in accordance with ordinary commercial practice.

Suspended Funds

In some circumstances we have the power to suspend the processing of withdrawals, switches or investments.

Instructions or withdrawals or switches out of a Fund that we receive during any period of suspension will be processed using the next determined unit price after the suspension has been lifted.

Investments or instructions for switches into a Fund that we receive during any period of suspension will be processed using the next determined unit price after the suspension has been lifted.

Illiquid Funds

When a Fund is illiquid, withdrawal requests may only be processed in accordance with the terms of a withdrawal offer as required by the Corporations Act or otherwise as permitted under applicable ASIC relief. The unit price used to calculate this payment will be the one determined at the time the payment is made.

We will not accept investments into a Fund that is illiquid and we will return the money to investors.

We will not accept instructions for switches into a Fund that is illiquid.

Terminated Funds

CFS has the discretion to terminate a Fund at any time, subject to the requirements under the Corporations Act.

We will not accept instructions for withdrawals and switches out of a Fund that is terminated after the termination date. Instead, after the termination date the net proceeds are redeemed and returned to investors following the liquidation of assets.

We will not accept investments into a Fund that is terminated and will return the money to investors.

We will not accept instructions for switches into a Fund that is terminated.

5. Valuation of Assets

We are required to value the assets of a Fund as appropriate to the nature of the assets, including:

- real property investments, at cost and thereafter, as determined by a qualified valuer;
- mortgage investments, at cost (after making adjustments for any repayments of capital or capitalisation of interest) or if at any time after the date of acquisition, its value has been determined by a qualified valuer, at the value so determined;
- unlisted managed fund investments, at the redemption price certified by the responsible entity or manager;
- listed securities, at the last sale price or other appropriate closing price on the relevant day;
- futures contracts, at the net profit or loss which would have been realised by executing a transaction at the official closing quotation of the relevant market to close out the contract;
- deposits and loans, at the principal amount of such deposit or loan;
- negotiable instruments or negotiable certificates of deposit, as determined by us or by an independent qualified valuer;
- other investments, at the value determined by a qualified valuer having regard to the particular type of investment and the nature of the security held by us.

We calculate unit prices on each Business Day (other than Bank Holiday) using the most recently available valuation of each asset on that day. The valuation of assets that are traded on financial markets are generally based on information provided to us by independent third party providers. We may get pricing information from more than one source to validate that prices are accurate.

Where no independent external price source is available or where we do not consider that the value provided by the external pricing source is fair value, we will use a “fair value” price for an asset.

Fair value pricing is the process of determining a value for those securities for which market prices are not readily available. Generally, prices are considered readily available if the exchange or market where the security trades is open and actively trading. For certain instruments, chiefly fixed income securities, exchange trading does not apply, and alternative determinants of market price such as broker quotations are used. For marketable securities, CFS will rely on industry standard pricing vendors who use a variety of techniques to establish market prices. Private placements or securities issued with trade restrictions typically require evaluation under a fair value process. Where a significant market event occurs which prevents CFS from obtaining asset valuations, CFS may choose to suspend pricing or use a fair value methodology to derive an asset price.

CFS considers that its policies on the exercise of discretions in respect of valuations are reasonable, meet Australian Accounting Standards and are in accordance with ordinary commercial practices.

6. Investment, Switching & Exit Fees

Contribution Fees

The Constitutions allow contribution fees (referred to in the PDS as the Initial Service Fee) to be deducted from each investment made into a Fund. Our policy is that contribution fees are payable for initial and additional investments into most of the Funds. Our policy is to set the contribution fee at or below the maximum permitted by the Constitution of each Fund.

We allow the amount of the contribution fee to be agreed between an investor and their advisor. In addition CFS may, in its discretion issue units to certain investors such as sophisticated, professional, wholesale investors or Commonwealth Bank of Australia Group employees with reduced or no contribution fees.

The contribution fee is not included as part of the entry price, as we have deferred collection of the contribution fee. We will deduct one-third of the contribution fee from an investor's investment account on each of the first three anniversaries of their contribution. We have waived the contribution fee for the Income Fund and Bond Fund and for all reinvested distributed income for all Funds for the current PDS.

If an investor instructs us to switch or withdraw units before the third anniversary of their investment, we will deduct an amount equal to those units' share of any unpaid contribution fee from the proceeds of that switch or withdrawal.

Exit and Switching Fees

Although the Constitutions allow exit fees to be charged, our current policy is not to charge exit fees.

Details of the fees charged and the constitutional maximum fees are set out in the most recent PDS. For closed Funds you can obtain details of the fees by calling 13 2015.

CFS may change the fees at any time at its absolute discretion. If the variation is an increase, then we will give investors 30 days advance written notice.

CFS considers that its policies on fees are in accordance with ordinary commercial practice and are reasonable.

7. Management Fees

CFS has the discretion to charge management fees for the management of each Fund. The maximum management fees as allowed under the Constitutions for each Fund are disclosed in the most recent PDS. For closed Funds you can obtain details of the fees by calling 13 2015.

Currently management fees are reflected within the daily unit price and are calculated and paid quarterly at the end of each March, June, September and December.

For Funds that are terminating, we may charge management fees up to the date of the final distribution.

CFS may vary the management fees charged to a Fund at any time at our absolute discretion, without investor consent, within the limits prescribed in each Fund's constitution. If the variation is an increase in the management fee we will provide investors with 30 days advance written notice.

The Constitution for each Fund allows for ongoing operating expenses (such as registry, custodian costs, brokerage, audit, taxes, borrowing expenses, costs of holding unitholders meetings and administration costs) to be paid directly from the Fund with certain expenses being capped at a total of 0.50% pa.

8. Tax

The Constitution of each Fund allows us to recover from the relevant Fund any taxes that we incur on behalf of a Fund. It is CFS policy to apply GST of 10% where applicable. The Fund will then recover any Input Tax Credit (or Reduced Input Tax Credit) entitlements.

9. Transaction Costs

The Constitution of each Fund provides that CFS may adjust the entry and exit prices to include a transaction cost allowance or a "buy-sell spread". CFS has a discretion to determine whether to apply a buy-sell spread and also has a discretion in estimating the amount of the buy-sell spread.

We generally apply a buy/sell spread to all investments, switches and withdrawals from a Fund. We review the amount of the buy-sell spread for each Fund annually against historical transaction costs and the levels of applications, switches and withdrawals from the relevant Fund.

The buy/sell spreads (or transaction costs) that apply to each Fund is shown in the relevant PDS. We may alter the spreads at any time.

Our policy is not to include a buy-sell spread where the transaction costs incurred by a Fund are minimal or zero.

In the case of large investments, buy/sell spreads may not be charged where no material costs are incurred (for example in-specie transfers or when a new investment coincides with a withdrawal by someone else). These instances are assessed on a case by case basis.

CFS considers that these policies are reasonable as they aim to direct transaction costs to investors who are transacting rather than other investors in the Fund and are in line with generally accepted market practice.

10. Rounding of Unit Prices

CFS's policy is to issue all

- entry and exit prices to 6 decimal places
- Units to 3 decimal places.

CFS considers this to be reasonable as it is within an acceptable range.

11. Register of discretions

CFS keeps a register of any situations where we exercise a pricing discretion that is not covered by this policy or where we exercise a pricing discretion in a way that is different from this policy.

CFS will only exercise such discretions where it deemed it to be in the best interests of investors.

You may request a copy of the register of discretions at no charge.