



## **Valuation Policy**

Vasco Trustees Limited

ABN 71 138 715 009

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## Document Control Form

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List of the people who will receive the document, and their required action (ie signoff, review, for information only). Include the section(s) to be reviewed or signed off for all people with review / signoff responsibility.

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### Approval

Approval of the document indicates that the signatory has read the document and understands and agrees with the content of the document. Minor amendments may be approved internally using the table below. However major amendments will require approval of the Board. Where Board approval is obtained, a copy of the relevant resolution must be annexed to the Policy document.

|  |                          |
|--|--------------------------|
| <b>Craig Dunstan</b><br>Managing Director<br><b>Vasco Trustees Limited</b>         | Signature: .....<br>Date |
| <b>John Hyslop</b><br>Head of Risk and Compliance<br><b>Vasco Trustees Limited</b> | Signature: .....<br>Date |

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# Valuation Policy

## 1. Overview

This policy sets out the approach that Vasco Trustees Limited and related parties in their capacity as trustee or responsible entity (**Vasco**) for any managed investment scheme (**Fund**) will take when valuing Fund assets.

This policy applies to all Vasco related entities.

This policy will be reviewed at least every three years. This Policy and any updates made from time to time will be published on Vasco's website at [www.vascofm.com](http://www.vascofm.com).

Any capitalised terms not defined in the body of this Policy will be defined in the Glossary section at the end of this policy.

## 2. Purpose of this Policy

This Policy sets out the principles, procedures and guidelines for valuing assets held by Vasco as trustee for the Funds.

Accurate and timely asset valuations are important in ensuring unitholders are treated fairly. The purpose of this Policy is to ensure that reliable and timely valuation information is available so that unitholders can be allocated an appropriate and equitable share of a Fund's assets.

## 3. Principles

Vasco will typically value assets by assessing their fair value, which is an estimate of the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

Vasco may adopt different valuation principles across different Funds as disclosed in the disclosure and capital raising documents for those Funds.

In all cases, Vasco may use its discretion in applying a valuation methodology to achieve the principal purpose of this Policy.

## 4. Conflicts of Interests

Vasco from time to time may invest in assets owned or managed by related parties of the investment manager of a Fund. Such transactions provide for a potential for conflicts of interests to arise. While the terms of this policy are intended to ensure a fair value of assets at market rates, Vasco's Related Party Transaction Policy will also be considered in such instances.

## 5. Real property assets

There are many different methodologies for compiling the likely value of an individual property and no one method can reliably be used to value all properties. In short, one valuation method cannot always cover all locations and different types of properties with greater accuracy and consistency than all others.

Different valuation methods may become more or less appropriate from time to time or from property to property as more or less information relevant to that method may be available at different times.

#### **(a) Valuations on acquisition**

Independent valuations for new properties must be completed no more than three months prior to exchange of contracts.

Where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent valuation, subject to Vasco's determination that doing so is in the best interest of investors in a Fund.

#### **(b) Valuations while holding property passively**

Independent valuations for existing properties not the subject of any development activity (that is held generally for rental purposes) must be conducted at least once every 3 years. Vasco or a Fund's auditors (if applicable) may require a valuation on a more frequent basis due the market movements, accounting requirements or regulatory requirements.

Properties held passively will otherwise be internally valued at least yearly or as otherwise deemed appropriate by Vasco through a desktop valuation conducted and recommended by the relevant Investment Manager and approved by Vasco. This desktop valuation will ordinarily incorporate the following reference points:

- Contract of sale of security property
- Most recent council rates notice or statement detailing assessed site value
- Online search of historical sale price of the security property
- Online search of sale prices of comparable properties in the vicinity of the security property

Where there are multiple properties in a portfolio, the valuations may be staggered through the year.

We may test asset values on market where required.

#### **(c) Valuations of development property**

As a development project completes a Stage there may be a requirement to reflect a change in the development projects value to reflect the progress/status and the development costs incurred and may also apportion any change or accretion in value to unitholders as a result.

The major Stages are as follows:

**Stage 1: Development Approval submission - Planning**

**Stage 2: Development Approvals - Planning**

**Stage 3: Commencement of construction – Appointment of Construction Company**

**Stage 4: Project completion/ Certificate of Occupancy (Final Sign off's and hand over)**

The value of a completed property development is generally deemed to be equal to the contracted sale price less any selling costs, or where the Trustee considers that changing market conditions dictate an independent valuation.

The purchase of Land proposed to be developed but does not yet have planning approval may be subject to changes in market value and where appropriate the Trustee may require an independent valuation.

Vasco may also rely on an attestation from the Investment Manager as to when a particular valuation milestone for each property, the subject of development, is at prior to completion.

An independent Quantity Surveyors Report may also be required to substantiate or validate costs and the development project status.

An independent valuation may also be sought at any time if Vasco, or the Fund's auditors (if applicable), deem necessary or as required by accounting or regulatory requirements from time to time. Where a development property is independently valued before completion, the independent valuation will form the basis of any valuation conducted by Vasco (replacing all previous valuations) from that point onwards, to which additional Property Acquisition and Development Costs and valuation changes at subsequent valuation milestones may be added.

## 6. Scope of independent valuations

Vasco will maintain a panel of valuers who are independent, experienced and qualified to perform valuations on property of the nature and type in which the Fund will invest or take security over.

In order to be considered for inclusion on the panel, a valuer must:

- Be suitably qualified to carry out a valuation
- Be authorised under the Law of the State or Territory where the valuation takes place to practice as a valuer (if applicable)
- Be a member of the Australian Property Institute, or Royal Institution of Chartered Surveyors (RICS) and is categorised as a Certified Practising Valuer by that institute
- Have professional indemnity insurance cover of at least \$2m from a reputable and creditworthy insurer
- Be independent of Vasco and the Investment Manager and have no pecuniary interest or other conflict of interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the market value or that could conflict with a valuation of the property

Panel valuers will be advised that all valuation reports must include confirmation of the details of their Professional Indemnity Insurance and its currency and that this assertion may be relied upon for this valuation.

All valuations will be made for the benefit of Vasco and should generally be based on the following guidelines:

- for residential property, the value is defined as the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion;
- valuations to be obtained for all property on an 'as is' basis, before the property is purchased.
- for commercial, industrial or retail property, the fundamental method of valuation is to include the capitalisation of net rentals supported by comparable sales;

- valuations of construction and development property must be on an 'as is', on a 'cost to complete' and on 'as if complete' basis;
- valuation of vacant land, should be made on an 'as is' (current market value) and on 'project related site value' basis with consideration to the existing and proposed (if any) zoning as well as on an 'as if complete' basis, if it there is intention to develop the site;
- all valuation reports must contain a statement as to whether the valuation complies with all relevant industry standards and codes.
- Valuers will be rotated to ensure no one valuer values all property for any Fund
- an independent valuation to be obtained within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

## 7. Publicly Traded Securities

For investments traded on public exchanges, Vasco will rely on the information provided by these exchanges in order to value such assets.

In particular, Vasco will adopt the following steps in valuing publicly traded securities:

- Valuation will occur at least once a month; more frequent valuations will be required where required by particular funds or mandates.
- Data for valuation will be sourced from sources that utilise IRESS, Bloomberg or FactSet datasets. Other similarly reliable sources may be used where required.
- Any value ascribed to the security must accurately reflect the value of the security. The bid price will be used as the value where a security is relatively liquid. Where the security is relatively illiquid, the last sale price will be used to value the asset

## 8. Unlisted Securities (Equity)

This category of investments generally includes all equity investments made in entities that are not publicly traded.

Generally speaking, such securities will be valued at cost until Vasco or the Investment Manager of a fund believes that cost no longer reflects the true value of the investment.

Once this determination is made, a valuation must be conducted internally using the following principles:

- conduct an earnings multiple analysis with appropriate comparable companies or transactions;
- construct a Discounted Cash Flow model;
- any other technique commonly accepted and used for that class of unlisted equity investment.

Vasco and/or the Investment Manager may also support this valuation via an independent expert valuation.

## 9. Unlisted Securities (Debt)

Unlisted debt securities often take the form of loan investments made by a Fund, including those in related party special purpose vehicles.

Such debt investments will generally be valued at cost; the face value of the loan will be used as the book value.

However, a revaluation to the value of a loan may be required where an adverse credit event has occurred or seems likely.

Where a revaluation is required, the followings steps should be used as a guide:

- The adverse credit event or default should be detailed in a file note, including how the impact on loan value has been calculated. This may involve assessment of the value of any underlying security.
- Where the loan is still performing, a key tool in assessing value under such circumstances will be an assessment of the revised cash flows expected under the loan. This analysis may take the form of a Discounted Cash Flow model.
- Where the loan is non-performing, the security available under the loan agreement should be considered. A Discounted Cash Flow model may be constructed to reflect the proceeds from the realisation of any underlying security, including the impact of costs and time involved in the realisation process.

Where security property is provided for a loan, such security will generally need to be valued by an independent valuer no more than three months prior to the loan offer date, being the date on which the indicative loan terms are agreed prior to contracting and settlement. Vasco may rely on earlier valuations based on the recommendation of an Investment Manager and depending on the circumstances. Section 6 above which sets out the basis on which independent valuations are expected to be made.

## 10. Unlisted Securities (Managed Investment Schemes)

Where units are held in an unlisted managed investment scheme, the value of units will be determined by the periodic redemption price provided for the scheme.

## 11. Foreign Currency

Amounts designated in foreign currencies will be converted to the Australian dollar equivalent at the ask price for the relevant exchange rate obtained from [http://marketrates.anz.com./](http://marketrates.anz.com/)

## 12. Cash at Bank

Cash at bank will be valued at face value.



## 13. Hedge Fund Assets

Any assets of a hedge fund (including a hedge fund invested in by a fund of hedge funds) which is not exchange traded must be valued by an independent administrator or an independent valuation service provider.

Vasco and the investment manager should review and monitor the performance or result of any asset valuation services provided by third parties, as the use of a third-party valuer will not relieve the responsible entity of its liability to members.

## 14. Glossary

|   |  |
|---|--|
| <b>DA</b>   | Means any the development approval of any local government authority required to undertake a property development  |
| <b>Discounted Cash Flow Model</b>                 | A financial modelling technique that discounts forecast cash flows received over a given period using an appropriate weighted average cost of capital  |
| <b>Investment Manager</b>                         | Means the entity appointed by Vasco under an investment management agreement to manage the assets of a Fund  |
| <b>Property Acquisition and Development Costs</b> | Means any direct costs considered by Vasco to have been reasonably incurred in the development of the property, including: <ul style="list-style-type: none"><li>- Site acquisition costs</li><li>- Accrued consultant costs</li><li>- Council costs</li><li>- Site capital work costs</li></ul> |