

## Millinium'S Unit Pricing Policy

# MULTI-STRATEGY Income Fund

ARSN 125 878 015

IDPS operators "G" Class Units and Wholesale or Sophisticated Investors "H" Class Units

## Introduction

Millinium's Multi-Strategy Income Fund ("**Fund**") is a registered managed investment scheme with the Australian Securities & Investment Commission ("**ASIC**"). The Responsible Entity of the Fund is Millinium Investments Limited ("**MCML**"). MCML holds an Australian Financial Services Licence, No. 284336.

## Primary Documentation

The terms of the Fund's unit pricing is set out in our Product Disclosure Statement ("**PDS**") and in more detail in the Fund's constitution ("**Constitution**"). The Fund's constitution is a trust deed that sets out the unit holders rights. Pursuant to the terms of the Fund 's Constitution, the value of a unit holder's investment is based upon the number of units held them and valuation of the Fund's underlying assets. However, the value of a unit in the Fund can rise and fall based upon valuation of these underlying assets. The Fund's underlying assets are bought, sold and valued with the intent to generate income returns and some capital growth to provide distributable income to unit holders. These distributions are generally made quarterly and subject to the Fund's constitution. There is no guarantee on return of income or capital on these assets.

Each unit represents an interest in the Fund subject to rights, restrictions and obligations that attach to each unit and classes of unit holders. All unit prices are calculated using the most recent valuations of the Fund's assets and liabilities relevant to each class of investors. The Fund offers different classes of units but this Unit Pricing Policy covers:

- » Express Option (G Class uits) for IDPS operators;
- » Wholesale and/or Sophisticated investors (H Class units).

as defined in the Fund's relevant PDS for each class ("G and H Class").

The Unit Pricing Policy outlines below the main features of the Fund's unit pricing methodology.

## Unit Pricing Policy

The application prices and redemption prices for G and H Class unit holders in the Fund are calculated based on the following formulae:

### Application Price is:

net asset value + spread

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number units on issue\*

### Redemption Price is:

net asset value - spread

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number units on issue\*

We and our agents will calculate a daily unit price at the next date of the Fund's valuation time. All applications for investment or withdrawal from a party acting for an investor must be received by our Investor Services in Sydney before the cut off time. The cut off time generally is 1.00 p.m. on a given business day (or next available business day). All applications that are properly received by 1.00 p.m. on a business day will receive the next available unit price upon valuation. Any applications received after 1.00 p.m. on a business day will receive the unit price available after the next available unit price upon valuation. Unit prices can and do fluctuate over an investment period. It is our policy to not accept facsimile withdrawal applications unless we can legitimately verify the request to be genuine nor will we draw a cheque payment to third parties for any withdrawal made by a party acting for a G or H Class investor. For G Class units withdrawal requests are processed generally with 5 business days of a request. However, for holders of H class units, withdrawals can only made on a quarterly basis and all withdrawal requests must be received by us on a properly completed Maturity Form. This Maturity Form can be obtained from the website or by contacting Investor Services. No redemptions will be processed during a quarterly basis. If H unit holders wish to redeem their units they must complete a Maturity Form and this form must be returned to us by the 15th of the last month in a quarterly period before the start of the next quarter for investment. If the Maturity Form is late the withdrawal will be processed by the end of the next quarter.

## Transaction costs (buy/sell spread)

When an investor buys or sells units G or H Class units in the Fund, trading may take place on the underlying assets of the Fund to invest money or provide cash for withdrawals. This trading generates transaction costs, such as brokerage, which are paid for by the Fund.

A buy-sell spread is the difference between the Fund's application price and redemption price and is a cost incurred by G or H class unit holders each time they invest or withdraw funds. The buy-sell spread is retained by the Fund (it is not a fee paid to us) and contributes towards the transaction costs associated with the Fund buying or selling assets. The buy/sell spread ensures that those G or H Class unit holders joining or leaving the Fund contribute towards these transaction costs and other investors who are not joining or leaving at that particular time are not disadvantaged. A buy-sell spread is expressed as a percentage of the net value of the Fund's assets. The buy-sell spreads for this Fund is reviewed annually and can change from time to time. Any changes are updated on this website. Please see the Fund's PDS for further detail on the buy/sell spread. The following factors are considered when determining the buy/sell spread as part of the annual review:

- » brokerage charges
- » government charges (such as stamp duty)
- » any other costs directly associated with the acquisition or disposal of assets of the kind held within the Fund, such as valuation, legal, settlement, legal recovery costs or clearing costs.

The approach taken in the review will vary depending on the nature of the assets held by the Fund. That is, whether the asset is held directly by the Fund, involve funds managed by external fund managers, involve funds operated by us or involve a number of different asset classes.

## Payment of withdrawal proceeds

MCML can delay a unit holder's redemption request in accordance with Anti-Money Laundering and Counter-Terrorism legislation (see our PDS for more details) or for 180 days or such a longer or shorter period as considered reasonable in our view of all the circumstances, if (relevantly):

- » there is a breakdown in communications or information systems used to ascertain the value of the Fund (such that the distributable income of the Fund cannot be promptly or accurately ascertained);
- » an emergency or similar state of affairs occurs which, in our reasonable opinion makes it impractical to redeem units or which may prejudice the remaining investors;
- » there is a closure or material restriction on trading on any exchange on which assets may be traded;
- » a moratorium has been declared;
- » realisation of assets cannot be effected at prices which would be obtained if assets were realised in an orderly fashion over a reasonable period in a stable market;
- » underlying assets cannot be disposed of or withdrawn;
- » the Fund's cash reserves fall and remain below 5% for 10 consecutive business days;
- » we receive withdrawal requests equal to 10% or more of the Fund's issued units;
- » there is insufficient cash reserves available to meet redemptions and pay the operating expenses of the Fund; or
- » we consider it is in the interests of unit holders to delay withdrawal of units.

When determining the appropriate period to delay payment of monies, we will have regard to the length of time the relevant event persists and will act in the best interests of investors as a whole in accordance with the law and the Fund's Constitution.

## Valuation Policy

Unless otherwise changed by the board, the unit pricing policy will be as follows:

### Valuation Methodology

As to calculating the Fund's distributable income during a financial year, the Fund's underlying assets are valued in accordance with the Fund's Constitution and our standing policies, we set from time to time. These valuations are found in financial audited statements lodged with the ASIC. Our standing policies are made in accordance with current Australian Accounting Standards and generally accepted tax laws. Our current accounting policies would allow us to value the Fund's underlying assets as follows:

Type of Investment of the Fund	Purpose of Use	Valuation Method
Equity assets / Instruments or units	<p>a Investments held for trading</p> <p>b Investments held to maturity</p> <p>Other financial investments are classified as being available-for-sale</p>	Fair value or at cost (as applicable)
Loans	Longer term income yielding assets at fixed or determinable value.	Amortised cost (using the effective interest method [see Glossary below])
Cash and cash equivalents	Are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.	Fair value

We may change the purpose and valuation method for an asset where it warranted. Where we would do this, this is done in accordance with our discretion below.

## Our Discretion

If we believe that an asset needs to be re-valued due to market movement, credit quality or some other factor that affects an asset's value, it will review the value the asset of the Fund and make an adjustment in consultation with its auditor for Fund. The methodology and revaluation practices undertaken by us will be made in accordance with the Fund's constitution, accepted commercial practice and comply with generally accepted accounting principles.

When, we exercise our discretion, the exercise of this discretion will generally be documented in writing and retained for a period of 7 years.

In calculation of the Fund's unit prices, we have identified the following discretions, we may exercise in calculating the application and redemption prices of the Fund:

- » estimating an allowance for transactions costs;
- » selecting a valuation method(s);
- » determining any entry or exit fees (if applicable)
- » determining the total net asset value of the Fund;
- » allocating assets, liabilities, revenue and expenses between classes of units;
- » rounding unit prices;
- » determining a time at which unit prices are calculated;
- » determining a time at which assets and liabilities are valued;
- » unit price rounding(s);
- » expense recovery costs;
- » taxation credits and liabilities.

## What if any discretion is not in this policy?

If we exercise a discretion for which there is no documented policy current at the time or in a way that involves a departure from this Policy, we will prepare a document that sets out the following:

- » the date on which the discretion was exercised;
- » if the discretion was exercised by a person/entity nominated by us;
- » how our discretion was exercised;
- » an explanation as to why it was reasonable to exercise the discretion and the way we exercised it;
- » if the discretion was exercised in a way that was not consistent with the Fund's property being valued in accordance with ordinary commercial practice, an explanation why it was not practicable to do so.

We will also consider relevant industry standards to assist us with any matters that affect unit pricing and apply them if they are relevant and apply.

## Glossary

The definitions from the Compiled Australian Accounting Standards Board (AASB) 139 Financial Instruments: Recognition and Measurement are set out below:

AASL 139	Treatment	Description
<b>Page 20</b>	Amortised cost of a financial asset or financial liability	The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.
<b>Page 41</b>	Available-for-sale financial assets	These type of financial assets are non-derivative financial assets that shall not be recognised in equity in a profit and loss situation (and are not classified under paragraph 59 of AASB 139, as: (a) loans (b) held-to-maturity investments (c) financial assets that have some form of impairment.
<b>Page 20</b>	Effective Interest Method	This method is used to calculate the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (e.g. prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see AASB 118), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contract term of the financial instrument (or group of financial instruments).

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<b>Page 16</b>	Fair Value	The term fair value is the amount for which an asset could be exchanged or a liability settled or traded, between knowledgeable, willing parties in an arm's length transaction on a short term basis.
<b>Page 18</b>	Held-to-maturity investments	These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity, other than when: (a) shown in a profit and loss (b) those that are designated for sale (c) those that meet the definition of loans or receivables.
<b>Page 19</b>	Loans and receivables	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (see exceptions on page 19 of the standard).
<b>Page 65</b>	Trading	A financial asset is classified as held for <i>trading</i> if it is: <ul style="list-style-type: none"> <li>i acquired for the purpose of buying or selling it in the near term;</li> <li>ii part of a portfolio which are managed together for short-term profit-taking; or</li> <li>iii a derivative (except for a derivative that is a financial guarantee contract or hedging instrument).</li> </ul>

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