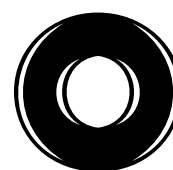


**MQ UNIT PRICING DISCRETIONARY POLICY**  
FUND PRODUCTS DIVISION



MACQUARIE

1 May 2007

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## 1 INTRODUCTION

MQ Portfolio Management Limited (MPML) is the issuer and responsible entity of the registered managed investment schemes listed in Schedule A (Funds).

The constitution for each Fund operated by MPML allows certain discretions to be exercised when calculating unit prices.

This document provides guidance on how MPML exercises its discretion permitted under the constitution of each Fund to determine the issue and withdrawal prices for the Funds (the policy).

The policy is designed to meet the requirements of ASIC Class Order [CO 05/26] *Constitutional provisions about the consideration to acquire interests*. This class order allows MPML to exercise limited discretions when calculating the issue and withdrawal prices of the Funds where the conditions under the class order are met. This includes the documentation of MPML's procedures relating to the exercise of discretions permitted under the constitution of each Fund.

The policy seeks to ensure that:

- all Fund unit prices are calculated accurately;
- the discretions outlined in the policy are exercised in a consistent manner across the Funds; and
- the procedures set out in the policy are reviewed at appropriate periods.

## 2 EXERCISE OF DISCRETION

MPML, as the responsible entity of the Funds must under section 601FC of the Corporations Act exercise its powers and carry out its duties in the best interest of the Funds' unitholders. In accordance with ASIC Class Order [CO 05/26], MPML must in exercising unit pricing discretions act reasonably and in a way that is consistent with ordinary commercial practice.

This policy has been developed in accordance with industry standards and with references to the standards issued by the Investment and Financial Services Association, and the Australian Securities and Investments Commission's and Australian Prudential Regulation Authority's *Unit Pricing Guide to Good Practice*. Accordingly, MPML considers that it is reasonable to exercise each discretion in accordance with this policy.

Where MPML exercises a discretion for which there is no current documented policy or in a way that involves a departure from this policy, MPML will prepare a document that sets out the following:

- the date on which the discretion was exercised;
- if the discretion was exercised by a nominee, the identity of the nominee;
- how the discretion was exercised;
- an explanation as to why it was reasonable to exercise the discretion the way it was exercised; and
- if the discretion was exercised in a way that was inconsistent with ordinary commercial practice, an explanation as to why it was impracticable to do so.

Where a unit pricing error has arisen as a result of discretion being applied incorrectly, the error will be dealt with in accordance with MPML's *Unit Pricing* policy. You may request a copy of the *Unit Pricing* policy at no charge by contacting us on 1800 025 513.

### 3 OUTSOURCING ARRANGEMENTS

The discretions permitted under the constitution of each Fund are exercised by MPML.

Although, MPML has outsourced the unit pricing functions for the MQ Specialist Funds to a third party, Citco Fund Services (Australia) Pty Ltd ABN 15 096 135 072, MPML does not outsource its responsibility for the calculation of unit prices. The ultimate responsibility of ensuring that the unit pricing discretions are exercised in accordance with this policy lies with MPML.

### 4 UNIT PRICING

#### 4.1 How we calculate unit prices

The constitution of each Fund listed in Schedule A sets out the method that MPML uses to calculate the unit price of a Fund at a particular time. This is generally expressed as follows:

<p><b>Issue price on the initial issue date</b></p> <p>\$1</p>
<p><b>Application price after the initial issue date</b></p> <p><math display="block">\frac{\text{Net Asset Value} + \text{Transaction Costs}}{\text{Number of units on issue}}</math></p>

**Redemption (withdrawal) price**

$$\frac{\text{Net Asset Value} - \text{Transaction Costs}}{\text{Number of units on issue}}$$

## **5 OUR DISCRETIONS**

### **5.1 Unit pricing discretions**

MPML has identified the following discretions that may be exercised in the calculation of the issue and withdrawal prices of each Fund in accordance with the above formula:

- Selecting a valuation method
- Determining the net asset value of a Fund
- Determining a time at which unit prices are calculated
- Determining a time at which assets and liabilities of the Fund are valued
- Estimating an allowance in transactions costs
- Determining Fund fees
- Allocating assets, liabilities, revenue and expenses between classes of units
- Rounding unit prices

In exercising the above unit pricing discretions, MPML must act reasonably and in a way that is consistent with ordinary commercial practice.

## **6 VALUATION**

### **6.1 Determining the net asset value of a Fund**

The total net asset value for each Fund is calculated in accordance with the relevant Fund's constitution and offering document. Under each constitution, the net asset value is calculated as the value of the assets calculated according to the Australian equivalent to International Accounting Standards less the liabilities of the Fund.

Under each constitution, MPML may determine the net asset value of a Fund at any time (see 6.6).

### **6.2 Fund assets**

The assets of a Fund generally include all the property, rights and income of the Fund, but not application money or property in respect of which units

have not yet been issued, proceeds of withdrawal or any distributions which have not yet been paid.

Under the constitution of each Fund, the value of an asset for the purpose of calculating the net asset value will be its market value. Market value is determined by reference to the methodologies and principles set out by the Fund's accountant.

Prices, where possible, are obtained from independent security pricing services, and are based on market price where the instrument is traded on a regulated market. This generally applies to listed securities, publicly traded fixed interest, exchange traded derivatives and OTCs. Where a price is not available from an independent security pricing service, valuation is determined in good faith in accordance with section 11 of IFSA Standard No.9.00 and ordinary commercial practice.

Fair value is considered to be the amount for which an asset could be exchanged between knowledgeable and willing parties in an arms length transaction. MPML will determine a fair market valuation of an asset by taking into account all relevant factors which may affect the value of that asset. Where appropriate, MPML seeks valuations from qualified independent experts.

#### Investment in funds operated by external fund managers

A number of MPML Funds (such as the Macquarie Equinox 6 Trust) invest in funds operated by external fund managers. Where a Fund invests in another fund, there may be occasions where the unit price of the underlying fund is delayed and does not become available in time for the calculation of MPML's unit prices.

To address this, MPML has adopted a *Valuation* policy for each of those Funds. MPML may where it considers appropriate apply the *Valuation* policy which allows it to calculate the relevant unit price based on estimate data. You may request a copy of the *Valuation* policy at no charge by contacting us on 1800 025 513.

In calculating the relevant Fund's unit price, MPML will consider the different approaches available to it. The approach taken will depend on various factors, including:

- the length of time it will take to receive the final underlying unit price;
- the administrative or system requirements; and
- any other relevant considerations.

The process relating to valuation of all assets is subject to regular reviews and is independently verified by MPML's external auditors.

### **6.3 Fund liabilities**

The liabilities of a Fund include all liabilities of the Fund, but not liabilities attached to application money or property in respect of which Units have not been issued or liabilities to members arising from rights to request withdrawal of units. Withdrawal proceeds payable in respect of units that have been redeemed are considered liabilities. Liabilities include borrowings, fees, contingent liabilities and other relevant liabilities of a Fund.

Methodologies, policies or principles provided by a qualified accountant may be applied in determining the market value of an amount of a liability.

Fund liabilities are generally evidenced through documentation and can be independently verified. MPML may exercise discretion when determining a liability which is contingent. In such cases, the liability will be determined in accordance with the Australian equivalent to International Accounting Standards and in a manner consistent with ordinary commercial practice for valuing such liabilities.

The fees and rebates applicable to each Fund are outlined in the relevant Fund's offering document.

Tax liabilities are calculated in accordance with the relevant taxation laws.

### **6.4 Estimating an allowance in transaction costs**

Transaction costs are costs generally associated with the acquisition and disposal of assets. They include government charges (such as stamp duty), borrowing, brokerage, settlement and clearing charges.

The amount of transaction costs depends on factors, including:

- the nature of the assets held by a Fund;
- whether or not a Fund invests in funds managed by external fund managers; and
- the rates charged by third party service providers.

Where it is not possible to determine actual transaction costs, MPML must under the constitution of each Fund determine transaction costs as follows:

- when calculating the issue price of a unit, MPML's estimate of the total cost of acquiring the assets; and
- when calculating the withdrawal price of a unit, MPML's estimate of the total cost of selling the assets.

When estimating the total transaction costs, MPML must use either:

- an estimate of the average amount of costs incurred by MPML in the previous 12 months; or
- an estimate of the actual amount of costs.

Subject to the Corporations Act, MPML may, in connection with any particular issue or withdrawal request, deem these costs to be a lesser sum or zero. Given the nature of the Funds, this approach may be applied in the following circumstances:

- where an application or withdrawal request does not require assets to be bought or sold and therefore no transaction costs are incurred; or
- where assets of the relevant Fund may be realised as part of the ongoing portfolio management of the Fund. In these circumstances any transaction costs incurred would be considered immaterial.

The MQ Specialist Funds listed in Schedule A are actively traded funds where underlying investments are bought and sold on a regular basis. Accordingly, transaction costs associated with any particular withdrawals are either zero or considered immaterial. All other Funds generally have large amounts of spare cash which is used to pay withdrawals. As a result, transaction costs in respect of application/withdrawal for these Funds are also usually zero or considered immaterial.

Given that transaction costs associated with the Funds are generally zero or considered immaterial, MPML considers that it is reasonable not to include an allowance for transaction costs in the issue and redemption price.

#### Determining Fund fees

The constitution of each Fund sets out the maximum fees that may be charged in relation to each Fund. MPML generally charges the following fees: an application fee; a withdrawal fee; a performance fee and where applicable, a management fee. MPML is also entitled to charge a withdrawal processing fee.

The fees relating to each Fund are disclosed in the offering document for the relevant Fund. MPML exercises its discretion to charge a fee up to the maximum stated in the Fund's constitution, however, the amount of fees charged will depend on market practice and competition.

MPML will give notice to unitholders prior to any change to the fees stated in the relevant Fund's offering document.

## 6.5 Number of units

The Number of Units on issue is a predetermined amount and therefore does not involve MPML exercising any discretion.

## 6.6 Timing

### Determining a time at which net asset value of a Fund is calculated

MPML has a discretion under each Fund's constitution to calculate the net asset value of a Fund at any time, including more than once on each day.

MPML generally calculates the net asset value of the Funds monthly. MPML considers that this method is reasonable and consistent with ordinary commercial practice.

### Determining a time at which unit prices are calculated

Under each Fund's constitution, MPML has discretion to calculate the application price at a time and day, as stated in the offer document (or by notice to members), occurring after receiving the application for units or the application money, or after the property is vested in MPML or the application money is paid at MPML's direction (whichever is later).

Under each Fund's constitution, the withdrawal price must be calculated at the close of business on a date MPML has discretion to determine.

MPML uses its discretion to calculate unit prices on a monthly basis. The unit price applied to an application or withdrawal is the price based on the net asset value referable to the relevant class in the Fund at the close of business on the last business day of the month for which the application form or withdrawal form is received, if the applicable form is received before the cut-off date for the month (otherwise the unit price as determined for the next calendar month).

### Suspension of unit pricing

MPML may suspend withdrawals from a Fund in the following circumstances:

- MPML has taken all reasonable steps to realise sufficient assets to satisfy a withdrawal request and is unable to do so;
- MPML believes it is not in the best interests of the unitholders as a whole to realise assets; or
- MPML is unable to calculate the withdrawal price or fairly determine the net asset value due to one or more circumstances outside its control.

If withdrawals from the Fund are suspended for any reason, unit prices will be based on the net asset value applicable when the suspension ends.

## Delayed withdrawals

Where MPML receives withdrawal requests comprising more than 5% of the units on issue in a class, MPML may pro rata the withdrawal requests and stagger the processing of remaining unsatisfied withdrawal requests.

The constitution of each Fund, allows MPML to determine the withdrawal date that should be applied when calculating the withdrawal price for any remaining unsatisfied withdrawal requests. Subject to the 5% threshold not being reached again, MPML will generally process any remaining unsatisfied withdrawal requests on the next withdrawal date.

### **6.7 Allocating assets, liabilities, revenue and expenses between classes of units**

With the exception of the following Funds, MPML has a discretion under the constitution of each Fund to create and issue different classes of units; determine the rights, obligations and restrictions attaching to the units of such classes; and categorise units into classes or re-categorise units into different classes:

- Macquarie Atlas Trust
- Macquarie Equinox 6 Trust
- Macquarie Equinox Asia Trust
- Macquarie Equinox Asia 2 Trust
- Macquarie Equinox Select Opportunities Trust.

The offering document for each Fund sets out the classes issued in relation to that Fund and the rights and liabilities attached to those classes.

Assets, liabilities and revenue are generally calculated and allocated based on the proportion of the net asset value of the Fund to which the class relates.

Expenses are generally allocated to all units on an equal basis. Where a particular expense or a proportion of an expense is exclusive to a particular class, MPML will determine that the expense is to be a class expense in relation to that particular class.

### **6.8 Rounding unit prices**

The constitution of each Fund allows MPML discretion to round any calculation performed under the constitution of a Fund. The constitution allows MPML to round an issue or withdrawal price up to a maximum of 1% of the price.

MPML currently adopts the rounding methodology illustrated in the table below:

Fund	Decimal places
MQ Specialist Funds MQ Multi-Strategy Fund – Capital Protected MQ Equity Enhanced Income Fund MQ Geared Equity Income Fund	6
MQ Comets Diversified Trading Fund Macquarie Atlas Trust MQ Atlas Series Trust MQ Capital-Asia Trust MQ Gateway Trust	4
Macquarie Equinox 6 Trust Macquarie Equinox Asia Trust Macquarie Equinox Asia 2 Trust Macquarie Equinox Select Opportunities Trust	4

Any excess which results from rounding becomes an asset of the Fund.

## 7 RECORD KEEPING

In accordance with ASIC Class Order [CO 05/26], MPML will retain this policy and all records relating to the policy for seven years after this policy and the relevant documents cease to be current. MPML will also retain documentation of circumstances where the exercise of discretions are not covered by this policy or involve a departure from this policy.

## 8 REVIEW OF THIS POLICY

This policy, including the list of Funds provided in Schedule A to which this policy relates may be reviewed and updated from time to time and at least annually.

The most current policy and any additional document forming part of that policy are available from our website at [www.macquarie.com](http://www.macquarie.com). Alternatively, you may request a copy at no charge by contacting us on 1800 025 513.

## SCHEDULE A

Fund	ARSN
MQ Asia Long Short Fund*	117 946 219
MQ Japan Market Neutral Fund*	117 946 086
MQ Multi-Strategy Fund*	115 880 389
MQ Buy Write Fund*	115 880 736
MQ Special Events Fund*	115 880 432
MQ Global Futures Fund*	115 880 629
MQ Income Timing Fund*	117 946 808
MQ Multi-Strategy Fund – Capital Protected	115 880 352
MQ Equity Enhanced Income Fund	119 029 186
MQ Geared Equity Income Fund	124 648 504
Macquarie Equinox 6 Trust	113 966 500
Macquarie Equinox Asia Trust	115 798 368
Macquarie Equinox Asia 2 Trust	117 868 336
Macquarie Equinox Select Opportunities Trust	119 029 355
MQ Capital – Asia Trust	121 297 283
Macquarie Atlas Trust	113 966 760
MQ Atlas Series Trust	116 069 062
MQ Comets Diversified Trading Fund	116 069 179
MQ Gateway Trust	123 784 930

\* These Funds are referred to as the MQ Specialist Funds.