EIF Constitution extracts – Calculation of unit value

The Constitution of the Equititrust Income Fund (ARSN 089 079 854) along with the law and the EIF Compliance Plan determines the proper operation of the fund including the way in which the unit price is determined.

When a unit price is determined a simplified calculation will also be made available to unitholders. Some unitholders may also wish to review the relevant clauses of the constitution for themselves and accordingly the relevant clauses of the constitution are repeated below.

In reading the constitution please be aware that the words "interest" and "unit" are almost interchangeable. It should also be noted that the existence of subordinated units in a "first loss" position necessitates a somewhat more complicated unit price calculation beyond the basic Net Assets/Number of Units formula.

The relevant clauses in the constitution are as follows:

Clause 1.1   Defined Terms

'Current Value' means in relation to the Scheme the amount derived by deducting from the Value of the Assets of the Scheme:

(a)   all amounts borrowed for the purpose of the Scheme and remaining owing;

(b)   the amount of all actual Liabilities of the Scheme (other than interest and those referred to in paragraph (a) of this definition) owing but unpaid;

(c)   such amounts as the Manager thinks necessary to provide for all accrued and contingent outgoings and Liabilities of the Scheme (other than those referred to in paragraphs (a) and (b) of this definition);

(d)   such amounts which the Manager thinks necessary or desirable to provide or allow for depreciation or the writing down or replacement of any Authorised Investments of the Scheme (including provision for amortising leasehold property) or for any other provisions or allowances; and

(e)   all other amounts which the Manager considers should be deducted for the purposes of making a fair and reasonable determination, in accordance with Accounting Standards, of the Current Value of the Scheme.

'Current Interest Value' means:

(i)   in relation to an Interest for the purpose of determining the Issue Price, the value of an Interest at the relevant time computed by dividing the Current Value of the Scheme by the total number of Issued Interests at that time and adjusted as provided in clause 3.16; and

(ii)   in relation to an Interest for the purpose of determining the Redemption Price, the value of an Interest at the relevant time computed by dividing the Current Value of the Scheme by the total number of Issued Interests at that time and adjusted as provided in clause 11.19;

Clause 3.16   Issue Price Adjustment

Where the Manager calculates the Issue Price of an Interest, and the Issue Price is less than $1.00 per Interest the following will apply:

A = the Current Value of the Scheme

B = the total number of Issued Interests

C = the total number of Subordinated Issued Interests

A/(B-C) = D

D - $1.00 = E

If E is zero or a negative number then the Issue Price of Interests which are not Subordinated Interests will be D and the Issue Price of Subordinated Interests will also be D.

If E is a positive number then the Issue Price of Interests which are not Subordinated Interests will equal $1.00 and the Issue Price of a Subordinated Interest will also be $1.00.

Clause 11.19   Redemption Price Adjustment

Where the Manager calculates the Redemption Price of an Interest, and the Redemption Price is less than $1.00 per Interest the following will apply:

A = the Current Value of the Scheme

B = the total number of Issued Interests

C = the total number of Subordinated Issued Interests

A/(B-C) = D

D - $1.00 = E

If E is zero or a negative number then the Redemption Price of Interests which are not Subordinated Interests will be D and the Redemption Price of Subordinated Interests will be nil.

If E is a positive number then the Redemption Price of Interests which are not Subordinated Interests will equal $1.00 and the Redemption Price of Subordinated Interests will be H, calculated as:

(B-C) X $1.00 = F

A – F = G

G/ total number of Subordinated Issued Interests = H.

Any investor who wishes to review the entire EIF constitution should contact our Investor Relations staff on 1800 635 527.