



Balmain Discrete Mortgage Income Trust and Balmain 30-Day Notice Monthly Income Trust

UNIT PRICING POLICY

Balmain Discrete Mortgage Income Trusts ARSN 155 909 176
Balmain 30-Day Notice Monthly Income Trust ARSN 646 291 125
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1. OVERVIEW

INTRODUCTION

Balmain Fund Administration Limited (Balmain) is the responsible entity of registered managed investment schemes Balmain Discrete Mortgage Income Trusts and the Balmain 30-Day Notice Monthly Income Trust (the Trusts). This document provides guidance on how Balmain will exercise the discretions permitted under the constitution of the Trusts to determine the issue price and withdrawal price (the policy) of those units.

POLICY SCOPE

The policy is designed to meet the requirements of ASIC Class Order CO 05/26 'Constitutional provisions about the consideration to acquire interests' as amended (the class order). The class order allows Balmain to decide a matter that affects the method or formula used to calculate the unit price of Balmain's Trusts (the discretion) where the conditions under the class order are met. This includes the documentation of Balmain's policy on the discretions permitted under the constitution of the Trusts.

The policy sets out the circumstances in which the responsible entity's discretion is exercised and aims to ensure that:

- Unit prices are calculated fairly and equitably;
- The process of calculating unit prices is transparent and consistently applied; and
- The methodologies adopted are reviewed at appropriate intervals and revised as necessary to meet commercial and regulatory requirements.

The exercise of any discretion is subject to the general duties of a responsible entity under Section 601FC of the Corporations Act, to act in the best interests of unit holders and to exercise a degree of care and diligence that a reasonable person would exercise in that position.

OUTSOURCING ARRANGEMENTS

The discretions permitted under the constitution of the Trusts are from time to time exercised by Balmain.

Balmain may outsource the unit pricing function to an external service provider, however the ultimate responsibility for ensuring that unit prices are determined appropriately lies with Balmain.

2. UNIT PRICING

HOW DO WE CALCULATE OUR UNIT PRICES?

The Trust's constitution sets out the method that Balmain uses to calculate the issue price and withdrawal price of the Trusts. This is generally expressed as follows:

WHAT TYPE OF DISCRETIONS DO WE EXERCISE?

In accordance with the above formula, Balmain has identified the following discretions that it is likely to exercise in calculating the issue and withdrawal price of the Trusts:

- Estimating an allowance for transactions costs;
- Determining entry, exit or switching fees, if any;
- Determining the total net asset value of the Trusts;
- Selecting a valuation method;
- Allocating assets, liabilities, revenue and expenses between classes of units;
- Rounding unit prices;
- Determining a time at which assets and liabilities are valued; and
- Determining a time at which unit prices are calculated.

ARE OUR DISCRETIONS REASONABLE?

Unless otherwise specified, a policy underpinning the discretion has been developed in accordance with industry standards, some of which are outlined in relevant standards and guidance notes issued by the Financial Services Council (FSC) and the Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA) Unit Pricing Guide to Good Practice. Balmain accordingly believes it is reasonable to exercise discretion under the policy.

WHAT RECORDS WILL WE KEEP?

In accordance with the class order, Balmain will retain the policy for seven years after the policy ceases to be current. Balmain will also retain documentation of circumstances where Balmain has exercised discretion and that discretion is not covered by the policy or involves a departure from the policy.

WHAT IF DISCRETION IS NOT IN THE POLICY?

If Balmain exercises a discretion for which there is no documented policy current at the time or in a way that involves a departure from the policy, Balmain 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 Balmain (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 not consistent with the Trusts' asset being valued in accordance with ordinary commercial practice, an explanation as to why it was impracticable to do so.

WILL THE POLICY BE REGULARLY UPDATED?

The policy may be updated from time to time.

The policy is generally reviewed on an annual basis to ensure that it remains relevant, current and compliant with all applicable laws, standards and guidance notes.

The most current version of the policy can be found on our website at www.balmainprivate.com.au. Alternatively, you may request a copy at no charge by contacting us on 1800 138 231.

3. OUR DISCRETIONS - THE POLICY

ESTIMATING AN ALLOWANCE FOR TRANSACTION COSTS

Estimated transaction costs are allocated when an investor buys or sells units in the Trusts by incorporating a buy/sell spread in the relevant entry and/or exit unit price. A buy/sell spread is a cost charged to enter (buy units) or exit (sell units) the Trusts. This aims to ensure that other members do not pay the transaction costs associated with a particular investor buying or selling units in the Trusts. In circumstances where no transaction costs are incurred because there is no trading of underlying assets (for example where an application or withdrawal request is funded by an in-specie transfer of assets) Balmain may waive or reduce the buy/sell spread. Similarly, a buy spread is not charged on distribution reinvestments by unit holders into the Trusts as no transaction costs are incurred.

The buy/sell spreads relevant to the Trusts may be disclosed in the Product Disclosure Statement (PDS) of the Trust (or incorporated by reference within), and in most cases are available on our website at www.Balmainprivate.com.au.

The decision to introduce buy/sell spreads is considered at each annual review of buy/sell spreads for the Trusts. The following factors are considered when determining the buy/sell spread as part of the review:

- Brokerage costs;
- Government charges (such as stamp duty); and
- Other costs directly associated with the acquisition or disposal of assets of the kind held within the Trusts, such as settlement, valuation, legal or clearing costs.

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

DIRECTLY HELD ASSETS

Where direct assets of a single asset class are held, transaction cost estimates are based on recent trading experience of relevant assets of the Trusts. This involves Balmain obtaining the following for a recent 12-month period:

- The total gross value of asset purchases over the period; and
- The total transaction costs relating to asset purchases over the period.

The estimated buy spread is calculated as the total transaction costs over the period, divided by the total gross value of asset purchases over the period. This calculation is then repeated for asset disposals, and transaction costs relating to asset disposals, in order to determine an estimated sell spread.

If the Trusts hold infrequently traded assets (eg direct property or mortgages), a 12 month period may not be sufficient to obtain a realistic estimate of transaction costs. In this case, alternatives will include:

- Use of a longer history of transactions to determine the estimate; or
- Reference to a relevant expert to assess the level of transaction costs, that may be expected when trading that asset class.

For a new Trust, where there is no trading history to assess transaction costs, reference may be made to other Balmain Funds that hold similar types of assets to estimate the buy/sell spread, or to a relevant expert.

INTERNAL INTER-FUNDING

Where the asset of the Trusts is another fund operated by Balmain, the total buy/sell spreads will be equal to the total buy/sell spread of the underlying fund.

OFFSETTING

When estimating acquisition or disposal costs, no allowance will be made for the possible offsetting of application and withdrawal cash flows within the Trusts. This approach has been adopted as the offsetting of transactions cannot be predicted, and overestimation of the level of offset would result in a disadvantage to existing members in the Trusts when transaction costs are incurred. Where actual transaction costs vary from the allowance within the application and withdrawal price, the impact will be borne by the Trusts.

DETERMINING ENTRY, EXIT OR SWITCHING FEES

The Trusts' constitution sets out the maximum entry and exit fees and in some circumstances it also states that the responsible entity is entitled to charge a switching fee.

The applicable entry, exit and switching fees are disclosed in the Trusts' PDS.

Balmain exercises its discretion to charge a fee up to the maximums stated in the Trusts' constitution. It is not possible to describe a precise methodology on how the entry, exit and switching fees are determined, however, the amount of entry, exit or switching fees charged depends on market practice and competition.

4. VALUATION

DETERMINING THE TOTAL NET ASSET VALUE OF THE TRUSTS

Under the Trusts' constitution, the total net asset value is calculated as the value of the assets less the liabilities excluding the application amount in respect of applications that have not been accepted by the responsible entity. Balmain has discretion to determine how the assets are valued including the valuation methodology and the timing of the valuation. Asset valuation methodologies are developed in accordance with FSC Standard No. 9 Valuation of Scheme Assets and Liabilities.

The net asset value of the Trusts is calculated by deducting the value of the liabilities from the gross assets. The assets of a fund include all investment assets, capital, income, property and rights of the Trusts.

The liabilities of the Trusts include all borrowings, contingent liabilities, accrued fees payable, provisions and any other relevant liabilities of the Trusts. Other assets and liabilities in the Trusts, which may include tax, provisions, fees and rebates, are valued in good faith in accordance with industry standards. In particular:

- Fees and rebates will be accrued on a daily basis;
- Expenses will be accrued daily using a reasonable estimate of annual expenses, with reconciliations and wash-ups against actual expenses occurring at least annually;
- Where performance fees are charged, an estimate of performance fees will be accrued on a daily basis. The performance fee methodology is outlined in the Trusts' PDS;
- Provisions may be made against possible future realisation of loss on mortgage assets. Provisions are made by applying a methodology which is independently verifiable and consistent with commercial practice. Where Balmain consider it appropriate Balmain will consult with the Trust's auditor or an approved valuer;
- Tax liabilities of assets are calculated in accordance with relevant taxation laws. As tax is paid in the hands of the member, a tax provision is not included in the unit price for the Trusts; and
- The unit price of the Trusts does not take into account tax credits collected by the Trusts. Tax credits will be distributed to members at each distribution period.

SELECTING A VALUATION METHOD

Investment assets are valued using the following guidelines:

- Mortgage assets are valued at outstanding principal less any provision for impairment.

The function of sourcing asset valuations on behalf of Balmain has in most cases been outsourced to relevant accredited real estate valuers. The asset valuation reports of the valuer specify how assets are valued. Whilst the valuer provides the asset valuations, Balmain retains the responsibility to ensure that all asset valuations are determined in accordance with the Trust's PDS, supplementary PDS, the Trusts' constitution, relevant legislation, industry standards and guidelines.

ALLOCATING ASSETS, LIABILITIES, REVENUE AND EXPENSES BETWEEN CLASSES OF UNITS

Where Balmain has discretion under the Trusts' constitution to issue different Classes of units and to determine the rights, liabilities, obligations and restrictions which attach to each class, the PDS or if amended by a supplementary PDS for the Trusts will set out the strategy of the Trusts which in turn is used to determine the allocation of assets, liabilities, revenue and expenses between classes.

5. TIMING

DETERMINING A TIME AT WHICH ASSETS AND LIABILITIES ARE VALUED

Balmain has discretion under the Trusts' constitution to determine when the Trust's assets and liabilities are valued. Balmain has exercised its discretion to determine that the assets and liabilities will generally be valued monthly.

DETERMINING A TIME AT WHICH UNIT PRICES ARE CALCULATED

Balmain has discretion under the Trusts' constitution to determine when unit prices are calculated.

Balmain has exercised its discretion to determine that the unit price of the Trusts will generally be calculated daily, weekly or monthly.

Where the valuation and pricing frequency is other than daily, weekly or monthly i.e. the valuation and pricing frequency is annually this is set out in the Trusts' PDS or the supplementary PDS. Unit pricing can be carried out using forward pricing or historic pricing.

- Forward pricing is when applications to buy and sell units are processed using a price based on asset data effective after the applications have been received.
- Historic pricing is when applications to buy and sell units are processed using a price calculated prior to the receipt of applications.

Balmain calculates unit prices by using forward pricing.

When using a forward pricing methodology, a cut-off time must be applied to determine which transactions will receive a particular unit price. Cut-off times are set out in the Trusts' PDS. Cut-off times are applied to the time when the transaction is received and accepted by Balmain.

Applications or withdrawal requests received before the cut off time on a business day will receive the relevant price for that day. Transaction requests received after the pricing cut-off time are processed using the unit price calculated on the next pricing day following the day of receipt of the transaction request.

There may be circumstances, where Balmain determines that the value of a Trusts' assets or liabilities cannot reliably be calculated and to process transactions would give rise to inequities between transacting and non-transacting unit holders. In such circumstances Balmain may determine that it is in the interest of unit holders to suspend the calculation of unit prices.

Transactions received during the period of suspension will be processed using the unit price applicable on the first pricing day after lifting the suspension.

Unit prices may also be delayed during interim and year end distribution periods.

ROUNDING UNIT PRICES

Where Balmain has a discretion under the Trusts' constitution to round the unit prices calculated, the issue price and withdrawal price will be rounded up or down to the number of decimal places specified in the constitution or as determined by Balmain in accordance with market practice.

Where rounding has resulted in fractions of units that are not allocated to unit holders, any excess will remain in the Trust at all times.

DISCLAIMER

The policy has been prepared by Balmain Fund Administration Limited (Balmain) ABN 98 134 526 604, AFSL 33213. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

REVISION HISTORY

DATE	VERSION	AUTHOR	DESCRIPTION
6 July 2012	V1.1	Simon Hindson	Authorised by: BFAL Board
13 Sept 2013	V1.2	Simon Hindson	Annual Review
8 Jan 2015	V1.3	Simon Hindson	Annual Review
11 Jan 2017	V1.4	Simon Hindson	Annual Review
15 Jan 2018	V1.5	Simon Hindson	Annual Review
18 Jan 2019	V1.6	Simon Hindson	Annual Review
22 Jan 2020	V1.7	Simon Hindson	Annual Review
11 Jan 2021	V1.8	Simon Hindson	Annual Review
31 Aug 2024	V1.9	Michael Finlayson	Annual Review
30 Oct 2025	V2	Michael Finlayson	Annual Review