

MELANESIAN
TRUSTEE SERVICES LIMITED



PACIFIC BALANCED FUND

REPURCHASE AND REDEMPTION POLICY

Valid from: 1st July 2023

Website link: <http://mtsl.com.pg/Policies/>

Approved by the Trustee Board:

John Sanday
Executive Chairman – MTSL

Date: 15th June 2023

Mark Sakai
Director

Date: 15th June 2023

Jerry Singirok
Director

Date: 15th June 2023

Peter Mase
Director

Date: 15th June 2023

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1. GOVERNANCE AND REGULATORY REQUIREMENTS

Melanesian Trustee Services Limited (“MTSL”) is the appointed trustee of Pacific Balanced Fund (“PBF” or the “Fund”) (“Trustee”) and is the Interim Manager of the Fund (“Fund Manager”).

For the purpose of this policy, the responsibilities are referred to as the responsibility of the Trustee and the responsibility of the Fund Manager, separately.

MTSL operates in a regulated industry governed by the following legislation:

- Securities Act 1997,
- Securities Commission Act 2015,
- Capital Markets Act 2015

MTSL operates under the Trust Deed of the Pacific Balanced Fund approved on 22nd October 2001 (“Trust Deed”).

This redemption policy documents the procedures of any repurchase by MTSL as Fund Manager and/or redemption by PBF in line with the requirements of the Trust Deed.

In line with the Trust Deed, MTSL has introduced a revised repurchase and redemption procedure to establish and improve the secondary market for PBF units and help provide the unitholders of PBF and individuals proposing to obtain units with a more efficient and transparent process.

The process flow chart and overview is described in details in appendix E.

2. REPURCHASE OBLIGATION

As per the Trust Deed, the Fund Manager, at the request of a Unit Holder, will repurchase the units or request PBF to redeem the units. This obligation is set out under *Section 8 of the Trust Deed*.

2.1. The Repurchase Agreement

The unitholder requesting the Fund Manager to repurchase fully paid units will do so in the form of an approved repurchase agreement template (“Repurchase Agreement”) (Appendix 1), updated by the Fund Manager and approved by the Trustee Board from time to time.

The Repurchase Agreement shall be executed by the unitholder (or any legal representative(s) of the unitholder), following the identification of the unitholder by the representative of the Fund Manager.

Unitholder identification may include the testimony of any of the following: police officer, magistrate, practicing lawyer, clergyman, medical doctor, or school principal and subject to the satisfaction of the Fund Manager.

The Repurchase Agreement shall include the following information as a minimum:

- Name of the unitholder
- Identification details of the unitholder (date of birth, identification document number)
- Unitholder’s account number and bank details (agreeing with the Registry information)
 - Should the unitholder request redemption payment for a bank account different from the registered bank account, the bank account change procedure shall be followed, prior to the signing of the Repurchase Agreement.
 - Any request for change in bank account details are subject to the procedure under section 2.5 of this policy.
- Date of repurchase request
- Number of units to be repurchased
- Unit value applied for the repurchase (as per the latest unit value reported by PBF at the date)
- Unitholder approval for brokering and resale arrangement.

The original Certificate issued to a unitholder (if any) in respect of the units referred to in the Repurchase Agreement shall be attached.

The repurchase agreement signed by the unitholder and is considered as a redemption notice as per the Trust Deed.

2.2. *Rejection of the repurchase request*

The Fund Manager may reject a repurchase request only with specific reason:

- Lack of identification of the requestor;
- Restriction on the disposal or sale of the units.

Following the receipt of the fully executed Repurchase Agreement from the unitholder, the Fund Manager shall verify and register any repurchase request in the Registry within 15 calendar days. If the Fund Manager is unable to identify the unitholder, or verify the repurchase, it shall immediately, but within 15 calendar days notify the unitholder and request clarification.

If the Fund manager does not have adequate current assets (cash) to fulfil the repurchase request within the required time, the Fund Manager shall immediately notify the Trustee and request the redemption of the units (please refer to 3. Redemption of Units).

2.3. *Time limit for repurchase of units from unitholders*

In line with the Clause 8.7 and 8.13 of the Trust Deed, the unit holder, upon submitting the fully executed Repurchase Agreement to the Fund Manager, shall be entitled to be paid the repurchase price within:

- 60 calendar days, if the total value of the units sold does not exceed K100,000
- 90 calendar days, if the total value of the units sold exceeds K100,000

The full payment of the purchase price is considered as the completion of the repurchase.

The unitholder, in the Repurchase Agreement, may indicate acceptance of a longer payment period to enable the Fund Manager to initiate a secondary market transaction.

2.4. *Repurchase Price*

The repurchase price of units is determined based on the latest audited financial statements of PBF as stipulated in the Trust Deed - Section 1 (Interpretation) and Section 8 of the Trust Deed ("Repurchase Price"). The Trustee shall review the Repurchase Price every six months, following the review of the portfolio value.

Should the Fund declare a distribution to the unit holders, the Repurchase Price must be revised and the latest reported Repurchase Price reduced by the same amount (distribution per unit declared).

The Fund Manager applies an administration charge determined in line with the Clause 8.8 and the Interpretation section of the Trust Deed and presented in the appendix B.

The Fund Manager is obliged to review the fee structure from time to time, and request for an independent expert opinion on the fairness and adequacy of the fee structure. The fee structure must be approved by the Trustee Board.

If the units are sold on the secondary market before the completion of the repurchase or redemption, then the unit holder is entitled to the purchase price received for the units less commission or brokerage fee. The total payout shall not be less than the Repurchase Price less the administration charge.

The redemption price shall be equal to the Repurchase Price at any point of time.

2.5. *Change of account details*

The Unitholder may request the change of the bank account used for any payout at any time from the Fund Manager and lodge the 'bank account change request' form signed. The form is attached as appendix D.

The Fund Manager must identify the unitholder prior to the acceptance of the change request.

3. REDEMPTION OF UNITS

The Fund Manager in its discretion, in line with Clause 8.13 of the Trust Deed, may request the redemption of the units by the Fund directly from the unitholder.

The Fund Manager at its discretion, in line with Clause 8.13 of the Trust Deed, may request the redemption of the units purchased by the Fund Manager at any time, following the completion of the repurchase.

The decision of the Fund Manager cannot result in a reduction of the repurchase amount payable to the unitholder or delay the payout to the unitholder.

The units redeemed must be cancelled on the day of payment of the Repurchase Price in relation to the units.

4. SALE OF UNITS ON THE SECONDARY MARKET

4.1. Authorisation of the Fund Manager for secondary market transactions

The Fund Manager may offer any units for sale on the secondary market, in line with the Clause 12.2, 20.7, 20.8 and 20.11 of the Trust Deed,

- which were repurchased by the Fund Manager; or
- where a fully executed Repurchase Agreement is in place.

4.2. Third party broker

In accordance with Clause 20.11 of the Trust Deed, the Fund Manager may deal with, transact, or sell units of the Trust Fund on a secondary market through a licenced broker or affiliate, and contract with a unitholder for this purpose. In addition, in accordance with Clause 12.2 of the Trust Deed, the Fund Manager may sub-delegate its power, and request a licenced broker(s) to sell units on the secondary market.

The Fund Manager must ensure that the licenced broker(s) has no conflict of interest and does everything to achieve a fair market price on behalf of the unitholder or the Fund Manager, but not less than the minimum purchase price determined by the Trust Deed.

4.3. Proceeds from the secondary market transactions

Any secondary market transaction shall be treated on a first in first out (“FIFO”) basis. This means, that the Fund Manager shall register the sale of units for unitholders based on the date and time of the registration of the Repurchase Agreement.

If a secondary transaction is concluded before the completion of the Repurchase Agreement, the unit holder is entitled to the purchase price less any brokerage fee charged by the third-party provider. This cannot be lower than the Repurchase price less administration charge.

If a secondary market transaction is concluded subsequent to the completion of the Repurchase Agreement, any proceeds from the secondary market transaction should belong to the Fund Manager.

The Fund Manager must report the number of units offered for sale through broker(s) on a regular basis, as required by the Trustee.

5. TRANSPARENT REPORTING

While the Trust Deed does not determine any reporting obligation for the Trustee or the Fund Manager, the Trustee Board considers it important to adopt more transparency for the unit holders.

Accordingly, the following information is required to be published from time to time and made available for the unit holders or any stakeholders through the website of the Fund (<http://mtsl.com.pg/pbf/>):

- PBF Repurchase and Redemption Policy;

- Repurchase and redemption price;
- Template Repurchase Agreement (for download);
- Name and contact details of broker(s) authorised by MTSL to transact with PBF units;
- Registered unit transaction information on a periodic basis, including the following key information:
 - i. Number of units redeemed by the Fund during the period;
 - ii. Number of units sold on the secondary market;
 - iii. Average unit price per type of transaction;
- Number of units available for purchase at the point of time.

6. APPROVAL

This policy is effective from 1st July 2023 following the approval by the Trustee Board on 15th June 2023.

The current policy shall be revised from time to time by the Fund Manager and approved by the Trustee Board before implementation and publication.

7. APPENDICES

A. *Repurchase Agreement (Template)*

The latest template is available on the below link:

<http://mtsl.com.pg/Forms/>

B. *Administration charge*

MTSL as Fund Manager determined the administration charge based on international benchmarks.

Considering the nature of the Fund, redemption fees are charged based on the holding period of the fund units as follows:

- 2.0% - If the units were purchased by the unitholder not more than six (6) months from the date of the Repurchase Agreement.
- 1.0% - If the units were purchased by the unitholder more than six (6) months but less than 1 year from date of the Repurchase Agreement.
- 0.35% - If the units were purchased by the unitholder more than 1 year from the date of the Repurchase Agreement.

The minimum redemption fee is PGK 50 for each Repurchase Agreement registered.

C. *Fund Manager repurchase limit for secondary market transaction support*

The Board of Directors of MTSL is entitled to determine the repurchase limit from time to time, considering (i) the expected total value of redemption requests for the period, (ii) the secondary market demand for PBF units, and (iii) the liquidity position of the Fund Manager.

MTSL as Fund Manager may hold maximum of K1 million value of PBF units at any point of time.

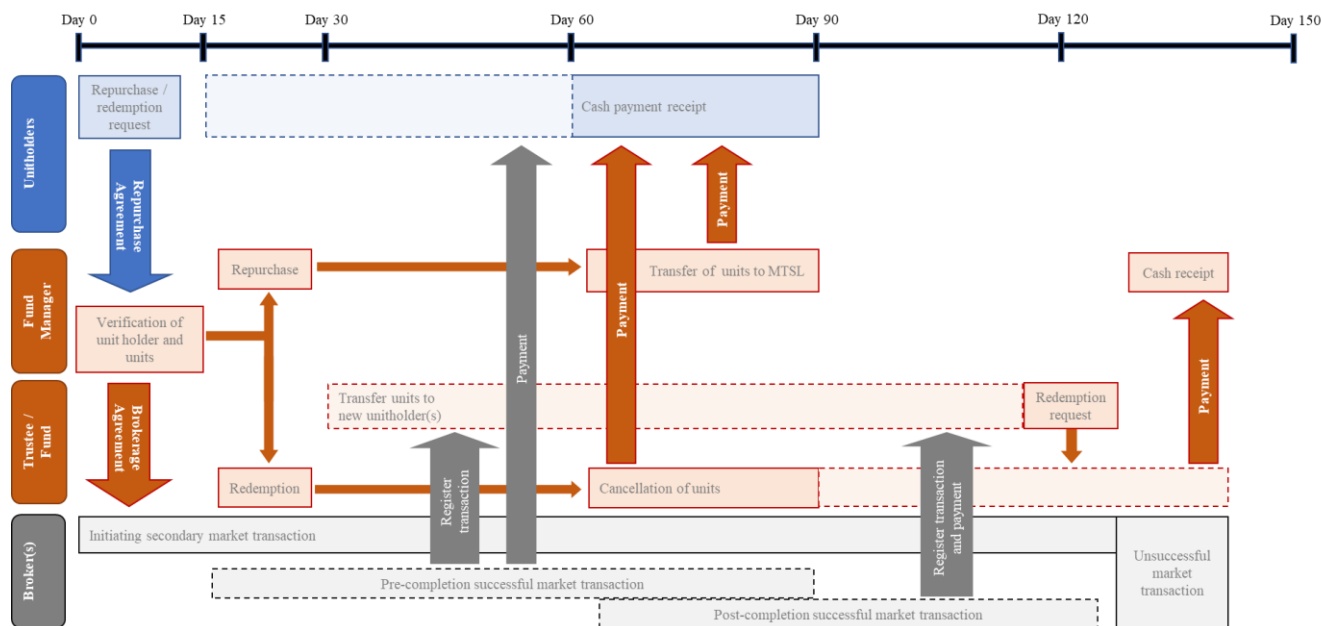
D. *Bank account change request form*

The respective form is available under the following link:

<http://mtsl.com.pg/Forms/>

E. *Process overview*

The process is presented in the below flow chart followed by a step by step description.



The key steps in the above process are:

- 1) The Unitholder downloads the Repurchase Agreement Form from the link: <http://mtsl.com.pg/Forms/>
- 2) The Unitholder completes the form, signs and submits to the Fund Manager
- 3) The Fund Manager verifies the Unitholder and the units
- 4) The Fund Manager decides whether the units are to be purchased by the Fund Manager or request the redemption by the Fund.
- 5) The Fund Manager notifies the third-party broker from the availability of the respective units for sale on the secondary market.
- 6) The third-party broker initiates secondary market transaction.
- 7) If the Fund Manager repurchased the units on its behalf and there is a successful secondary transaction within the time limit determined under section 2.3 of this policy, then:
 - i. The third-party broker transfers the sale price less commission or brokerage fee to the Fund Manager.
 - ii. The Fund Manager transfers the entire amount without any delay (e.g. within 3 days) to the Unitholder
 - iii. The Fund Manager registers the secondary market transaction in the Registry and transfer the units from the old unitholder to the new unitholder.
- 8) If the Fund Manager repurchased the units on its behalf and there is a successful secondary transaction outside the time limit determined under section 2.3 of this policy, then:
 - i. The Fund Manager settles the Repurchase Price to the Unitholder within the above time limit.
 - ii. The Fund Manager registers the repurchase in the Registry and transfers the units to the name of the Fund Manager.
 - iii. Upon the completion of the secondary market transaction, the third-party broker transfers the sale price less commission or brokerage fee to the Fund Manager.
 - iv. The Fund Manager registers the secondary market transaction in the Registry and transfers the units from the Fund Manager to the new unitholder.

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- 9) If the Fund Manager repurchased the units on its behalf and there is no successful secondary market transaction, then:
- i. The Fund Manager settles the Repurchase Price to the Unit holder within the above time limit.
 - ii. The Fund Manager registers the repurchase in the Registry and transfers the units to the name of the Fund Manager.
 - iii. The Fund Manager may request the redemption of the units from PBF.
 - iv. The Trustee must satisfy itself that the Fund has satisfactory liquidity to settle the redemption request.
 - v. The Trustee must settle the Repurchase Price to the Fund Manager within the respective time limit from the Fund's bank account.
 - vi. The Fund Manager registers the redemption and cancels the units from the Registry.
- 10) If the Fund Manager requested the redemption of the units by PBF upon the receipt of the signed Repurchase Agreement, then:
- i. The Trustee must satisfy itself that the Fund has satisfactory liquidity to settle the redemption request.
 - ii. The Trustee must settle the Repurchase Price to the Unitholder within the above time limit from the Fund's bank account.
 - iii. The Fund Manager registers the redemption and cancels the units from the Registry.