

Factsheet

July 2010

Unit pricing – how it works

Background

Since 1 April 2010 legalsuper has issued unit prices for each of its investment options (except for the S&P/ASX200 investment option).

Prior to 1 April 2010 legalsuper used a 'crediting rate' to apply earnings to member accounts. The Trustee changed to unit pricing as it provides a more regular valuation of your entitlements. Unit pricing is also a more equitable approach relative to the previous crediting rate approach.

An overview of unit pricing

With unit pricing your interest in legalsuper is measured in a number of 'units'. Each 'unit' has a 'unit price'.

The value of your interest in legalsuper is equal to the number of units you hold in each of legalsuper's investment option(s) multiplied by the unit price for that unit in each investment option.

The value of additions and withdrawals from your account are translated into units using the unit price prevailing on the date on which such additions or withdrawals are processed.

What is unitisation?

When you invest in any of legalsuper's investment options (apart from the S&P/ASX200 investment option) you acquire units which constitute your interest in the underlying assets held for the investment option(s) in which you are invested.

Each unit has a unit price that is determined by dividing the total value of the assets in the investment option after an allowance for tax and fees by the number of units on issue for the

investment option. Unit prices will increase or decrease as the value of the assets or the allowance for tax and fees in the investment option changes.

Unit prices are determined each week on a Friday. Each week's new unit prices will generally be available from Wednesday of the following week.

Why we use unitisation?

Unitisation provides greater equity to all members than the alternate method of using a crediting rate. In addition, weekly unit prices provide members with more up-to-date information about the value of their account balance.

How does unit pricing work?

Unit prices are generally determined using the available valuation information for assets as at the close of business on each Friday. However, in some instances the Trustee may determine the value on another day, or more or less often than weekly, or apply a different process to value assets.

A provision for tax and expenses will be deducted from the valuation of assets and a net asset value calculated for each investment option.

Each net asset value is then divided by the number of units on issue for each investment option (except the ASX200 investment option). An allowance will also be made for the cost of acquiring or disposing of the assets in each investment option, to calculate each unit price (this is known as a 'buy spread' and a 'sell spread' and is used to help ensure an equitable treatment between members transacting with legalsuper and those who already hold investments in legalsuper).

legalsuper will ordinarily release unit prices by Wednesday of the following week on its website at legalsuper.com.au

When a contribution is allocated to your account, you will be allocated a number of units. The number of units you will be allocated will be determined by dividing the contribution amount by the relevant unit price.

Example:

David Smith

Contribution for May 2010 = \$1,100

Unit price = \$1.10 per unit

Number of units allocated = 1,000 units
(\$1,100/\$1.10)

When a benefit payment or withdrawal (such as for fees, tax or insurance) is deducted from your account, units are deducted from your account using the relevant unit price.

Example:

David Smith

Withdrawal = \$1,100

Unit price = \$1.09 per unit

Number of units sold = 1,009.1 units
(\$1,100/\$1.09)

How long will it take to process if I switch from one investment option to another?

When a member requests a switch between investment options (except the ASX200 investment option), the transaction is processed similarly to that of a withdrawal or a contribution, except that the switch transaction is held over and processed using the next unit price that is issued the week after the switch is received.

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In other words, a switch received on Thursday this week will be processed from Wednesday next week after the next unit price has been issued. This process has been adopted to mitigate against the risk of arbitrage and is designed to ensure that all members – those switching and those not – are treated equitably.

How regularly are unit prices updated?

legalsuper will on most occasions issue unit prices weekly, generally by Wednesday of the following week, and these prices are available at legalsuper.com.au

Why is the unit price calculated weekly rather than daily?

In resolving to calculate unit prices weekly rather than daily, the Trustee has sought to balance the additional cost of more regularly issuing units prices and the fact that a small number of members switch investment options.

It could cost more than five times as much to calculate daily unit prices and that higher cost would be borne by all members.

As a small number of members switch investment options it is the view of our Trustee that it would be inequitable for the vast majority of members (who do not switch investment options) to pay the cost of more regular unit pricing (which is utilised by a small number of members).

What if unit prices cannot be determined?

If the Trustee is unable to value or liquidate significant assets the Trust Deed includes a power for the Trustee to suspend investment into, or out of, an investment option and the ability for members to buy or sell units could be suspended.

Why does the change not affect the S&P/ASX200 investment option?

As this is a member-directed investment option specific to each member, it is not necessary to change this option. Further, the value of each member's ASX200 holding is determined by multiplying the number of shares held with the applicable share price.

Different prices for Accumulation and Pension members

There are different unit prices for equivalent investment options in the accumulation and pension sections of legalsuper. This is because earnings in the accumulation section of legalsuper are subject to tax and legalsuper needs to accrue for this tax (as well as other expenses) when unit prices are calculated. For the Pension section, earnings on these assets are not taxable.

How can I check the value of my account?

You can check the value of your account online by logging into Member Login using your account logon details. You will be able to see the number of units you hold in each of legalsuper's investment options, the current price per unit and the total value of your investment in dollar terms.

Remember that unit prices change regularly and you should periodically check to see if all your recent transactions have been received and processed.

Alternatively, you can call us on **1800 060 312** and we can assist you with a calculation of your account balance.

If you have a question about unitisation which has not been addressed above, please send your questions to Antony Mian at amian@legalsuper.com.au

Important note:

This information is of a general nature and does not take into account your specific needs. You should consider your own financial position, objectives and requirements before making any financial decisions. You should also obtain and read the legalsuper Product Disclosure Statement (PDS) before making your investment decision. Past performance is not a reliable indicator of future performance.