

BEST EXECUTION POLICY

Introduction

As an authorised financial product dealer, Pella Funds Pty Ltd ('the Company') has an obligation to obtain the best possible outcome for its clients when handling and executing orders on behalf of clients. This policy sets out how the Company takes all reasonable and sufficient steps to meet its best execution obligation.

This policy applies whenever portfolio assets are bought or sold for the Company managed portfolios, specifically when the nominated dealer execute orders approved by the Portfolio Manager/Analyst. This policy should be read in conjunction with the Company Trading Policy and Brokerage Allocation Policy regarding execution arrangements.

Best Execution

The Company considers various qualitative and quantitative factors into account when executing trades or transmitting orders to achieve the best possible execution outcome for client funds.

Best Execution Factors

The execution factors that are considered when executing orders for client funds are as below:

- Price
- Liquidity, e.g. % of market volume
- Speed of the trade
- Size of the trade
- Nature of the trade
 - Foreign Exchange
 - Cash Equity
 - Derivative
- Explicit cost of trading
 - Broker commission rate
- Implicit cost of trading
 - Market impact and any other implicit transaction costs
 - Spread cost of the order
- likelihood of execution and settlement
- Any other consideration relevant to the execution of the order.

The obligation to provide best execution applies to all financial instruments. However, given the difference in market structures and the structure of individual financial instruments, it is not possible to apply a uniform procedure for achieving best execution. the Company is responsible for assessing and determining the relative importance of these factors by considering the characteristics of the client, the order, financial instrument, and execution venue.

Best Execution Venues

This policy limits venues where the Company will transact orders to those venues that are regulated by a recognised regulatory body. These venues should enable the Company on a consistent basis the best possible result for the execution of client orders.

In exceptional circumstances, other venues not listed in this policy may be used on a provisional basis if it has been assessed by the Company as having systems in place which enable the delivery of best execution to the Company' satisfaction and in the interests of the Company' clients.

In selecting execution venues, the Company targets that it is compliant with Australian sanction laws and regimes that are administered and enforced by DFAT¹. the Company will not execute transactions at venues that would be non-compliant with any relevant Australian sanction regime. However, the Company may decide not to allow for investment transactions to be placed at a particular venue, even where it is permitted by law as guided by risk appetite, corporate social responsibility, business efficacy or reputational risk.

Order Execution

Prior to a transaction being executed, the Company's nominated dealer will select a broker from the Company Approved Broker Panel by considering a specific criterion for each transaction, including the price, cost, speed, likelihood of execution, settlement of the trade, size and nature of the order, a risk criterion and the impact the order could have on the market.

It is important that the broker's own execution policies existence is verified when being considered as an Approved Broker or when relevant.

Monitoring

Monitoring is the assessment, on a regular basis, of transactions to determine whether the Company has complied with this best execution policy, and whether the resulting transactions has delivered the best possible result for the clients.

Monitoring and Oversight

Executed trades are monitored daily. Executed trades are analysed from a total consideration perspective. Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

Monitoring of Allocation

Based on the ranking results obtained from the Company' bi-annual Broker Review, the Company' nominated dealer allocates trades between brokers based on:

- The broker best placed to provide best execution on a particular trade, based on access to liquidity and quality of execution; and

¹ <http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/pages/sanctions-regimes.aspx>

- The brokerage that has already been paid to each broker versus the rank-based target for each broker.

Conflicts-of-Interest

The Company will not allocate trades to brokers should there be an indication of a potential conflict of interest. No third-party arrangements are entered into by the Company to manage any potential conflict of interest.

Record Keeping

All trade details are to be promptly and accurately recorded. These are to be monitored and maintained, with necessary changes being made when the need arises.