

MARKET CONDUCT

Purpose

To ensure that staff who perform, instruct, or influence market trading activities always engage in proper market conduct.

To ensure that trading activities are fair and not influenced by insider information.

To ensure that processes and procedures are in place to record all trading activity and to prevent actual or perceived market manipulation or insider trading activity taking place.

PROCEDURES - THE REPORTING OFFICER MUST ENSURE THAT:

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| 1 | We do not engage in trade-based, disclosure-based, or any other form of market manipulation activity. |
| 2 | Relevant staff are trained in market conduct and insider information. |
| 3 | There are documented procedures for market trading activity which include the keeping of accurate dealing records. |
| 4 | We follow processes for personal trading and adhere to restrictions on meeting with issuers of securities. |
| 5 | Transactions are only completed with approved brokers. |
| 6 | Only approved staff deal with brokers and intermediaries. |

What is Insider Trading?

Insider trading is the trading of securities or a wider set of financial products while in possession of information:

- Which is not generally available
- If it were, would be likely to have a material effect on the price or value of the security.

Insiders can be anyone and they do not have to be directly related to the company.

Trading on material non-public information erodes confidence in capital markets, institutions, and investment professionals by supporting the idea that those with inside information can take unfair advantage of the general investing public. Anyone found breaching insider trading provisions is criminally liable for insider conduct.

What activities are prohibited?

There are three specific prohibitions on persons with inside information. They cannot:

- Trade securities or financial products or enter into agreements to trade
- get another person to trade or enter into agreements to trade
- directly or indirectly communicate the information to someone who they think might trade, enter into agreements to trade or get another person to trade.

What is the meaning of 'inside information' and other definitions?

Important definitions associated with insider trading are:

- **Insiders** - They can be either be natural persons or corporations.
- **Financial products** - This refers to securities, derivatives, interests in managed funds, debentures, government-issued stocks or bonds, some superannuation products and other financial products able to be traded on financial markets.
- **Generally available** - This consists of readily observable matters (for example media reports) or matters that have been made known in a way that is likely to bring them to the attention of those who commonly invest and a reasonable period for dissemination has elapsed, or matter that can be deduced, concluded or inferred from the previous points.
- **Inside information** - This is information not generally available and, if it were so, a reasonable person would expect it to have a material effect on the price or value of financial products.
- **Material effect** - This is an effect where a reasonable person would expect it to influence a person who commonly invests to decide whether to buy or sell financial products.

Are there any exceptions?

Numerous exceptions exist for insider trading. They are covered in the CA and include withdrawing from registered schemes, underwriters, acquisitions, Chinese walls, bodies corporate and holders of AFSLs.

For example, some defences relate to specific types of financial products and can include exceptions for insurance underwriters and the revealing of information under legal obligation. These exceptions can be used as a defence in court. It is incumbent on the prosecution to prove that these defences do not apply.

What are the penalties for insider trading?

There are serious penalties for insider trading. The insider trading penalty for an individual is up to 10 years imprisonment and/or the greater of \$495,000 or three times the profit gained, or loss avoided. For companies, the maximum penalty is the greater of \$4.95 million, three times the profit gained, or loss avoided or 10% of the company's annual turnover.

People affected can sue for compensation for damages suffered. ASIC can also institute an action on behalf of the issuer of the financial product.

Fair dealing

ASIC and the CA set out minimum compliance standards of behaviour for people operating in financial markets. These standards provide for fair dealing in relation to financial products and services by prohibiting misleading or deceptive conduct, false or misleading representations, unsubstantiated representations or offers of financial products in the course of unsolicited meetings.

We do not advance our personal interest during, or because of, a business meeting. Investors have the right to withdraw and be repaid for products offered in contravention of this prohibition.

Market trading

We operate a trading policy for executing all transactions for our Funds. Orders are properly communicated and recorded in the trading system so as to facilitate accurate maintenance of records into our systems, the monitoring of correspondence with brokers and order management both internally and externally to the Funds we operate. Trade allocation and aggregation of orders will be applied according to set principles.

We do not practice market manipulation, meaning we do not trade in a manner that deliberately interferes with the free and fair operation of the market, or in a manner which creates an artificial, misleading or false price for traded securities. We do not participate in selected disclosure in meeting with issuers of securities.

Accurate records are created and maintained at all times. Fees, charges, brokerage and commissions are applied in accordance with Fund documents and agreements. Trades are entered into our systems and professional communication is maintained for telephone usage and email correspondence. All trade data is backed up regularly.

Derivative positions are reviewed at least daily and managed in accordance with procedures together with requirements of the CA.

Personal Trading

Our representatives comply with all relevant legislation and their fiduciary duty to clients and other security market participants in relation to their own trading and investment activity. Employees must not take an investment opportunity away from clients for personal profit.

We maintain records of restricted securities and employees may not make personal trades with any entities on the list. Representatives must also not participate in trades that are perceived to conflict with the trades made for the Funds we operate.

Our representatives do not participate in selected disclosure with issuers of securities for their personal trading.

Trading in securities or financial products for the personal account of our employees and representatives is recorded and requires approval of the CO before the trade can be placed and executed.

Employees and representatives are asked to confirm their compliance with the trading policy including their personal trading activity at least annually. Any failure to comply with the restrictions or parameters will be considered a breach and treated under our Breach Policy.

Broker Selection & Soft Dollar Commissions

We have procedures in place for the selection and retention of brokers. No broker selected is to pass on insider information to us or other organisations. The brokerage rate and default commissions must be disclosed. Pella's policy is to receive soft dollar commissions, which will not influence any advice or services provided to our clients and are used for the benefit of the fund's managed by Pella.

Deals can only be made with the brokers selected and approved by us. We also maintain an approved list of representatives authorised to trade with brokers and intermediaries.

We will undertake a review of brokers at least annually. The review will include the amount of brokerage paid to them.

Disclosure of relevant interests – listed entities

Persons who, with associates, have relevant interests in voting shares representing 5% or more of votes in a listed entity, must disclose details of that relevant interest.

Acquisitions of a relevant interest in voting shares or interests that increase a person's voting power to more than 20% are prohibited, unless under a takeover bid.

We will undertake a review of the records of the custodian on a quarterly basis to ensure any relevant interest in listed entities are appropriately disclosed.