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# EMPLOYEE TRADING POLICY

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## **1. INTRODUCTION**

This document sets out the policy in relation to trading by employees of the Company. The purpose of this policy is to ensure there is an alignment of interests between clients, employees, and the Company.

### **1.1. Context**

As a holder of an Australian Financial Services Licence, the Company is required to comply with the requirements of the Corporation Act.

The Company must ensure that any personal account transaction by one of its employees does not involve the misuse or improper disclosure of confidential information and does not conflict or is not likely to conflict with an obligation of the firm to a client.

The Company is required to set up and monitor controls to ensure that information obtained about the Company's intentions to trade in specific securities are not used by employees for their own benefit.

This policy is specifically designed to raise awareness and minimise any potential for breach of the prohibitions on insider trading contained in the Corporations Act 2001.

The policy is also designed to minimise the chance that misunderstandings or suspicions arise regarding employees trading while in possession of non-public price sensitive information or client information.

### **1.2. Scope of the Employee Trading Policy**

#### **1.2.1. Types of Trades**

Trading, trades and trade for this policy is defined as trading in:

- Equity or debt Securities (and their derivatives) of any corporation or entity (including a unit trust) listed on any other recognised global stock exchanges.
- Securities and instruments included in portfolios managed by the Company.

#### **1.2.2. Application to Employees and their Associates**

This policy applies to accounts and trading for all employees of the Company as well as any account or holding in which the employee has a direct or indirect beneficial interest and has control or influence over. These include accounts/holdings in the name of:

- the Employee
- the Employee's husband, wife, partner or children less than 18 years of age
- a Family Company
- a Family Discretionary Trust
- a Superannuation Fund
- any other controlled entities

The Board may determine that the above policy is not to apply to an employee's associate. This will be determined following an application from the employee on behalf of their associate requesting that the policy not apply. Reasons as to why the policy is not to apply are to be provided.

The COO is to provide a recommendation to the Board in respect of whether the waiver is to be granted. Any waiver of the policy is to be specific to an account and/or transaction in specific securities. Any granted waiver is to be documented in the register.

The Company will apply the personal account trading policy/procedure to contractors and temporary employees of the firm who carry out roles that support the investment activity of the Company when appropriate.

### **1.2.3. Exceptions**

Trade approval is not required for non-trading related corporate actions such as Dividend Reinvestment Plans (DRPs), pro-rata entitlements such as rights issues and bonus issues, and compulsory acquisitions, but such transactions need to be included into the employee's trading register.

Should a trade be wholly initiated by a party independent to the employee, e.g., a margin call related sale of stock initiated by the margin lender, then that trade will not be subject to this policy.

This policy also does not apply to:

- Person investments in well recognized funds, providing the employee holds that investment for at least one year.
- Personal investments in securities that are not listed or traded on recognized stock exchanges and will not be listed on such exchanges for at least one year from the date of investment.
- Personal transactions effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the relevant person or other person for whose account the transaction is executed.
- Personal transactions in units or shares in collective undertakings where the relevant person, and any other person for whose account the transactions are affected, are not involved in the management of that undertaking.

Employees may also apply to a director for written consent for exemptions in other scenarios. These exceptions will be a recorded in a trading and investment register.

## **2. GENERAL RESTRICTIONS**

### **2.1. Investments into securities listed on recognized exchanges**

Employees of the Company must not purchase or short sell any equity, equity linked, debt, or debt linked security listed on a recognized stock or derivative exchange. This restriction does not include listed funds including exchange traded funds (ETFs), mFunds, or listed investment companies (LICs).

### **2.2. 'Insider information'**

At all times, individuals must not:

- Deal (or get others to deal) in securities if they possess unpublished price-sensitive information; and
- Communicate unpublished price-sensitive information to other people, either directly or indirectly.

The general restrictions apply to securities of external entities as well as those of the Company.

Participation in any of these activities constitutes 'insider trading'. Penalties for insider trading may include criminal or civil liability against the individual or company concerned.

It is the responsibility of all relevant personnel to comply with this policy. In considering the consequences of a breach of this policy, the purpose or motive for the dealing is irrelevant. It is also irrelevant whether an individual (or another person) benefited from the dealing, or that the transaction had no connection with the inside information (for instance, if the transaction was planned for some time before acquiring the inside information). It is also irrelevant that an individual disclosed the intention to or obtained the permission of anyone in the Company or any other person.

### **2.3. Conflict between the employees and client trading**

At all times, all employees are required to conduct their personal investment activity in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company and its clients. Failing to do this may result in the employee being terminated.

This policy should be read in conjunction with:

- the Company Conflict of Interest Policy,
- the Company Trading Policy
- the Company Employee Code of Conduct

### **2.4. IPO Offerings**

Employees are not allowed to accept stock in any IPO or capital raising that the Company is participating in.

## **2.5. Investment in entities managed by the Company**

Employees are encouraged to make and maintain investments alongside clients in any managed investment schemes or other entities that are managed by the Company.

## **2.6. Other Restrictions**

- Employees should always put client interests ahead of all other interests, including their own interests.
- Employees should not in any way front run client trading.
- Employees are discouraged from excessive trading.

## **3. EMPLOYEE TRADING DECLARATION, APPROVAL PROCESS & CONDUCT OF TRADE**

Employees of the Company are restricted from purchasing or short selling any equity, equity linked, debt, or debt linked security listed on a recognized stock or derivative exchange. Nonetheless, this section provides guidance concerning other investments made or held by the employee, or when exemptions might be granted to invest in equities, equity-linked, debt, or debt-linked securities that are listed on a recognized stock exchange or derivative exchange.

### **3.1. Upon employee commencing at the Company**

All employees are required to disclose, at the commencement of their employment and thereafter on an annual basis, the following to the Chief Operating Officer ('COO'):

- All personal trading accounts
- All holdings

Holdings that must be disclosed in the register include, but are not limited to:

- Listed securities
- Unlisted securities
- Investments in funds

It is each employee's responsibility to ensure their register is always correct and up to date.

### **3.2. Employee transaction request**

All employees are required to gain pre-approval from the COO or Director via email. The COO ([tony.hammond@pellafunds.com.au](mailto:tony.hammond@pellafunds.com.au)) must be included in the email. In the case of the Director, approval needs to be obtained from the COO. Approvals are required:

- to trade (Buy/Sell); or
- open a new trading account.

The COO will review the transaction request to ensure:

- the Company is not currently trading the stock, has not traded it in the past 2 trading days in the relevant market, and does not expect to trade the stock in the near future.
- The same stock must not be traded again in the opposite direction within a 20-business day period (i.e. it may be traded on T+21) outside of extenuating circumstances and after approval by the COO or Managing Director has been received. This restriction is in place to discourage short term trading.

The COO is required to notify the employee of the consent to trade/open a new trading account within 1 business day of receiving the transaction request.

The authorisation is valid for 2 business days, after which it will be required to be re-authorised. If the stock is illiquid, the COO can extend the authorisation to 5 business days.

### **3.3. Trade execution disclosure**

The employee must ensure COO receives a copy of the trade confirmation/opening of the trading account.

The employee must ensure the COO receives a copy of all the employee's applications and redemptions into funds annually. This should be provided by 30 June, annually.

### **3.4. Employee's personal trading register**

It is each employee's responsibility to ensure that their personal trading register is correct and updated when required. Employees must provide their trading register on an annual basis to the COO or upon request from the COO for monitoring purposes.

Employees are reminded that ASIC has the power to demand a register of interests from any employee of the Company.