

BEST EXECUTION POLICY

ASIC's Market Integrity Rules (Competition in Exchange Markets) 2011 requires that we notify clients of our Order Execution policy and arrangements. Unless you notify us to the contrary, you will be deemed to have given your prior consent to the execution or transmission of orders in accordance with this policy.

Summary

Rule 3.1.1 requires that we take all reasonable steps to obtain the **best outcome** where we execute or transmit an order on your behalf, either on your instructions or in the exercise of our discretion.

For **retail clients**, this means the best total consideration which we will usually interpret to the **best price**, taking into account transaction costs and client instructions. Occasionally however, we may need to consider other execution factors as set out below, if we believe they will help deliver the best total consideration. For example, in an illiquid stock, or when the best price on an order book is in an insignificant volume (e.g. one share).

For **wholesale clients**, execution factors or any combination of such other than **best price** may be particularly relevant in determining the **best outcome**.

Instructions: If you give us a specific instruction as to how you wish your order to be executed, which we accept, we will endeavor to follow your instructions. The execution of such an order in accordance with your instructions may, however, prevent us from taking the steps that we would otherwise take to obtain the best outcome for your order. Where instructions are inconsistent with the best outcome, PSL will only accept such orders on an order by order basis from retail clients.

Order Books: For transactions done on an order book, PSL will generally consider best price to be the best available price across all the order books of the licensed markets it has access to. Where the best price (for the volume of the client order) is spread across multiple order books, PSL will take reasonable steps to obtain the best overall price.

De Minimis Limits: PSL may at its discretion set a minimum transaction size of \$50.

Execution Factors

We will consider the following factors, in relation to each instrument type, to determine how we execute your orders in the market place:

- Nature of the order, e.g. market order, limit order, fill or kill etc.
- Price
- Transaction costs
- Speed
- Settlement certainty
- Size of order
- Market volumes
- Market liquidity
- Investment objectives of the portfolio
- Differing Exchange trading hours
- Differing Exchange opening and closing mechanisms
- Any other matters we consider relevant to the efficiency and cost effectiveness of the order

We will determine the relative importance of each factor using the following criteria:

- Your characteristics (including your regulatory client categorisation)
- The characteristics and nature of your order, including whether any specific instructions are given in relation to any individual or series of transactions
- The characteristics of the financial instruments that are the subject of your order
- The characteristics of the execution venues to which your order can be directed

Execution Venues

Where we transmit for execution on your behalf, we will assess whether the venue to which we transmit your order for execution provides the best outcome for you on a consistent basis. In satisfying this policy, we will use relevant order books on one or more of the following venue types:

- Regulated Markets, e.g. ASX, Chi-X, NSX etc.
- Multilateral Trading Facilities
- Systematic Internalisers
- Other matching systems or mechanisms (including where permitted under pre-trade transparency exceptions)
- Third party investment firms and/or affiliates acting as Market Maker or other liquidity providers

Relevant order books that we may access could include the ASX Purematch, ASX Tradematch, ASX Central Limit Order Book and Chi-X Australia.

Where we believe that best execution can be achieved on clients' behalf outside Regulated Markets or Multilateral Trading Facilities it is our policy to do so.

There may also be occasions where PSL will transmit and execute a client order through the order books of a crossing or other matching mechanism under a pre-trade transparency exception. In such circumstances, where we may be acting for both sides of the transaction, we will act on the basis that we provide to each client the best outcome in terms of price improvement, volume improvement or managing market impact.

Order Handling

Patersons will transmit and execute orders promptly, fairly, in due turn and in accordance with the rules, customs and conventions and of the Markets on which the order is transacted on. In particular:

- **Order Vetting:** Patersons will vet orders to determine whether:
 - (i) an order can be passed straight to market in a compliant manner via an Automatic Order processing system;
 - (ii) an order should be referred to a DTR to exercise professional judgment on whether there is any risk of non-compliance with the ASIC MIR (ASX Market); or
 - (iii) an order should be rejected and immediately back to the order placer to correct.
- **Immediately Executable Orders:** PSL will hold orders received outside trading hours until all markets are open, or when in our judgment, the Listing Market that consistently delivers the best outcome, is open.

- **Differing Opening and Closing Mechanisms:** PSL will consider the quality of execution received for opening and closing orders on the different markets to which it has access and will direct orders to the Listing Market that in our judgment, consistently delivers the best outcome.
- **Price Improvements After Orders Transmitted:** Where a price improvement occurs in one market after PSL has transmitted an immediately executable order to another market, PSL will not be obliged to re-transmit that order.
- **Limit Orders:** PSL will display uncompleted limit orders to achieve Best Execution, unless clients expressly instruct otherwise and subject also to the rules of the relevant Listing Market. PSL will in its sole discretion decide whether to accept and how to handle limit orders at a significant variance from the current market price.

Monitoring

Patersons is committed to the prompt and fair treatment of all clients' orders and has a number of policies and procedures in place to ensure such commitment. These specifically consider the following:

- Suitability: That suitability requirements are adhered to.
- Transaction Order Handling: That client orders are handled fairly or in turn.
- Best Execution: That transactions are managed appropriately.
- Affiliates: That business is not routed through affiliates on unfair terms.
- Bundling: That services provided to clients do not constitute an inducement.
- Principal Trading: That the interests of the firm are not put before those of clients.
- PA Dealing: That the interests of staff are not put before those of clients.

Patersons has arrangements in place to monitor compliance with its Best Execution Policy.