

BELL POTTER - BEST EXECUTION POLICY.

Bell Potter Best Execution Policy

The Australian Government has introduced legislation which allows for competitive stock exchanges within Australia.

Pursuant to part 3 of the ASIC Market Integrity Rules (Competition Exchange Markets) 2011, a Market Participant must take reasonable steps when handling and executing an order in equity market products to obtain the best outcome for the client. To achieve this we are required to establish and implement policies and procedures designed, where possible, to provide both Retail and Wholesale clients with “Best Execution” when executing their orders or receiving and transmitting orders for execution.

The purpose of this document, known as our “Best Execution Policy”, is to provide Clients with a reasonable amount of information in order to allow clients to make an informed decision about whether to instruct Bell Potter to handle and execute Orders. Although Bell Potter is a Participant in the Chi-X Market we have chosen to rely on the transitional arrangements permitted by ASIC to meet the best execution obligation with all clients other than Professional Clients.

Equity Market Products

For the purpose of this policy equity market products include shares in ASX200, managed investment schemes including exchange-traded funds, rights to acquire shares or interests in managed investment schemes under a rights issue and CHESS Depository Interests (CDIs) admitted to quotation on ASX. If a company is dual listed in Australia and an overseas exchange then the competition market integrity rules will only apply to trading on the Australian exchange(s).

Execution Venues

In the first instance Bell Potter may match or execute Client orders in the following order books on licensed markets for Professional Clients:

- ASX TradeMatch
- ASX CentrePoint
- ASX VolumeMatch
- ASX PureMatch – 4th quarter 2011
- Chi-X - Professional clients 31 October 2011; all others February 2012.

Once Bell Potter extends access to Chi-X to all clients then we will direct an order to the appropriate market in line with the procedures below depending on whether you are a Retail Client, Professional Client or other type of Wholesale Client as defined by section 761G and 761GA of the Corporations Act.

Retail Clients

As mentioned above Bell Potter will not immediately be executing orders for Retail Clients on the Chi-X order book as part of our procedures for obtaining best execution or best outcome. Until such time as Retail Clients are provided with access to Chi-X, expected to be February 2012, all orders will continue to be transmitted to ASX markets and accordingly Bell Potter may not achieve best execution on your behalf during the interim period.

Bell Potter's interpretation of **Best Outcome** for Retail Clients means the best **Total Consideration**.

Total Consideration is defined as:

- (a) the purchase price paid by the client plus transaction costs; or
- (b) the sale price received minus transaction costs.

Where transaction costs means all costs paid by a client that are directly related to a particular transaction. This will not include Chi-X for Retail Clients therefore it is possible that the best price will not be achieved during the transitional period.

Wholesale Clients

Although Bell Potter is a Participant in the Chi-X Market we have chosen to rely on the ASIC transitional arrangements to meet the best execution obligation with all clients other than Professional Investors. Until such time as Wholesale Clients, other than Professional Investors, are provided with access to Chi-X, expected to be February 2012, all orders will continue to be transmitted to ASX markets and accordingly Bell Potter may not achieve best execution on your behalf during the interim period.

Bell Potter may take into consideration numerous relevant execution factors in order to achieve the **Best Outcome** for Wholesale Clients as best outcome means different things to different clients.

Execution Factors

In considering the best outcome for Wholesale Clients, Bell Potter may take into account all or some of the following execution factors:

- Price of the equity market product;
- Costs – fees, rebates, software, connectivity, clearing and settlement;
- Size of the order;
- Total consideration;
- Speed of execution;
- Likelihood of execution;
- Client instructions; and
- Any other factors that may be relevant to achieving best outcome.

Bell Potter may also consider the following:

- Prevailing market conditions;
- Available order books.

These factors will continue to be taken into account depending on the instructions and client however Bell Potter will also use a Smart Order Router to assist in achieving Best Outcome for Professional Clients. This will be extended to all clients during February 2012.

Order Handling Practices

Bell Potter will be employing the Smart Order Router (SOR) supplied by external vendor, IRESS and called Best Market Router (BMR), as a means of managing Bell Potter's Best Execution obligations across the

abovementioned markets for equity market products. However in certain circumstances Bell Potter may direct orders manually into a specific order book.

All orders that will fully or partially trade immediately will be entered into the market by Bell Potter Operators either via the Smart Order Router or by being directed to the appropriate order book. Once they have exhausted the volume available within the price parameters then the order will reside with the default market, being ASX, subject to specific instructions from the client.

All orders that are not market orders will be entered into the default market, subject to specific instructions from the client.

If the price on an alternative market changes after the order has been routed to the default market the order will not be transmitted to the alternative order book unless there is a specific instruction from the client as to do so would mean a loss of priority.

All orders where there is discretion as to price or time may not be input immediately into the SOR however such orders remain subject to the best execution obligations subject to any specific instructions from the client which might interfere with such an outcome.

In instances where one or the other market is unavailable for trading, or where one market is either unresponsive or disorderly, orders will be routed to the available market or the default market at the determination of the Operator with regard to Bell Potter's Best Execution Policy guidelines unless the client gives express instructions to the contrary.

If a wholesale client gives an iceberg order then it is important to note that when new portions of the hidden order become pre-trade transparent they do not have priority and go to the back of the queue.

The abovementioned order books do not all operate in a similar fashion and in particular the opening and closing market times vary. It is important to note that Chi-X will commence trading at 10am and close at 4.12pm (Eastern Standard Time) and there will be no auction on the open, close or intra-day trading halts as there is for ASX. ASX Purematch also varies in that although the trading hours are the same as ASX TradeMatch there is no auction before and after the standard trading. Such inconsistencies mean that it may be very difficult to determine where the best outcome might be achieved. Bell Potter has elected to use ASX as the default and therefore all orders will be transmitted to ASX for the auction unless a specific order to the contrary is received.

Another significant difference is that orders in Chi-X are "day only" orders and will all be purged at the end of trading for the day. This should only impact those orders that have been specifically transmitted to Chi-X and clients should give instructions to transfer orders from this market if they wish to participate in the end of day ASX auction.

The default market to be used by Bell Potter will be ASX TradeMatch.

Specific Client Instructions

Specific client instructions may be provided from both Retail and Wholesale clients for a particular order. These instructions may prevent Bell Potter from taking steps to obtain the Best Outcome for its clients in

accordance with this Best Execution Policy. Instructions must be provided in a manner that is clear and unambiguous and can be given either verbally or in writing. Any verbal instructions will be recorded by Bell Potter and retained for a period of up to seven years. Bell Potter will take all reasonable steps to handle and execute orders in a way that satisfies client instructions. Only Wholesale clients can give standing instructions and these must be in writing.

As mentioned above Best Execution policies apply to all clients however, pursuant to MIR 3.1.1(4) Wholesale clients may opt-out of Best Execution by providing Bell Potter with standing instructions. These instructions will need to be provided in writing and will only be applicable for a period of up to 12 months. Wholesale Clients that wish to continue to opt-out after the 12 month period has lapsed will need to renew their standing instructions.

Crossings

In addition to crossings on one of the external licensed markets it is possible for Participants to operate their own crossing system. Such a system is an automated service provided by a Market Participant to its clients that matches or executes client orders with orders of the Market Participant or other clients of the Market Participant other than on an order book of a licensed market. Bell Potter does not currently operate such a market. If it is deemed appropriate to transmit an order for a Wholesale client to an existing crossing market with another Market Participant then that other Market Participant will be required to provide best execution.

Trading suspensions and technical failures

Where an equity market product is the subject of a suspension then we are precluded from transacting or matching on all licensed markets. However if trading ceases on one market due to a technical failure on that market then there is nothing to preclude trading in that financial product on an alternative market.

Policy Monitoring and Review

Bell Potter will monitor the effectiveness of its Best Execution Policy on a regular basis and reviewed at least annually as well as whenever there is a material change that affects the transmission of client orders to ensure this Policy remains adequate. Upon reasonable request by a client, Bell Potter may also demonstrate to clients that orders have been executed in accordance with this Policy within a reasonable time after receiving the request.

Any material changes will be available to clients on our website www.bellpotter.com.au