

Order execution policy

First State Investments

This Disclosure Statement forms part of the implementation of the Markets in Financial Instruments Directive (MiFID), and sets out our business practices concerning the execution of orders on your behalf.

The primary service First State Investments provides to you is that of portfolio management, part of which involves the execution of decisions we have made to deal on your behalf. When we have made such a decision to deal, our objective is to then provide the highest quality execution reasonably applicable under the circumstances and within the context of markets at that time, balancing sometimes conflicting factors. Through this process we remain committed to providing you with the best possible result on a consistent basis.

Set out below is information regarding our order execution policy, which we have established in order to allow us to obtain the best possible results for your orders.

Part one: The quality of execution

When executing orders on your behalf in relation to financial instruments we will take all reasonable steps to achieve what is called "best execution" of your orders which, in providing you with a portfolio management service, will generally result from decisions by us to deal in financial instruments on your behalf. This means that we will have in place a policy and procedures which are designed to obtain the best possible execution result, subject to and taking into account the nature of your orders, the priorities we place upon filling those orders and the market in question, and which in our view provides the best balance across a range of factors, some or all of which may be conflicting.

The factors we will take into consideration include not just price, but also factors such as the cost of the transaction, the need for timely execution, the liquidity of the market (which may make it difficult to even execute an order), the size of the order and the nature of the financial transaction including whether it is executed on a regulated market or over-the-counter.

In the absence of express instructions from you, we will exercise our own discretion in determining the factors that we need to take into account for the purpose of providing you with best execution.

Part two: Order execution policy

In selecting the most appropriate venues for the purpose of executing your orders, we will take into account the various factors which we believe are relevant to the order, which may include those set out in part one above. In doing so, we will assess what we reasonably believe to be your best interests in terms of executing the relevant order. In conducting this assessment we will take into account all such other factors as we believe may be appropriate including, the ability of the venue to manage complex orders, the speed of execution, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

We have set out in part three below, information on the criteria which determines how we select the different venues on which we may execute your order and have identified those venues on which we will most regularly seek to execute your orders and which we believe offer the best prospects for affording you best execution. We will also assess on a regular basis, the quality of execution afforded by those venues on which we execute your orders and whether we need to change our execution arrangements.

While we will take all reasonable steps, based on those resources available to us, to satisfy ourselves that we have processes in place that can reasonably be expected to lead to the delivery of best execution of your orders, we cannot guarantee that we will always be able to provide best execution of every order executed on your behalf.

Our policy in providing you with best execution is, so far as possible and subject to the processes set out in part three below, to exercise the same standards and operate the same processes across all the different markets and financial instruments on which we execute your orders.

However, the diversity in those markets and instruments and the kind of orders that we carry out on your behalf may mean that different factors will have to be taken into account when we assess the nature of our execution policy in the context of different instruments and different markets. For example, there is no formalised market or settlement infrastructure for over-the-counter transactions. In some markets, price volatility may mean that the timeliness of execution is a priority, whereas in other markets that have low liquidity, the fact of execution may itself constitute best execution. In other cases, our choice of venue may be limited (even to the fact that there may only be one platform/market upon which we can execute your orders) because of the nature of the order or of your other requirements.

Part three: Our processes for delivering best execution

We owe a duty of best execution when we execute orders on your behalf. We may place or transmit your orders to another entity for execution. When we do this, we will be under an obligation to act in accordance with your best interests. As the primary service we provide to you is that of portfolio management, your orders will generally result from decisions by us to deal in financial instruments on your behalf. We consider an order to exist where we have made such a decision to deal on your behalf, or where an execution instruction is given to us that gives rise to contractual or agency obligations owed by us to you. We believe this to be the case where we exercise our discretion in relation to the exercise of your order. We therefore do not consider that we execute orders on your behalf in the following situations:

- (a) where we merely provide prices at which an order may or may not be able to be completed; or
- (b) where you approach us for a “request for quote” i.e. when you contact us and ask us to provide you with a quote for a particular security.

In the above situations, whilst we will not owe you a duty of best execution, we will still be required to act in your best interests and also to manage any conflicts of interest that we may have.

As we primarily provide portfolio management services to you, we will exercise our discretion in executing orders resulting from decisions by us to deal in financial instruments on your behalf. Where you provide us with a specific instruction in relation to an entire order, or any particular aspect of an order including selecting to execute on a particular venue, we will execute the order in accordance with your instructions. However, please note that if you provide us with a specific instruction, this may prevent us from following some or all of the steps in our order execution policy that are designed to obtain the best possible result for the execution of your orders. In following your instructions we will be deemed to have taken all reasonable steps to provide the best possible result in respect of the order or aspect of the order covered by your specific instructions. Therefore, if you require your order to be executed in a particular manner and not in accordance with our order execution policy, you must clearly state your desired method of execution when you place your order. To the extent that your specific instructions are not comprehensive, we will determine any non-specified components in accordance with our order execution policy.

In meeting our obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of your orders, we may use one or more of the following venue types when executing an order on your behalf:

- Regulated Markets;
- Multilateral Trading Facilities;

- Systematic Internalisers;
- Third party investment firms acting as Market Makers or other liquidity providers; and/or
- Non-EU entities performing similar functions.

We believe that these venues or sources of liquidity enable us to obtain on a consistent basis, the best possible result for orders we execute on your behalf. We will assess which venues within this list are likely to provide the best possible result for our clients on a transaction-by-transaction basis.

We will generally place or transmit your orders to third-party investment firms for execution. In doing so, we will take all reasonable steps to obtain the best possible result for you. The entities with which such orders may be placed, are specifically approved by us after review in accordance with our policy and they must have execution arrangements that enable them to comply with our obligations. We may also place such orders with our affiliate companies around the world for execution on our behalf, in which case those affiliates will also adhere to this policy.

In certain financial instruments there may only be one execution venue. In executing a trade in such circumstances we will presume that we have provided the best possible result in respect of these types of financial instruments.

In respect of financial instruments which can be traded on a Regulated Market or a Multilateral Trading Facility, you should note that subject to your prior consent, some of your orders may be executed outside of a Regulated Market or Multilateral Trading Facility where we believe we can achieve the best possible result for execution of your order by doing so.

In the absence of specific instructions from you, we may consider the following factors to determine the manner in which your order will be executed:

- Price;
- Costs;
- Speed;
- Likelihood of execution or settlement;
- Size of your order;
- Nature of your order;
- Any other consideration relevant to the efficient execution of your 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;
- 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.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for professional clients. In our experience, the next most important factor after price is typically

the liquidity of the market. However, in certain circumstances, for some client orders, financial instruments or markets, we (acting in what we reasonably believe to be your best interests) may decide that other factors may be more important in determining the best possible execution result in accordance with our order execution policy.

We will monitor the effectiveness of our order execution arrangements and policy to identify and where appropriate, correct any deficiencies. We will assess whether the execution venues included in this policy provide the best possible result for you or whether we need to make changes to our execution arrangements from time to time. We will review our order execution arrangements and policy at least annually or whenever we are unable to obtain the best result for the execution of your orders on a consistent basis. We will agree with you any material changes to our order execution policy.

All references in this document to “we” or “us” are references to First State Investments. First State Investments is the trading name for First State Investment Management (UK) Limited and First State Investments International Limited, each of which is authorised and regulated by the Financial Services Authority. Where we utilize the services of First State Investments affiliated companies around the world for execution purposes, we will expect them to follow this policy and for any external brokers and such third parties to treat them as though they were First State Investments companies. The ultimate holding company of the First State Investments group is the Commonwealth Bank of Australia.