

Hyperion Asset Management Limited
Conflicts of Interest Policy

Document Control

Owner	Managing Director, Hyperion Asset Management Limited
Approval	Managing Director, Hyperion Asset Management Limited
Relates to	Hyperion Asset Management Limited ('Hyperion')
Date Last Updated	
Primary Rules/Rationale	Corporations Act ASIC Policy Statement 181

A INTRODUCTION

A1 Background

Section 912A(1)(aa) of the *Corporations Act 2001* requires all licensees to have adequate arrangements for management of conflicts of interest which arise in relation to the provision of financial services by the licensee.

ASIC has introduced Policy Statement 181 entitled 'Licensing: Managing conflicts of interest', as a means of explaining its interpretation of subsection 912A(1)(aa) and its expectations of what adequate arrangements need to be implemented. In addition to the Policy Statement, ASIC has issued a guidance note in relation to research providers.

[ASIC Policy Statement 181](#)
[ASIC Guide for Research Providers](#)

This document is Hyperion Asset Management Limited ('Hyperion')'s policy and procedure which addresses the conflicts management obligation.

A2 Commencement

This policy commences on 1 January 2005.

A3 Application of Policy

These procedures are to be followed in all areas and activities of the Hyperion business where any of those activities relate to the provision of financial services by Hyperion and by any of its representatives (including retail and wholesale clients).

B REQUIREMENT TO MANAGE CONFLICTS OF INTEREST

B1 The Corporations Act provision

Section 912A(1)(aa) provides:

'A financial services licensee must have adequate arrangements for the management of conflicts of interest that may arise, wholly or partially, in relation to the provision of financial services by them or their representatives as part of the financial services business conducted by them.'

B2 What is a conflict of interest?

A conflict of interest arises in circumstances where the interests of clients to whom Hyperion provides financial services are inconsistent with or diverge from the interests of Hyperion such that the proper provision of financial services to its clients may be compromised.

In addition, Hyperion needs to manage conflicts between the interests of various clients as well as conflicts between Hyperion's interests and those of its clients. Hyperion should not provide financial services in a manner that will advance one client's interests over another.

B3 Conflict management obligation

ASIC has provided guidance in Policy Statement 181 that it expects that conflicts be managed by using the following 3 mechanisms:

- **Controlling** conflicts of interest

Hyperion will control conflicts using internal controls, reporting structures, monitoring and supervision.

- **Avoiding** conflicts of interest
Conflicts which are of a magnitude that disclosure or another control is inadequate will be avoided.
- **Disclosing** conflicts of interest
Disclosure of a conflict of interest is one means of managing conflicts.

B4 Hyperion approach

Hyperion will address the conflicts management obligation by:

- Identifying and evaluating conflicts
- Documenting its policy and procedures about conflicts
- Implementing its conflicts management arrangements and monitoring compliance
- Reviewing its practices

C HYPERION CONFLICTS PRACTICE

C1 Identifying conflicts

How to identify conflicts generally

Generally, conflicts may be identified by considering the following in relation to services provided.

1. Consider the financial service being provided
2. Identify to whom is the service being provided
3. Remind yourself of your key obligations about this service (eg. if financial advice, the rules about reasonable basis for advice etc)
4. Ask, “what is my interest, and that of Hyperion or its related parties/persons, in providing this service?” Interests include
 - i. remuneration to be paid
 - ii. completing an obligation to another client or person
 - iii. a relationship with another person
5. Ask “is the Hyperion interest in any way inconsistent with the interests of the client?” If yes, a conflict likely exists between the Hyperion interest and that of the client.

Examples of identified conflicts

To assist employees in understanding what constitutes a conflict, Appendix A.

C2 Assessing and evaluating conflicts

Recognised conflicts

Certain conflicts have been identified. Generally, in assessing a conflict and how it ought to be managed (controlled, disclosed or avoided), consideration is to be given to:

- (i) whether the conflict is material. ie. to what extent do the interests of Hyperion and the client diverge;
- (ii) whether the conflict can be appropriately dealt with by a control – ie. can the service be provided with integrity
- (iii) if the conflict is controlled by disclosure, is this sufficient to enable the client to make an informed decision about the affect of the conflict.
- (iv) What course of action is in the best interests of the client.

C3 Monitoring and oversight

Conflicts Control Officer

Hyperion maintains a Compliance Conflicts Control Officer who is responsible for:

- assisting the business identify and assessing conflicts and recording identified conflicts.
- providing advice to the business about conflicts, including how they should be managed
- monitoring compliance with the Hyperion Conflicts of Interest Policy and conflicts management procedures generally.

The Conflicts Control Officer will be the Manager Legal Compliance and Risk. The Conflicts Control Officer should consider the procedure in Appendix B in managing conflicts.

Employees should seek advice about any conflict matters from the Conflicts Control Officer to be dealt with in accordance with Appendix B.

C4 Review

This Conflict of Interest Policy will be reviewed not less than annually by the Manager Legal Compliance and Risk.

C5 Controlling conflicts of interest

Hyperion utilises the following tools to control conflicts of interest.

Policy/Procedures

Hyperion maintains policies and procedures to deal with certain identified conflicts. These include:

Internal structures/reporting lines

Hyperion's operating structure and reporting lines are designed to ensure that each operational area is managed separately to facilitate independent decision making in relation to client matters which assists in management of conflicts of interest.

Supervision

Hyperion monitoring and supervisory activities conducted by supervisors and managers in relation to various Hyperion policies and procedures contain measures designed to address conflicts.

Remuneration

Advisory representatives

Hyperion representatives are remunerated by a combination of salary and commission. Generally, conflicts arising around remuneration are dealt with by disclosure in accordance with the Client Advice Policy.

C6 Avoiding conflicts of interest

There may be instances where the magnitude of interest held by Hyperion or one of its representatives would preclude Hyperion or the representative from having further dealings with that client in a particular matter. Representatives are expected to exercise common sense and seek guidance from the Conflicts Control Officer about any conflict of interest which they think may be material and need to be avoided.

C7 DISCLOSING CONFLICTS OF INTEREST

In our dealings with our clients, we adopt the position that transparency of interest is paramount and that it is better to err on over-disclosure rather under-disclosure so that the client is fully aware of the interests which Hyperion or our representative may have in relation to the service being provided.

In all instances where there is a serious conflict of interest the client is to be informed at the earliest opportunity that Hyperion has a conflict of interest which is of a nature to prevent it from acting (or continuing to act) for the client on a particular matter. There is no specific requirement for Hyperion to detail the conflict to the client. It is sufficient nevertheless that Hyperion initially form the view that discontinuing the client relationship for this particular matter is the appropriate course.

In other cases where the conflict of interest is not prohibitive of Hyperion commencing or continuing with a client relationship, the process of managing the conflict may include disclosing the nature of the conflict.

Hyperion HTM should ensure that clients are adequately informed about any conflicts of interest that may affect financial services to them. Appropriate disclosures to clients should be made as part of their arrangements to manage conflicts of interest. For a disclosure to be adequate it should provide detail in a clear, concise and effective form to allow clients to make an informed decision.

Principles about disclosure

- (i) be timely, prominent, specific and meaningful to the client;
- (ii) occur before or when the financial service is provided, giving the client sufficient time to assess its affect; and
- (iii) refer to the specific service to which the conflict relates.
- (iv) may be given in writing or orally (should be in the same form as the service provided).

C8 DOCUMENTATION AND RECORD KEEPING

Hyperion's conflict management arrangements are documented to demonstrate:

- monitoring of compliance with conflicts management arrangements;
- conflicts identified and action taken;
- reports to Hyperion senior management about conflict of interest matters;
- copies of written conflicts of interest disclosures.

The documents include the following:

- Compliance Incident Reports
- Risk reports to management and the Board
- Disclosures

APPENDIX A
Identified conflicts

Conflict	Description	Managed by	Monitored by
Personal investing by Fund Manager	<p>Hyperion or its associates owns securities in which invests for clients. Capacity for Hyperion's interest to prefer its interests by:</p> <ul style="list-style-type: none"> maintaining, acquiring or disposing of securities in a client portfolio. front running a client investment by filling Hyperion or associated demand in priority. 	<p><u>Hyperion Employee Trading Policy</u></p> <p>This policy requires:</p> <ul style="list-style-type: none"> pre-approval of employee trading by another staff member; reporting to Compliance department of all transactions; No participation by employees in IPO's which Hyperion participates in; associates of employees (eg. Spouses to also meet the requirements). <ul style="list-style-type: none"> Hyperion will not hold proprietary positions in securities. <p><u>Hyperion Investment Process</u></p> <p>This process sets out how stock is allocated between clients and the allocation price.</p>	<p>Bi- monthly certification of compliance with policy by a Responsible Officer via Risk Management Framework sign-off.</p> <p>Monthly audit of Hyperion Employee Trading by Compliance.</p> <p>Random review by Compliance.</p> <p>Reporting and management of incidents in accordance with the Hyperion Compliance Incident Reporting Guidelines, including reporting incidents to the Board and if appropriate, regulators.</p>

Conflict	Description	Managed by	Monitored by
Issuer relationships	<p>Hyperion receives an incentive from an issuer seeking support for their company. For example:</p> <ul style="list-style-type: none"> • underwriting arrangement • soft dollar benefits. 	<p><u>Hyperion Soft Dollar Policy</u></p> <p>This policy sets out what benefits (if any) Hyperion will allow and how Hyperion will record and manage the benefits.</p> <p><u>Hyperion Conflicts of Interest Policy</u></p> <p>This policy deals generally with how ad hoc conflict situations are managed, including with issuers.</p> <p>* Hyperion will not hold proprietary positions and accordingly does not propose to underwrite security issues other than in its capacity as agent for a client or manager of a scheme. In such an instance the scheme or managed portfolio would take the underwriting risk and benefit.</p>	<p>Bi-monthly Responsible Officer certification of compliance with policy via Risk Management Framework sign-off.</p> <p>Bi-annual audit of Soft Dollar and Conflicts Policy by Compliance</p> <p>Random review by Compliance.</p> <p>Reporting and management of incidents in accordance with the Hyperion Compliance Incident Reporting Guidelines, including reporting incidents to the Board and if appropriate, regulators.</p>
Broker relationships	<p>Hyperion receives benefits from a broker seeking, or in return for, execution business from Hyperion. For example:</p> <ul style="list-style-type: none"> • Soft dollar benefits • Preferential allocations in capital raisings. <p>The relationship results in Hyperion using a broker for execution services and not receiving best execution.</p>	<p><u>Hyperion Broker Allocation Policy</u></p> <p>This policy sets out how Hyperion will allocate execution business to brokers and the criteria that apply.</p>	<p>Bi-monthly Responsible Officer certification of compliance with policy via Risk Management Framework sign-off.</p> <p>Bi-annual audit of Broker Allocation Policy by Compliance.</p> <p>Random review by Compliance.</p> <p>Reporting and management of incidents in accordance with the Hyperion Compliance Incident Reporting Guidelines, including</p>

Conflict	Description	Managed by	Monitored by
			reporting incidents to the Board and if appropriate, regulators.
Related parties	<p>Hyperion participates in transactions with related parties or other parties associated with the Wilson HTM Investment Group. For example:</p> <ul style="list-style-type: none"> • Hyperion is pressured to take stock in a Wilson HTM capital raising; • Hyperion purchases securities from other Pinnacle owned fund managers 	<p><u>Hyperion Investment Process</u></p> <p>This process sets out how Hyperion makes investment decisions and the criteria that apply, including how exceptions to the process are managed.</p>	<p>Bi-monthly Responsible Officer certification of compliance with policy via Risk Management sign-offs.</p> <p>Annual audit of policy by Compliance</p>
Related party service provision.	Hyperion acquires services from a Wilson HTM entity at greater than a market rate.	<p>Management Services Agreement between Hyperion and Wilson HTM. The agreement provides that the services be provided at agreed rates.</p> <p>Directors of the service provider, where they are common, are prohibited from voting in respect of any decision taken by Hyperion in respect of the services.</p>	Annual review of agreement by Compliance.

Conflict	Description	Managed by	Monitored by
Allocation priority	Hyperion allocates securities transactions between clients and as between clients and Hyperion/associates such that a client or an associate may receive a priority allocation.	<u>Hyperion Investment Process</u> This process sets out how stock is allocated between clients and the allocation price.	Bi-monthly Responsible Officer certification of compliance with policy via Risk Management Framework sign-off Annual audit of policy by Compliance

APPENDIX B

Guidelines for dealing with conflicts of interest

