

## Overview

This policy outlines the procedures that the InvestSMART Group Limited and its subsidiaries (InvestSMART) has in place to control and disclose conflicts of interest created by staff trading in securities researched or held in funds and products managed by InvestSMART. Trading in InvestSMART Group Limited shares (ASX Code: INV) is covered by the Securities Trading and Prevention of Insider Trading Policy (available at [www.investsmart.com.au/shareholder-centre](http://www.investsmart.com.au/shareholder-centre)). While InvestSMART fosters a culture of integrity and firmly believes that our staff have high ethical standards, InvestSMART understands this is insufficient for compliance purposes and has put in place measures for recording, reporting and monitoring of staff trading.

## Key objectives of the Policy

- **Prevention of ‘front running’**

An analyst could use their prior knowledge of stock upgrades and downgrades to trade ahead of members or the portfolio managers, thereby profiting from any price movements;

- **Interests of InvestSMART clients come first**

This applies to all clients subscribing to our share research and investing in one of our products, SMAs or Funds. This ensures that clients have every opportunity to act on our share advice and that the securities comprising the SMA products or Funds have been purchased at a fair price, before any InvestSMART employee has had an opportunity to make a related investment.

Staff members may be denied authority to trade where it is believed that members or investors may perceive it to ‘look unusual’ or there is a perceived conflict of interest. In rare circumstances, exceptions to these rules may be granted.

- **Ensure personal trading does not breach insider trading laws**

In the process of researching ASX listed securities, InvestSMART Group employees may become privy to information that is not publicly available, that could influence the price of securities being researched.

- **Ensure that trading does not conflict with the normal duties of InvestSMART employees**

Excessive short-term trading may interfere with an employee’s ability to complete the work tasks required of them.

- **Encouragement of all employees to invest**

The Board and management take the view that analysts should be encouraged to ‘eat their own cooking’ by buying their recommendations or investing in our products. In other words, analysts are actively encouraged to own shares recommended by the publication to ensure some alignment of interests between them and members, and other staff are encouraged to use InvestSMART products.

## The objectives of the policy are met by the following factors

### Research

- InvestSMART's research business, principally Intelligent Investor and Eureka Report, mainly covers stocks and listed products within the ASX All Ordinaries Index. As the publication is a relatively minor player in the share market research industry, the likelihood of InvestSMART's recommendations 'moving the market' over short or long periods is assessed as minimal.
- The risk of insider trading varies according to information available to analysts. The typical research process for InvestSMART analysts, which is mainly based on analysing annual reports and other public documents, means that analysts are generally unlikely to encounter inside information. Nevertheless, the trading rules set out below are designed to identify and avoid any potential insider trading. InvestSMART Portfolios
- The InvestSMART diversified portfolios including Separately Managed Accounts (SMAs) and Professionally Managed Accounts (PMAs) use Exchange Traded Funds which track indices, listed securities or hybrids, and are usually very liquid, and therefore not influenced by retail trading volumes.
- The Intelligent Investor Growth and Equity Income portfolios invest largely in the ASX 300 shares, which are relatively liquid.

### InvestSMART Funds Management

- Funds issued by InvestSMART are influenced by a limited number of employees who have additional trading restrictions as determined by the Compliance Manager and recorded internally. A list of these restricted employees is available on request.
- The InvestSMART Australian Small Companies Fund invests in shares of smaller ASX-listed companies.

### Disclosure and integrity

- InvestSMART relies on the honesty and full disclosure of the investment and research analysts' personal share holdings and the expectation that staff put the interests of investors first and seek approval before any trades are made for their personal accounts.

### Trading and investment philosophy

- In their own trading, the research analysts generally follow a long-term, and conservative investment philosophy. This helps reduce the potential for 'front running'.

### Compliance Induction

- All new personnel are given a compliance induction by the Compliance Manager upon joining InvestSMART Group where they are made aware of this policy and the implications of staff trading. Full disclosure of existing share holdings is required for any new employee to InvestSMART. Regular reminders are provided to all staff.

## Trading rules and application of the policy

This policy applies to all employees of the InvestSMART Group, including temporary staff and contractors.

This policy applies to all directly owned investments by staff or where a staff member has control over assets that are not directly held in their name (such as a super fund's, family trust's, company's, child's or partner's investable assets).

It covers all financial products considered by InvestSMART in providing services to its clients, which currently includes:

- All listed securities (both in Australia and abroad), including IPOs, apart from Exchange Traded Funds and AQUA products (such as EQMFs), securities held through separately managed accounts, or Term Deposits and Life Insurance; and
- All investment products issued by InvestSMART only where the employee has influence over the performance of the product (such as investment and dealing staff). The full list of employees on the restricted list is available from the Compliance Manager.

## Process

1. Staff must get approval in writing from the Head of Research and the Head of Funds Management before trading in any securities listed in Australia or overseas (excluding corporate actions such as dividend reinvestment, takeovers, etc.).
2. In the absence of the Head of Research or the Head of Funds Management, then the Managing Director or Chief Financial Officer may approve trades.
3. If the Head of Research or the Head of Funds Management wish to invest, approval must also be sought from the Chief Financial Officer or Managing Director.
4. Compliance must be copied on any trading requests.
5. Where the recommendation on a stock has been changed, staff will not be permitted to trade until at least 24 hours after publication of the recommendation change (longer periods may be required for less liquid stocks).
6. Staff must not trade against a Buy or Sell recommendation, that is, 'Buy' a 'Sell' or 'Sell' a 'Buy', except in exceptional circumstances and with the express waiver of this requirement.
7. Staff must hold all investments for at least 90 days, except in exceptional circumstances and with the express waiver of this requirement (excluding corporate actions such as dividend reinvestment, takeovers, etc.).
8. After a staff member has sold a security he/she is not permitted to buy that security again for at least 90 days, except in exceptional circumstances and with the express waiver of this requirement.
9. For listed securities outside the ASX top 200:
  - Where a fund or SMA product buys a security, a staff member may be required to sell any such security which he/ she purchased for a personal account a lower price in the previous 7 calendar days. Any profits go to charity.
  - A staff member will not be required to sell where he/she purchased the security at a higher price on a personal account within the past 7 calendar days.
10. Authority to buy a security will not be given where the research team is considering an upgrade on our recommendation to buy the security in question.

- 11. Authority to sell a security will not be given where the research team is considering a downgrade our recommendation to sell on the security to sell in question.
- 12. Authority to trade in a security may also be denied if the research team is considering publishing research within 7 calendar days which may be price sensitive.
- 13. Staff will not be given approval to trade if it is anticipated that one of the portfolios, including the funds, will be trading in the stock within 7 calendar days.

**InvestSMART reserves the absolute right to refuse to approve staff trading in any security without providing a reason.**

**Failure to comply with this policy may lead to termination of employment (or other disciplinary action) and criminal prosecution in extreme cases.**

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