

# Morgan Stanley

## **Summary of Morgan Stanley Australia Securities Limited and Morgan Stanley Australia Limited (collectively “Morgan Stanley”) Marketing and Allocation Policies in connection with securities offerings**

This document is a summary of the policies that Morgan Stanley would expect to apply to the process of marketing and allocating securities offerings in Australia by our issuer/seller clients to investors.

These policies are designed to ensure that:

- The marketing and allocation process is conducted in a transparent manner and in accordance with proper standards of market conduct;
- Our issuer/seller clients and investors are treated fairly;
- Any conflicts of interest are appropriately managed; and
- An orderly market is maintained.

### **Marketing Process**

Before the launch of any securities offering and subsequent bookbuilding and allocation, it is customary for issuers/sellers to carry out market soundings. Issuer roadshows are an opportunity to introduce the issuer to potential investors and to gauge investor interest in potential transactions.

When considering which investors are chosen to participate in market soundings and issuer roadshows, Morgan Stanley would normally expect to take into consideration some or all of the following factors:

- The behaviour of the investor in, and following, similar processes;
- The investor’s interest in the issuer/company or in the issuer’s/company’s sector;
- The level of engagement by the investor in the issuer/company, or in the issuer’s/company’s sector, or in past offerings by the issuer/involving the company;
- The need to comply with applicable selling restrictions or other relevant legal or regulatory restrictions in each jurisdiction where potential investors are located; and
- The views of the issuer/seller.

This decision is a matter of judgment based on our extensive experience in marketing potential offerings. Normally, no one factor would be determinative in the marketing process and the particular facts and circumstances of the issuer and the investor will ultimately determine the basis of the selection of the investors for each marketing process.

### **Allocations Process**

As is customary in offerings, the price and allocations will be determined by means of bookbuilding. The bookbuilding process enables us to build a picture of investor interest, demand for the offering and assists in pricing.

We will work with clients to develop strategies for targeting specific types or groups of potential investors depending on their requirements, objectives, and the priority in which client’s want those objectives applied. Subject to the parameters agreed with clients, when allocating securities, we would normally expect to take into consideration some or all of the following factors:

1. Client preference for specific investors
2. Material feedback or lack of feedback
3. Valuation/price – to be considered in conjunction with item 4 below and pricing sensitivities of investors
4. Extent to which client is focused on the aftermarket
5. Concentration (i.e. preferences as to size and number of large holdings, medium and/or smaller ones)
6. Any minimum or maximum allocation amounts
7. Desired investor types (indication of any preference as to approximate balance between identified investor “types” – e.g. long-only and hedge funds, “long-only-like” hedge funds, hedge funds that are like long-only funds, hedge funds that will trade in the stock over the long term, providers of liquidity, geography etc. and categories – e.g. retail fund/tracker fund/pension fund etc.) – in each case to the extent known, reasonably assumed or deduced in hindsight from the book of demand.
8. Desired geographical locations of investors (including consideration of applicable selling

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restrictions)

9. Level and timing of engagement in transaction process (pilot fishing/ market sounding (on wall-crossed basis or otherwise) / PDIE / roadshow meetings / other (such as reverse enquiry); one-on-one / Group
10. Timing of the request for allocation, relative to final management meeting for that investor (where applicable) and the request for allocation
11. Existing / prior holdings / size of assets under management / interest in issuer / comparable companies or offerings or within the relevant sector (to the extent known or reasonably assumed)
12. Other considerations as appropriate

For accelerated undocumented secondary offerings of existing equity, a seller's interest in the allocation process may differ from an issuer. Subject to any other objectives agreed with the client, when allocating securities, we would normally expect to take into consideration some or all of the following factors:

1. Price
2. Speed
3. Certainty of execution
4. Other considerations as appropriate

The allocation decision is a matter of judgment based on our extensive experience in distributing offerings of securities. Normally, no one factor would be determinative in the allocation process and the particular facts and circumstances will ultimately determine the basis of allocation.

The relevant Syndicate Desk within our Global Capital Markets Division is responsible for the pricing and allocation process. During the bookbuilding process we would provide the issuer with the opportunity to review and discuss the book of demand, which may include regular updates as to the progress of the bookbuilding process, including specific institutional investors' indications of interest. Issuers should let us know if they have specific requirements as to the regularity or content of these updates. The final allocations will be sent to the issuer and agreed as appropriate.

We would like to draw attention to the following specific points relating to allocation:

- Where we underwrite an offering or otherwise guarantee a price in connection with an offering, we will take into account our responsibilities to manage our risk properly with regard to allocations and their manner and timing.
- For compliance reasons, including "know-your-customer" requirements, our general practice is to only allocate securities to Morgan Stanley's existing investor base. We make considerable efforts to manage effectively and appropriately the conflicts of interest that might arise as a result. Issuers should be aware that investors may make a profit from the resale of the securities and may also provide future revenue to Morgan Stanley.
- In this process we are required to treat Morgan Stanley Wealth Management Australia Limited's ("MSWM") clients, as one investor for the purposes of allocations within the bookbuilding process. MSWM then allocates securities to its clients without involvement from the relevant Syndicate Desk.
- Where permissible, our own trading desks and Morgan Stanley Investment Management may indicate interest in participating as investors in the offering. In order to minimise any perception of conflict of interest, our internal policies provide, among other things, that they may be treated no more favourably than other investors with similar characteristics.
- While we endeavour to agree allocation criteria and the application of these criteria with our joint bookrunner(s), there may be occasions upon which we disagree as to the suitability of a particular investor and allocations represent a compromise between us. This might arise, for example, where we are not familiar with a particular investor proposed by a joint bookrunner or where we disagree with the joint bookrunner as to the appropriate size of allocation to an investor. Similarly, when we allocate to any co-managers we do not have visibility as to onward allocations to the co-managers' investor base.
- If the issuer wishes to include a Friends and Family tranche in the offering, they should let us know as soon as possible. We will rely on the issuer to identify potential participants in this tranche; we will not seek to include our existing investor base though the issuer may of course do so. Since participants will generally not need to be part of our existing investor base, we may need to enlist the issuer's assistance in satisfying ourselves regarding anti-money laundering and know-your-customer requirements for these individuals.

Please do not hesitate to contact your Morgan Stanley coverage team at any time with any questions

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regarding the marketing and allocation process.