

Best Execution Policy Disclosure Statement

Morgan Stanley Wealth Management Australia Pty Ltd

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Best Execution Policy Disclosure Statement

In respect of Retail Clients and Wholesale Clients (as defined in the *Corporations Act 2001* (Cth)), when executing orders in relation to Equity Market Products on your behalf, Morgan Stanley Wealth Management Australia Pty Limited (“Morgan Stanley Wealth Management”, “we”, “our” or “us”) is under a regulatory duty to handle and execute client orders in accordance with the best execution obligation in Part 3.1 of the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011* (“Competition Market Integrity Rules”).

We have established and implemented arrangements, including a Best Execution Policy (“Policy”), which are designed to allow us to meet our regulatory obligation to obtain the best outcome for our client orders (“Best Execution”).

As set out in our Terms of Business we may decline to accept instructions and orders from you. In our Policy and this Best Execution Policy Disclosure Statement (“Disclosure”), a reference to an order or an instruction is to an order or instruction which we accept from you.

While we will take steps based on the resources available to us to satisfy our Best Execution obligations, we cannot guarantee that we will always be able to provide Best Execution of every order executed on your behalf, particularly where you give us specific instructions as to all or part of your order. If we execute an order through more than one transaction, then Best Execution in respect of that order should be assessed by reference to all the relevant transactions arising from the order, rather than in respect of each transaction separately.

Our commitment to provide you with Best Execution does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory

obligations placed upon us or as may be otherwise contracted between us.

1. SPECIFIC INSTRUCTIONS

We may accept specific instructions from you as to how an order is to be executed (whether through our Direct Market Access service or otherwise). Any specific instructions you provide must be clear and unambiguous, whether in printed or electronic form or provided verbally. Where you are a Retail Client, any such instructions must be specific to a particular order. Where you are a Wholesale Client, any such instructions may be on an order-to-order basis or may be standing instructions. Any specific instructions may not and will not be induced by Morgan Stanley Wealth Management and must be solely at your instigation.

Depending on their nature, these specific instructions may be inconsistent with our Best Execution obligations and our view of Best Execution. Where this is the case, we will take reasonable steps to handle and execute the relevant order in a manner which satisfies your instructions. However, you should note that if you provide us with a specific instruction this may prevent us from taking the steps which have been designed and implemented in our Policy to help obtain the best possible outcome for your orders.

Giving us specific instructions as to execution may therefore adversely affect the execution outcome you receive.

Further, in following your instructions we will be deemed to have taken all reasonable steps to provide the best possible outcome in respect of the order or aspect of the order covered by your specific instructions. We will however, continue to comply with our Best Execution obligation for the remainder of the factors which are not covered by your specific instructions.

2. EXECUTION FACTORS

Where we execute an order for you, in the absence of specific instructions from you as to how an order is to be executed, we will take into consideration all factors that allow us to deliver Best Execution.

Retail clients

Where you are a Retail Client, our obligation is to take reasonable steps to obtain the best outcome for you. The best outcome means the best total consideration - being the purchase price at which an order is executed (for a buy order) plus transaction costs passed on to you, or the sale price at which an order is executed (for a sell order) minus transaction costs passed on to you.

Generally, and subject to our consideration of the specific execution factors detailed below, where there are not material differences in transaction costs between execution venues, we will interpret total consideration solely as the best overall price across the execution venues on which we may execute orders.

However, in addition to best overall price, we may take into account the following factors and give them precedence over the immediate price factors where they are instrumental in delivering the best possible outcome for you in terms of total cost to you:

- (a) liquidity of the stock;
- (b) speed of execution;
- (c) the size and nature of your order;
- (d) the execution venues available and their trading status; and
- (e) the impact on the market of your order, including the time of day when the order is received.

Wholesale clients

Where you are a Wholesale Client, 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:

- (a) price;
- (b) costs;
- (c) speed;
- (d) likelihood of execution or settlement;
- (e) size of your order;
- (f) nature of your order;
- (g) the execution venues available and their trading status; and
- (h) any other consideration relevant to the efficient execution of your order, including liquidity and market impact. This could occur for example, where we have to (because of insufficient immediately available liquidity on the relevant execution venue(s) to execute your order in full), seek to execute your order over a period of time, or whether other circumstances dictate that the best immediately available price may not be the best outcome for you.

We will determine the relative importance of each factor using the following criteria:

- (a) your characteristics (including your regulatory client categorisation);
- (b) the characteristics and nature of your order, including whether any specific instructions are given;
- (c) the characteristics of the Equity Market Products that are the subject of your order; and
- (d) 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 outcome for Wholesale Clients. In certain circumstances, for some client orders, Equity Market Products or markets, we, in our absolute discretion, may decide that other

factors are more important in determining the Best Execution outcome in accordance with our Policy.

Please note, there may be trade-offs where certain execution factors are considered as having higher importance over others in obtaining the best outcome. For example, if the likelihood of execution is considered the most important outcome, the trade-off may be price. Trade-offs may also occur where certain Equity Market Products are experiencing price volatility, in which case timeliness of execution may take priority and where certain Equity Market Products are experiencing low liquidity, execution itself may constitute Best Execution.

3. EXECUTION VENUES

For each Equity Market Product in which we execute orders on behalf of clients or place or transmit orders to other entities for execution we have included in our Policy those venues (sources of liquidity) that we consider enable us to obtain Best Execution on a consistent basis. In meeting our obligation to obtain Best Execution we may use one or more of the following venue types when executing an order on your behalf:

(a) On an order book of a Relevant Exchange (including executing an order subject to the pre-trade transparency exception relating to Trades With Price Improvement).

Where we are referring to executing client orders on an order book of a Relevant Exchange, we are referring to one or more exchanges for Equity Market Products to which Morgan Stanley Wealth Management has access. Morgan Stanley Wealth Management is currently a Trading Participant of ASX with access to ASX TradeMatch (including the ASX Centre Point order book).

(b) Under a pre-trade transparency exception in accordance with the Competition Market Integrity Rules and the operating rules of a Relevant Exchange.

Orders may be matched and reported to the order book of a Relevant Exchange as Block Trades; Large Portfolio Trades; Trades With Price Improvement; Permitted Trades during the Post-Trading hours period; Permitted Trades during the Pre-Trading hours period; and Out of Hours Trades. The circumstances in which this may occur, include but are not limited to, price improvement, volume improvement and/or managing market impact.

(c) By placing the order with another broker or dealer for execution. In these circumstances, we will either determine the ultimate execution venue itself on the basis of the execution factors described above, and instruct the other broker or dealer accordingly, or Morgan Stanley Wealth Management will satisfy itself that the other broker or dealer has arrangements in place to enable us to comply with our obligation to obtain the best possible outcome for the client.

We will assess which venues within this list are likely to provide the best possible outcome for clients on a product-by-product basis. Please note, in assessing order books of a Relevant Exchange, we are limited to only reviewing orders which are made transparent to the market (i.e. "lit" orders) as part of our overall assessment of the venues.

In certain Equity Market Products, there may be only one execution venue, and in executing a trade in such circumstances, we will do so on that venue.

4. CIRCUMSTANCES IN WHICH ORDERS ARE TRANSMITTED TO EACH ORDER BOOK

We will determine the ultimate execution venue after assessing which venue(s) are likely to provide Best Execution.

Market orders

In circumstances where you provide us with a market order and:

- (a) we determine that a Relevant Exchange is the best execution venue for your order we will send the complete order to the Relevant Exchange for Best Execution where market conditions are such that sending the order to the Relevant Exchange in full will
 - (i) achieve Best Execution; and
 - (ii) will not result in significant market impact.

Once transmitted the order will generally execute in full on the order book(s) of that Relevant Exchange.

(b) we determine that a Relevant Exchange is the best execution venue for your order, however due to the characteristics of the order and prevailing market conditions, it may not be possible to achieve Best Execution or minimise market impact by sending the order to a Relevant Exchange in full, we will execute your order over a period of time on the order book(s) of the Relevant Exchange that will

- (i) achieve Best Execution; and
- (ii) minimise market impact.

(c) The order was provided outside of ASX market trading hours and we determine that a Relevant Exchange is the best execution venue for your order, the order will be entered on to the ASX central order book prior to or during the ASX pre-auction phase.

Limit orders

In circumstances where you provide us with a limit order and we determine that a Relevant Exchange is the best execution venue for your order we will send the order in full to the execution venue that we consider is the venue that will provide you with Best Execution considering the execution factors detailed above, in particular the characteristics of your order, best available price, available liquidity and certainty of execution at the time the order is received.

The execution of your order after transmission to a Relevant Exchange will be subject to price-time priority.

Orders executed within the exceptions to pre-trade transparency

In circumstances where you provide us with an order that meets the definition of a permitted pre-trade transparency exception in Part 4.2 of the Competition Market Integrity Rules, namely in relation to:

- (a) Block Trades;
- (b) Large Portfolio Trades;
- (c) Trades With Price Improvement (execution on or off market);
- (d) Permitted Trades during the Post-Trading Hours Period;
- (e) Permitted Trades during the Pre-Trading Hours Period; and
- (f) Out of Hours Trades

we will execute your order under the exception where, considering the execution factors detailed above, we determine that doing so will give you Best Execution.

5. MATERIAL CHANGES TO OUR BEST EXECUTION ARRANGEMENTS

This Disclosure and our Best Execution arrangements may change from time to time. The latest version of this Disclosure and a complete listing of all exchanges to which Morgan Stanley Wealth Management has access will be maintained on our website www.morganstanley.com.au.

Any material changes made to our Best Execution arrangements will be notified to our clients by electronic communication and/or on our website at www.morganstanley.com.au. Should you not have access to electronic communication or our website, you may request a copy of this Disclosure by contacting us on 13 13 70.

Morgan Stanley Wealth Management

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