

# FLK Entity Trading Policy in Folkestone Securities

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Folkestone Limited

Adopted by the Board of Folkestone Limited on 21 May 2015  
Adopted by the Board of Maxim Asset Management Limited on 19 March 2015



Folkestone

## FLK ENTITY TRADING POLICY IN FOLKESTONE SECURITIES

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# FLK ENTITY TRADING POLICY IN FOLKESTONE SECURITIES

## FOLKESTONE TRADING POLICY

### 1. BACKGROUND AND OVERVIEW

This Folkestone Trading Policy has been prepared by Folkestone Limited and applies to each of Folkestone Limited and its related bodies corporate including Folkestone Funds Management Limited AFSL 340990, Folkestone Investment Management Limited AFSL 281544, Folkestone Real Estate Management Limited AFSL 238506 and Folkestone Maxim Asset Management Limited AFSL 238349.

The purpose of this Policy is to regulate the Trading in Securities of Folkestone Group entities and managed investment schemes managed by Folkestone Group entities, by Folkestone or funds or mandates managed by Folkestone Group entities.

The Board of Folkestone Group takes seriously the matter of the purchase and sale of Securities in Folkestone Group and the Managed Funds, and expect full compliance with this Policy. Insider trading in any Securities is both illegal and unethical.

This Policy applies to all funds and mandates managed by Folkestone Group entities

In addition to setting out general principles in relation to Trading in Securities applicable to all funds and mandates, this Policy recognises that there are specific periods when Folkestone or funds or mandates managed by Folkestone Group entities, should not Trade in the Securities of Folkestone Group or any Managed Fund.

Any non-compliance with this Policy will be regarded as serious misconduct for which a Director may be removed or an Employee summarily dismissed.

### 2. DEFINED TERMS

2.1 For the purposes of this Policy:

- a) "Approving Officer" means:
  - i. for Folkestone, the Chairman of Folkestone or in their absence, the Managing Director of Folkestone; and
  - ii. for Maxim, the Managing Director of Folkestone or in their absence, the Chairman of Folkestone.
- b) "ASX" means ASX Limited or, depending on context, the financial market that it operates.
- c) "Board" means the board of directors of the applicable Folkestone Group entity.
- d) "Chairman" means the Chairman of the Board of the applicable Folkestone Group entity.
- e) Chinese Walls the system of policies, procedures and physical arrangements used to manage information of a confidential nature or could be considered inside information in relation to Folkestone Securities, and prevent inadvertent spread and use of information between Folkestone Group and Maxim.

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- f) "**Cleansing Statement**" means a statement issued by the applicable Folkestone Group entity to the ASX in relation to an offer for issue, or the issue, by a Folkestone Group entity or Managed Fund of Securities.
- g) "**Company Secretary**" means the Company Secretary of the applicable Folkestone Group entity.
- h) "**Compliance Officer**" means the Compliance Officer of the applicable Folkestone Group entity.
- i) "**Corporations Act**" means the Corporations Act 2001 (Cth).
- j) "**Deal**" in Securities means to apply for, acquire or dispose of Securities, or enter into an agreement to do any of those things, and "**Dealing**" has a corresponding meaning.
- k) "**Derivative**" has the meaning in section 761D of the Corporations Act and includes options, forward contracts, futures, warrants, swaps, caps and collars.
- l) "**Directors**" means directors (executive and non-executive) of any Folkestone Group company.
- m) "**Employees**" means employees of any Folkestone Group member.
- n) "**Exceptional Circumstances**" means, in relation to Folkestone or a Managed Fund:
  - i. (**Court order**): a requirement to Trade in Folkestone Securities as a result of:
    - a) a court order;
    - b) court enforceable undertakings (e.g. as part of a bona fide family settlement); or
    - c) some other overriding legal or regulatory requirement; or
  - ii. (**Other circumstances**): any other circumstances considered exceptional by the Approving Officer.
- o) "**FLK or Folkestone**" means Folkestone Limited ABN 21 004 715 226.
- p) "**Folkestone Securities**" means Securities issued by a Folkestone Group entity or a Managed Fund.
- q) "**Folkestone Group**" means FLK and each of its related bodies corporate as defined in the Corporations Act including FFML, FIML, FREML and Maxim.
- r) "**Maxim**" means Folkestone Maxim Asset Management Limited AFSL 238349

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- s) "**Managed Fund**" means any managed investment scheme managed by a Folkestone Group entity including Maxim, FFML, FIML or FREML, whether or not the managed investment scheme is listed on an authorised exchange.
- t) To "**Procure**" another person to Deal in Securities includes inciting, inducing or encouraging a person to Deal or not Deal in Securities.
- u) "**Prohibited Period**" means those periods as set out in section 3.5 of this Policy.
- v) "**Securities**" includes shares, units, options, rights, debentures (including convertible notes), interests in a managed investment scheme, derivatives and other financial products covered by s1042A of the Corporations Act.
- w) "**Trade**" means to Deal in Securities or Procure another person to Deal in Securities, and "**Trading**" has a corresponding meaning.

### 3. POLICY

#### General Restrictions on Trading

##### 3.1 General principles

Folkestone Group must comply with the following general principles in relation to Trading in Folkestone Securities by Folkestone and Managed Funds managed by Folkestone Group entities:

- a) Folkestone Group must comply with the insider trading provisions of the Corporations Act at all times and must not Trade in Securities whilst in possession of inside information in respect of those Securities (see section 9 of this Policy).
- b) Maxim is a wholly owned subsidiary of Folkestone and must adhere to the principals of a "Chinese Wall" barrier which is an information barrier implemented to prevent exchanges of information that could be considered inside information, cause conflicts of interest, or insider trading, or the appearance thereof.

##### 3.2 Restrictions on Trading outside of Prohibited Periods

Folkestone or a Managed Fund must seek prior written clearance before undertaking any Trading in Folkestone Securities or a Managed Fund.

This requirement applies to all Trading outside of a Prohibited Period and any Trading during a Prohibited Period which is subject to an exception under this Policy. (The procedures for seeking prior written clearance to Trade during a Prohibited Period are set out in sections 3.6 to 3.8).

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In order to seek clearance to Trade, Folkestone or a Managed Fund must submit a written request to the Approving Officer in the form set out in Annexure A to this Policy. The Approving Officer may request such information as considered appropriate in the circumstances.

Folkestone or a Managed Fund may only engage in the proposed Trading if prior written clearance is given by the Approving Officer. Any clearance for the Trading will be valid for 3 business days from the date it is given, or such other period of time as may be permitted by the Authorised Officer.

### 3.3 Restrictions on Trading during Prohibited Periods

Folkestone or a Managed Fund must not Trade in Folkestone Securities during the following Prohibited Periods (as they relate to each Folkestone Group entity or Managed Fund):

- a) 30 June until the business day following one full business day after the release of the full year results;
- b) 31 December until the business day following one full business day after the release of the half yearly results;
- c) 30 days prior to each Annual General Meeting; and
- d) any additional periods imposed by the FLK Board from time to time.

### 3.4 Exceptional Circumstances

Despite section 3.3 above, Trading may be permitted in Exceptional Circumstances.

Folkestone or a Managed Fund if not in possession of inside information in relation to Folkestone Group may Trade in Folkestone Securities during a Prohibited Period if:

- a) the Approving Officer determines that an Exceptional Circumstance applies; and
- b) prior written clearance is granted by the Approving Officer in accordance with this Policy to permit Folkestone or a Managed Fund to Trade in Folkestone Securities during the Prohibited Period.

If Folkestone or a Managed Fund is to seek clearance to Trade during a Prohibited Period, it must satisfy the Approving Officer that Exceptional Circumstances exist and that the proposal to Trade in Folkestone Securities during a Prohibited Period is the only reasonable course of action available. Folkestone or a Managed Fund must apply for clearance in accordance with section 3.5 below.

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### 3.5 Process for seeking Exceptional Circumstances trading approval during Prohibited Periods

In order to seek prior written clearance to Trade during a Prohibited Period due to Exceptional Circumstances, Folkestone or a Managed Fund must submit a written request to the Approving Officer. The Approving Officer may request such information as considered appropriate in the circumstances.

The Approving Officer's discretion will be exercised with caution. Folkestone or a Managed Fund should be aware that the Approving Officer may not provide the clearance to Trade, even if Exceptional Circumstances exist.

Folkestone or a Managed Fund may only engage in the proposed Trading if written clearance is given by the Authorised Officer. Any prior written clearance given for Exceptional Circumstances trading will be valid for 7 days from the date it is given.

### 3.6 Other dealings may occur during a Prohibited Period

Despite section 3.3 above, during a Prohibited Period, Folkestone or a Managed Fund may Trade in Folkestone Securities in the circumstances described below, provided that Folkestone or the relevant Managed Fund is not in possession of any inside information.

Please note that the Policy requirements with respect to prior written clearance and subsequent notification continue to apply to Trading under one of these exceptions. See sections 3.5 and 4.

- a) **(Transfers into another fund managed by Maxim)** Transfers of Folkestone Securities already held by an investor through Maxim into another Maxim managed fund or mandate.
- b) **(Investment in fund etc.)** An investment in, or Trading in units of, a fund or other scheme (other than a scheme only investing in Folkestone Securities) where the assets of the fund or other scheme are invested at the discretion of a third party i.e. the client under a mandate.
- c) **(Accepting a takeover offer)** Undertakings to accept, or the acceptance of, a takeover offer, or participation in a scheme of arrangement.
- d) **(Rights issue, security purchase plan, distribution reinvestment plan etc.)** Trading under an offer or invitation made to all or most of the relevant Folkestone Group or Managed Fund security holders, such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan, underwriting and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the relevant Board and subject to various legal requirements and ASX listing rules. (This extends to decisions relating to whether or not to take up the entitlements and the sale of

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entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue). Folkestone or a Managed Fund must seek legal advice in relation to its participation in a placement or any underwriting of a placement or DRP as Folkestone or a Managed Fund may be precluded under certain laws or ASX listing rules

- e) **(Redemption or termination of a Maxim mandate by a client)** Where a client of Maxim redeems from a fund or terminates a mandate, and that client has requested an 'in specie' transfer of assets including Folkestone Securities.

### 4. NOTIFICATION REQUIREMENTS AFTER TRADE

- 4.1 Folkestone or a Managed Fund must provide the Company Secretary with subsequent written notification of all Trading in Folkestone Securities within two business days, regardless of whether prior written clearance has been given for that Trading. It is acknowledged that an e-mail is an acceptable form of written notification.
- 4.2 Folkestone or a Managed Fund must provide sufficient details of all Trading to enable the applicable Folkestone Group entity to file a notice in accordance with the ASX Listing Rules within 5 business days of the Trade. The applicable Folkestone Group entity will also be obliged to notify ASX whether the Trading by Folkestone or a Managed Fund occurred during a Prohibited Period where prior written clearance was required and, if so, whether prior written clearance was provided.

### 5. HEDGING

- 5.1 Folkestone or a Managed Fund must not use, or allow to be used, any Derivatives or other products which operate to limit the economic risk of Folkestone Securities.
- 5.2 Maxim must not enter into any schemes of arrangements that protect the value of Folkestone Securities (hedging).

### 6. MARGIN LOANS

- 6.1 Folkestone or a Managed Fund may not enter into a margin loan to acquire any Folkestone Securities

### 7. BREACH POLICY

- 7.1 A breach of this Policy by any Director or Employee of Folkestone or a Managed Fund is serious and may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.



### 8. PENALTIES

- 8.1 A person who Trades in Securities while they possess inside information or communicates that information in the circumstances described in section 9.1c) below may be liable for both significant civil and criminal penalties.
- 8.2 Maximum penalties under the Corporations Act for a breach of the insider trading provisions found in Division 3 of Part 7.10 of that Act are:
- (a) \$220,000 or imprisonment for 5 years, or both;
  - (b) \$1,100,000 in the case of a company, and
  - (c) unlimited civil liability.

### 9. WHAT IS INSIDER TRADING AND INSIDER INFORMATION?

#### 9.1 Conduct prohibited by law

Under the Corporations Act, if a person possesses "inside information" in relation to Folkestone Securities or any or any other company, the person must not:

- a) Deal in those Securities; or
- b) Procure another person to Deal in those Securities; or
- c) Directly or indirectly communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to, Deal in those Securities in any way or Procure a third person to Deal in those Securities.

Importantly, given the broad definition of "Procure", a person who Deals in Securities through a trust or company while in possession of inside information may contravene the insider trading prohibitions and this Policy.

#### 9.2 When a person possesses inside information

A person possesses inside information in relation to Folkestone Securities or another company where:

- a) the person possesses information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of the Securities; and
- b) the person knows, or ought reasonably to know, that the information is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Securities.

Folkestone or a Managed Fund must assume that information is generally available only if it has been announced to the ASX.

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A reasonable person would be taken to expect information to have a material effect on the price or value of Securities if the information would, or would be likely to, influence persons who commonly acquire Securities in deciding whether or not to acquire or dispose of the Securities.

### **9.3 A person does not need to be an "insider"**

A person can possess inside information in respect of a company, even if they are not associated in any way with that company. It is irrelevant how the inside information was obtained.

## **10. DISTRIBUTION POLICY**

10.1 This policy must be distributed to all Directors and Employees of Folkestone Group entities.

## **11. ASSISTANCE AND ADDITIONAL INFORMATION**

11.1 Any Directors or Employees of a Folkestone Group entity who are unsure about any information they may have in their possession, and whether that information can be used by Folkestone or Managed Fund for dealing in Securities, should contact the Company Secretary or Compliance Officer.

11.2 This policy should be read in conjunction with Folkestone's Staff Trading Policy and Conflict of Interest and Related Party Policy.

## **12. REVIEW**

12.1 A review of this Policy will be undertaken annually by the Compliance Officer for both the Folkestone and Maxim Boards.



**ANNEXURE A - "NOTICE OF INTENTION TO TRANSACT" FORM**

**Folkestone or Managed Fund Entity:**

**Responsible Manager:**

Please provide details of any benefits that you will receive as a result of buying or selling the securities (other than normal investment benefits such as income distributions and increases in market value).

**Please Tick:**

**Approval is given to:**

**Buy**

**Sell**

**Name of Unit or Security to be Traded:**

**After (date):**

**Until (date):**

This approval ceases if any Inside Information comes to the attention of the person who has been given approval to deal, during the period of the approval. If that occurs, the Company Secretary must be advised immediately.

***If you have any doubt about whether you have Inside Information or not, then you MUST NOT transact.***

**Your Signature:** \_\_\_\_\_ **Date** \_\_\_\_\_

**Approving Officer\*:** \_\_\_\_\_ **Date** \_\_\_\_\_

\*Approving Officer means:

- a) for Folkestone, the Chairman of Folkestone or in their absence, the Managing Director of Folkestone; and
- b) for Maxim, the Managing Director or Folkestone or in their absence, the Chairman of Folkestone.

**\*Once approved, a copy is to be provided to the Compliance Officer.**