MACARTHURCOOK
INTERNATIONAL REAL ESTATE INVESTMENT MANAGERS

CONFLICT OF INTEREST POLICY

An overview

At MacarthurCook, we recognise the importance of identifying and managing conflicts of interest that may arise from time to time within our operations. In our view, having an adequate strategy for managing conflicts of interest helps to promote consumer protection and maintain market integrity. This strategy also helps us ensure that the quality of our financial services is not compromised or diminished by conflicts of interest.

What are conflicts of interest, and what do they mean to MacarthurCook?

Conflicts of interest are circumstances in which some or all of the interests of our clients are inconsistent with, or diverge from, some or all of our interests. Conflicts of interest can be *actual, apparent* or *potential*.

For MacarthurCook, conflicts of interest can arise in a number of facets of our business. They can relate to the fees that we derive from our products, the costs that are charged to investors of our products, or the relationships that we maintain with people in and around the business.

What does the law require in relation to conflicts of interest?

The *Corporations Act 2001* requires all licensees of financial services in Australia (including us) to 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 the licensee … as part of the financial services business of the licensee*."[1] This requirement is known as the ***conflicts management obligation***.

Furthermore, as a financial services licencee, our overriding obligations are to do all things necessary to ensure that our financial services are provided *efficiently, honestly* and *fairly*,[2] and we believe that our policy achieves these important objectives.

The MacarthurCook approach to managing conflicts of interest

We have adopted a 3-point system for managing conflicts, as follows:

(a) *Controlling* conflicts of interest;
(b) *Avoiding* conflicts of interest; and
(c) *Disclosing* conflicts of interest.

In our view, simply disclosing conflicts of interest is **not** sufficient – it is imperative that all conflicts, and even potential conflicts, are identified, controlled and, where possible, avoided, before disclosure even becomes an issue.

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1 See section 912A(1)(aa) of the *Corporations Act* which became effective on 1 January 2005.
2 See section 912A(1)(a) of the *Corporations Act.*

The principle of fairness

MacarthurCook believes strongly in the principle of fairness when managing conflicts. It is a principle that underpins this policy, and is the benchmark principle for financial services organisations in the United Kingdom (one of the largest markets in the world).

Essentially, if we have, or may have:

(a) a *material interest* in a transaction to be entered into with or for a client; or

(b) a relationship that gives, or may give, rise to a conflict of interest in relation to a transaction in (a); or

(c) any interest in a transaction that is, or may be, in conflict with the interest of our clients; or

(d) clients with conflicting interests in relation to a transaction,

we must not knowingly act, or exercise our discretion, in relation to that transaction unless we take all steps necessary to ensure the fair treatment of the client.

Note : A **material interest** *is, in relation to a transaction, any interest of a material nature, other than an interest which is disclosed by us in a product document, or any other document that is publicly available.*

How do we specifically manage conflicts of interest?

We manage conflicts of interest through a combination of:

(a) internal controls;

(b) disclosures; and

(c) declining to act for a client.

The first step in our system of conflicts management is:

i. Controlling conflicts of interest

Our strategy for controlling conflicts of interest involves:

(a) identifying the conflicts specific to MacarthurCook;

(b) assessing and evaluating those conflicts; and

(c) formulating and implementing an appropriate response to the conflicts.

It is important for officers and employees of MacarthurCook to be aware of the potential for conflicts, and to recognise particular conflicts as they arise. To enable us to better manage the system of conflicts management, we have established a Conflicts Register. The Register is maintained by the Compliance Manager, who is responsible for recording all instances in which a conflict, or potential conflict, has been reported by someone within MacarthurCook. The Compliance Manager must then report all recorded conflicts to the Board on a quarterly basis, together with the steps that were taken to manage the conflict.

The Compliance Manager is also available to give guidance as to whether a particular set of circumstances is, in fact, a conflict (because it may not be). If there are any queries as to whether a conflict does exist, the Compliance Manager should be consulted in the first instance.

As far as implementing a response to conflicts, we consider that the following are appropriate responses:

(a) disclose the conflict to the relevant client(s);

(b) decline to provide the service; or

(c) initiate disciplinary action where warranted.

ii. Avoiding conflicts of interest

We understand that it is difficult to implement a policy of avoidance without first being faced with the conflict in question, and the gravity of its potential impact on the business. As the MacarthurCook business expands, senior managers will be required to report on *all* potential conflicts of interest and, in conjunction with the Managing Director and the Compliance Manager, formulate a list of those conflicts that must be avoided.

It is expected that those conflicts that have a serious impact on our ability to provide financial services will be included on the list of conflicts to be avoided.

The Compliance Manager will be responsible for regularly alerting MacarthurCook staff to any additions to this list, and how their non-avoidance impacts the company. All new staff will be closely monitored on how they familiarise themselves with the list, as it forms an important part of their role within MacarthurCook.

iii. Disclosing conflicts of interest

We acknowledge that, while disclosure *alone* is not a sufficient way to manage conflicts of interest, it does form an integral part of managing the process. "*Disclosure*", in this sense, means providing enough detail in a clear, concise and effective form to allow clients to make an informed decision about how the conflict may affect the service being provided to them.

Disclosure of conflicts is another way in which MacarthurCook aims to provide clarity and transparency in all of its dealings.

Where a conflict (not being a conflict to be avoided) is identified, and it is decided that disclosure is the most appropriate course of action, that disclosure should:

(a) be timely, prominent, specific and meaningful to the client;

(b) occur before or when the financial service is provided, but in any case at a time that allows the client reasonable time to assess the effect of the conflict; and

(c) refer to the specific service (or part of the service) to which the conflict relates.

Consistent with this, it is expected that, each time that we develop, launch or promote a new product, clear disclosure of all potential conflicts of interest relevant to the new product will be given to clients. We will not permit generic disclosures to be used for multiple products, and each form of disclosure that is proposed must be reviewed by the Compliance Manager before publication.

If any disclosures are given orally, the provider of the disclosure must keep a written record of the recipient of the information, and the content of the particular disclosure that has been given.

Where disclosure is concerned with financial product advice, the disclosure will be considered adequate if it addresses:

(a) the extent to which the licensee has a legal or beneficial interest in the financial products on offer;

(b) the extent to which the licensee is related to or associated with the issuer or provider of the financial products on offer; and

(c) the extent to which the licensee is likely to receive financial or other benefits.

How this Policy is managed and maintained

This Policy forms part of the MacarthurCook Policy Manual.

The Compliance Manager must, on an annual basis, review this Policy after consultation with each business unit. Any deficiencies or improvements in the Policy will be prepared by the Compliance Manager and given to the Managing Director (and, where required, the Board) for approval and implementation.

The Compliance Manager will also be responsible for random audits of each business unit to ensure adherence to this Policy. Any instances of non-compliance will be referred to the Managing Director (and, where appropriate, the Board) for sanction.

MacarthurCook will retain for at least seven years, records of:

(a) conflicts identified and action taken;

(b) any reports given to MacarthurCook's shareholders, directors or senior management about conflict of interest matters; and

(c) copies of written conflict of interest disclosures given to clients or the general public.

What you should also read

MacarthurCook also has a separate policy for related-party transactions (entitled "*Conflicts of Interest – Related Parties and Insider Information*") which should be read in conjunction with this Policy.

Contact Us

If you wish to find out more information, or raise any specific concerns about MacarthurCook or our products, the contact details are as follows:

Compliance Manager
MacarthurCook Limited
Level 4
30 Collins Street
MELBOURNE VIC 3000

Telephone: (+ 61 3) 1300 362 117 or (+61 3) 9660 4555
Email: mail@macarthurcook.com.au
Website: www.macarthurcook.com.au

- *References to MacarthurCook in this statement refer to MacarthurCook Limited (ABN 64 009 110 463), MacarthurCook Investment Managers Limited (ABN 45 009 054 074) and MacarthurCook Fund Management Limited (ABN 79 004 956 558) depending on which company is maintaining your account or providing you with products or services.*