

# Hyperion Asset Management Limited Brokerage Allocations (Soft Dollar Dealing) and Adviser Commission Policy

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## Document Control

Owner	Managing Director, Hyperion Asset Management Limited
Relates to	Investment and dealing function
Date Last Updated	January 2011
Version	3 – Amended allocation policy based on process review
Primary Rules/Rationale	Conflict of interest management IFSA Guidance Note 10 – Brokerage Allocations

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## Key terms

<b>Alternative Brokerage Arrangement</b>	Includes arrangements between Hyperion and Brokers for the provision of any goods or services that are beyond goods and services produced and supplied by the Broker and directly linked to trading activity.
<b>Best Execution</b>	Involves obtaining the most favourable on-going total cost for execution through assessing brokerage, spreads, market impact and speed of transacting with respect to the size and complexity of trades.
<b>Broker</b>	Broker refers to an agent who handles client orders for purchase and sale of securities, commodities, or other property. The provision of this service attracts brokerage and/or incurs a spread.
<b>Brokerage</b>	Brokerage refers to the fee levied by the Broker for executing purchases or sales of securities as an agent.
<b>Execution</b>	Execution refers to services provided by a Broker in arranging and settling a transaction or series of transactions initiated by the Investment Manager.
<b>Soft Dollar Dealing</b>	Refers to the allocation of commissions, arising from share trading, toward the acquisition of goods and services that will assist in the provision of investment services to investors.
<b>Research</b>	Research refers to the production of information that is capable of adding value to investment or trading decisions by providing new insights that inform an Investment Manager when making such decisions about investors' portfolios. By way of illustration, this can include economic analysis, recommendations and forecast data.

# 1. Introduction

## 1.1 Regulatory and policy background

The Corporations Act 2001 requires all licensees to have adequate arrangements for management of conflicts of interest which arise in relation to the provision of financial services by the licensee.

Further, Hyperion has a fiduciary duty to act in the best interests of investors in making investment decisions on investors' behalves. Hyperion seeks to engage third parties who add value to its processes and to avoid conflicts that may arise from certain Alternative Brokerage Arrangements.

This policy is consistent with the standards set out in *IFSA Guidance Note 10: Brokerage Arrangements* and outlines the methodology used by Hyperion in selecting Brokers, allocating trades and accepting other Broker services.

## 2. Brokerage allocation

### 2.1 Broker Panel

Hyperion utilises a number of Brokers (the 'Broker Panel') to execute trades for its portfolios. The purpose of the Broker Panel is to ensure Hyperion receives premium support and data, and Best Execution by efficiently allocating trades to Brokers whilst receiving broad data feeds.

### 2.2 Broker Ratings

Each member of the Broker Panel is assessed against a defined set of criteria and assigned a score from 1 to 5 in each category, with a score of 3 being considered as in line with the peer group. (See Appendix A for an outline of the Assessment Criteria). The score of 1 to 5 is then multiplied by the relevant percentage weighting to arrive at a percentage score for that criteria item.

The Broker Ratings are determined from the total percentage score achieved by the Broker and are split into three categories:

- (1) Tier One: Top three brokers on the panel
- (2) Tier Two: bottom two brokers on the panel; and
- (3) Tag pool: brokers not on the panel to whom funds can be allocated to should the provide a service that adds value to our investment process.

Tier One brokers are allocated a minimum of \$750,000 in commissions over the year. Tier Two brokers are allocated a minimum of \$500,000 in commissions over a year. The Tag pool is allocated commission in recognition of work done, that adds short-term value to our investment process.

#### Exceptions:

In order to ensure that best execution is maintained, trades may be placed with brokers that are not on the panel. Dealing outside the panel may occur when 1) there is a need to take advantage of liquidity not available within the

panel 2) a broker not on the panel has provided a service that adds value to our investment process.

## **2.3 Monitoring of brokerage allocation**

Hyperion monitors allocations to the Broker Panel and associated Broker ratings in arrears on a monthly basis as part of the Hyperion Investment Committee meetings. This enables Hyperion to review the performance of the Broker Panel based on the assessable criteria and effect any adjustments as required.

## **2.4 Broker service arrangements**

Hyperion uses the following Broker arrangements to ensure both Best Execution and the receipt of value add Research.

### **2.4.1 Standard full service brokerage**

Standard full service brokerage covers the provision of Broker produced and supplied goods and services that are directly linked with the investment process.

Hyperion uses the following Broker produced goods and services:

- (a) Broker Execution only; and
- (b) Broker Execution with in-house Investment Manager support services including Broker Research.

The receipt of these services from Brokers are acceptable as the services are directly related to the provision of investment services to investors.

### **2.4.2 Acceptable Alternative Brokerage Arrangements**

Alternative Brokerage Arrangements may include agreements between investment managers and Brokers that involve the allocation of certain commissions towards the purchase of third party Research and software that assists in pre-trade analysis.

Hyperion does enter into Alternative Brokerage Arrangements of this nature which include the use of third party Research. Hyperion considers these Alternative Brokerage Arrangements to be acceptable as they provide a direct benefit to the Hyperion investment process.

### **2.4.3 Generally unacceptable Alternative Brokerage Arrangement**

Alternative Brokerage Arrangements consist of Broker produced and supplied or Broker purchased goods and services that are not directly linked with the investment process and are unlikely to assist in the investment process are considered to be generally acceptable under IFSA Guidance Note 10.

Examples include:

- (a) services relating to the valuation or performance measurement of portfolios;
- (b) market data available from data service providers;
- (c) subscriptions for publications;

- (d) computer hardware;
- (e) free or subsidised office space;
- (f) staff remuneration;
- (g) paid travel, accommodation, and entertainment costs; and
- (h) costs associated with attending conferences and seminars.

**Hyperion does not enter into these types of Alternative Brokerage Arrangements.**

### **3. Adviser commission payments**

Adviser commission payments refer to certain payments by an investment manager to financial advisers which are designed to incentivise the sale of the investment manager's product by the financial adviser. These may be structured within a product fee structure (ie. paid out of the relevant fund) or paid directly by the investment manager out of their fee.

Hyperion considers the fee arrangements for its products on a product by product basis and may pay adviser selling fees as determined by the Managing Director, and in accordance with the disclosure provisions set out below.

### **4. Monitoring and oversight**

#### **4.1 Procedures**

Trading and therefore Broker allocations are driven by Hyperion's Investment Process. The allocation to Brokers and resultant receipt of associated goods and services are used to support Hyperion's proprietary investment process with the end result being the creation and review of its model portfolios which are consistent across client portfolios.

From time to time, Hyperion may also use Wilson HTM Ltd as Broker in its ordinary course of business. Wilson HTM is a related party of Hyperion, however Hyperion contracts with all parties on standard commercial terms.

The Managing Director approves all third party agreements in order to manage any potential conflicts of interests.

Any offer of incentives set out in paragraph 2.4.3 must be reported to the Managing Director of Hyperion. It is the ultimate responsibility of the Managing Director to ensure all Hyperion staff conduct themselves in accordance with this policy.

#### **4.2 Broker Review**

Broker commissions are reviewed monthly by the Hyperion Investment Committee.

#### **4.3 Annual Review**

This policy will be reviewed at least annually by Legal and Compliance with any associated changes being approved by the Hyperion Asset Management Limited Board.

#### **4.4 Disclosure**

Hyperion adopts the following disclosure practices in relation to this policy:

- (a) This policy is available on the Hyperion website at [www.hyperionam.com.au](http://www.hyperionam.com.au)
- (b) This policy will be made available to investors free of charge upon request together with a disclosure consistent with *IFSA Guidance Note 10*; and
- (c) If there is a significant change this policy, Hyperion will communicate that change to investors in the manner Hyperion would customarily do so.

## APPENDIX A – BROKER ASSESSMENT CRITERIA

		Broker1	Broker2	Broker3	Broker4	Broker5
<b>Trading</b>	30%	0	0	0	0	0
Trading Efficiency	40%	0	0	0	0	0
Liquidity Provision	20%	0	0	0	0	0
Corporate Deal	40%	0	0	0	0	0
<b>Research</b>	40%	0	0	0	0	0
Idea Generation	30%	0	0	0	0	0
Relevance to Process	20%	0	0	0	0	0
Portfolio Coverage	10%	0	0	0	0	0
Industry Analysis	40%	0	0	0	0	0
<b>General Service</b>	30%	0	0	0	0	0
Responsiveness	40%	0	0	0	0	0
Corporate Access	40%	0	0	0	0	0
Relevant Conferences	20%	0	0	0	0	0