

**Hobart Capital Markets Limited (“HCM”)
Execution Policy
August 2008**

Background

This paper is provided to clients pursuant to Hobart Capital Markets’ regulatory obligations. It forms part of the Terms of Business between yourself and HCM. By giving orders to trade after receiving this disclosure statement, you will be consenting to have your orders handled in accordance with its contents.

The quality of execution

When executing orders on your behalf in relation to financial instruments, we will take all reasonable steps to achieve best execution of your orders. This means that we will have in place a policy and procedures which are designed to obtain the best possible execution result, subject to and taking into account the nature of your orders, the priorities you place upon us and the market in question and which provides, in our view, the best balance across a range of sometimes conflicting factors.

We will take into consideration a range of different factors which include not just price, but which may also include such other factors as the cost of the transaction, the need for timely execution, the liquidity of the market, the size of the order and the nature of the financial transaction including whether it is executed on a regulated market or over-the-counter.

We will also take into account your understanding and experience of the market in question, your dealing profile, the nature of the dealing service you require of us and the specific and general instructions given to us by you which may prioritise how we are to fill your orders.

We will exercise our own discretion in determining the factors that we need to take into account for the purpose of providing you with best execution. While we will take all reasonable steps to satisfy ourselves that our processes will lead to the best possible result, we cannot guarantee that we will always be able to provide best execution for every order executed on your behalf. However on a consistent long term basis these arrangements are designed to obtain the best possible execution result.

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.

Application of this policy

We owe you a duty of best execution when executing an order by dealing as your agent. This occurs when we exercise discretion in relation to the execution of your order. Therefore we will not be under the obligation when you merely request a quote or give specific instructions (see below).

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Your specific instructions

Any specific instructions from you may prevent us from taking the steps that we have designed and implemented to obtain the best possible result for the execution of those orders. Executing your order in accordance with your instructions satisfied our obligation to take all reasonable steps to obtain the best possible result for your execution.

We will deem receipt of orders via Direct Market Access systems where you have selected the venue as a specific instruction to execute on that venue.

Order Execution Policy

We set out below information on the criteria which determine how we select the different venues on which we may execute your order. We have identified those venues on which we will most regularly seek to execute your orders and which we believe offer the best prospects for affording you best execution. We will also assess, on a regular basis, the quality of execution afforded by those venues and whether we need to change our execution arrangements.

In selecting the most appropriate venues we will take into full account the factors relevant to the order, including;

- (a) what we reasonably assess to be your best interests in terms of executing your orders; and
- (b) such other factors as may be appropriate, including the ability of the venue to manage complex orders, the speed of execution, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

If you are a Retail Client, we will also take in to consideration additional details regarding:

- the importance that we place on the various factors affecting best execution (such as price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration) and the process by which we determine the importance of these factors; and
- a list of the execution venues on which we rely in meeting our obligation to take all reasonable steps to obtain the best possible result for the execution of your orders.

Our policy, in providing you with best execution, is, so far as possible and subject to the processes set out below, to exercise the same standards and operate the same processes across all the different markets and financial instruments on which we execute your orders. However, the diversity in those markets and instruments and the kind of orders that you may place with us mean that different factors will have to be taken into account when we assess the nature of our execution policy in the context of different instruments and different markets.

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Our firms’ processes for delivering best execution

In selecting the most appropriate venues we will take into full account the factors relevant to the order, including;

- the price offered
- the likelihood of execution
- the speed of execution
- the costs for execution and settlement
- the size of the order
- the creditworthiness of the venue
- the quality of any related clearing and settlement facilities
- the ability of the venue to manage complex orders
- any other consideration relevant to the efficient execution of the order.

In the absence of specific reasons to the contrary the total consideration which is likely to be achieved for the transaction will dictate the execution venue.

However other factors, as listed below, may influence this decision when it is believed that execution via an alternative venue is likely to result in a better overall result. Given the number of factors that need to be taken into account it is not possible to provide in advance a definitive statement as to which venue would be chosen to execute a specific order.

To maintain our continued commitment of affording our clients with best execution, it is our policy to review the execution venues selected on a periodic basis (but no less frequently than annually), or on significant change, in order to determine the venues which we believe will return the best overall result.

The execution factors

We take into consideration a number of different factors when selecting the venues on which to execute client orders.

- Price

The relative importance we attach is high. We will consider whether the venue provides competitive prices for the different sizes of client orders. Information sources such as Reuters and Bloomberg will be used to determine best price.

- The Likelihood of Execution

The relative importance we attach is high. We select the execution venues to endeavour to ensure that we obtain access to the pools of liquidity most likely to facilitate execution of our trades.

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- Size of the Order

The size of an order may influence the choice of execution venues, the execution timing and the execution price. We will take into account the size of the orders when assessing these aspects of our execution arrangements.

- Costs for Execution and Settlement

We will take into account any additional fees/commissions and other associated costs with executing transactions for those venues. We will include any 3rd party brokerage costs and number of fills and associated costs to complete orders. Note: for OTC products any commissions are usually embedded in the bid / offer spreads and are therefore incorporated in the price.

- Liquidity and Size of the Order

We will consider whether the venue provides adequate levels of liquidity for the relevant financial instruments. Insufficient liquidity will reduce the likelihood of execution, particularly for large orders. The venue selected may vary therefore depending on the size of the transaction and the liquidity for the given financial instrument.

- Confidentiality and Transparency of the Venue

For large transactions we will need to consider the transparency and confidentiality of the venue. Leakage of information relating to large orders may adversely affect the market and result in price fluctuations adversely affecting the overall result for the client.

- Complexity of Orders

We will consider whether the venue can handle the typical types of complex orders received from our clients, such as limit orders and volume weighted average price orders that may be filled over the course of the day.

- Speed of Execution

In order to protect clients from adverse price movements in highly volatile markets, we will give consideration to the speed at which the venue can execute transactions.

- Credit Worthiness of the Venue

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We will consider the credit worthiness of the venue by accessing any public information (press comment, broker reports) that might indicate that a venue represented a credit risk.

- **Likelihood of Settlement**

We will review the settlement history of the venue in order to assess the likelihood of timely settlement for client transactions.

All of the above factors are taken into consideration when considering the overall result.

For over-the-counter transactions there is no formal market or settlement system. This means that it is not possible to compare competing products by common benchmarks.

The relative importance of the execution factors for venue selection

Unless we receive specific instructions from you, price will usually be the most important factor in determining what would be the best possible result. This would especially be the case for clients whom we have classified as either retail or professional clients.

However we reserve the right to be governed by other factors in determining what would be the best possible result. This will depend on the nature of your order, the financial instrument in question or the prevailing market conditions.

For example, when stake building in corporate target, confidentiality will be of pre-eminent importance. When dealing in an illiquid stock, the fact that we are actually able to carry out the trade might be more important than the price at which we trade. When dealing in overseas stock, the likelihood of settlement would be more important than when dealing in the UK. When prices are volatile, it may be more important that we execute quickly.

The receipt of specific client instructions as to execution which can be implemented will always override our own policy and may therefore prevent us from fulfilling our obligation to achieve the best possible result.

Execution venues

Detailed below is a list of venues on which we place particular reliance for retail client orders at the standard market size for that type of financial instrument.

Regulated Markets

Includes:

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London Stock Exchange - direct access via our LSE Membership
- via Retail Service Providers. Direct link to market makers who provide liquidity in specific stocks.

Other Regulated markets - via local brokers

The list of execution venues provided in this policy is not exhaustive and that execution may occur on alternative venues from time to time provided those venues are consistent with the policy.

However, if to achieve best execution an order may need to be traded outside a regulated market or on a Multi- Lateral Trading Facility (MTF).

The Process by which we will Execute Client Orders

Client orders in liquid instruments at standard market size, or lower for the different types of financial instrument will be executed on a sequential basis. Where appropriate, we may also aggregate a client order with an order from another customer, where we believe that by doing so it is likely that the aggregation will work to the overall advantage of each of the customers concerned. When determining the venues on which to execute client orders we will select the venue in accordance with the venue selection criteria outlined in this policy.

The precise process for executing client orders will also depend upon a number of factors. If the execution provided is not the best in terms of price, this fact alone would not mean that we have failed to provide best execution.

We may arrange to “cross” securities between clients of the firm. When dealing on this basis we will normally execute the transaction on exchange or via another 3rd party broker.

Hobart Capital Markets Limited will not publish / make public any of my/our limit orders that have been admitted to trade on a Regulated Market but have not been immediately executed under prevailing market conditions.

Receiving & Transmitting orders

When we pass an order to another firm for execution, we will take all reasonable steps to obtain the best result

Monitoring and Review

We will monitor the effectiveness of our execution venues and Order execution policy to identify and, where appropriate, correct any deficiencies. We will assess whether the execution policy provides the best possible result for you, and if we believe this to be incorrect then we will amend our policy accordingly. We will review our order execution policy at least annually or whenever a material change occurs that may affect our ability to obtain best execution on your orders.