



MUFG Lux Management Company S.A.

Best Execution Policy



MUFG

**Compliance
Version 1.0**

I. Applicable regulatory provisions

- CSSF Circular 07/307, as amended by the CSSF Circulars 13/560, 13/568 and 14/585.
- CSSF Circular 15/615
- MIFID Directive 2004/39/EC (Level 1)
- MIFID Directive 2006/73/EC (Level 2)
- Luxembourg Law of 10 December 2010
- CSSF Circular 12/546, as amended by the CSSF Circular 15/633
- Regulation CSSF 10-04
- All appropriate ESMA guidelines related to MIFID requirements
- Commission Regulation (EU) 231/2013 of 19 December 2015
- AIFM Directive 2011/61/EU transposed into the Luxembourg Law of 12 July 2013

II. Definition of Best Execution

In Europe there has been an attempt to define "best execution" within the Markets in Financial Instruments Directive (MiFID) regime, which introduces the principle that all financial services firms carrying out transactions on their clients' behalf: "must take all reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

III. Aim of this document

MUFG Lux Management Company S.A. ("MUFGLM"), being a management company organized and authorised under Chapter 15 of the law of 17 December 2010 and under article 5 of Chapter 2 of the law of July 12th 2013, is classified as a professional client and then does not derogate to the best execution requirements. However, the Circular CSSF 07/307 reminds that the institutions which do not execute client orders themselves are not subject to the same requirements as those that execute orders. Nevertheless, such institutions shall make sure that the entity executing the orders applies the best execution provisions defined into the MIFID directives.

Therefore, this Best Execution policy has been implemented to reply to the provisions of the Article 45 of the MIFID Directive 2006/73/EC (Level 2), enacting the Article 19(1) of the MIFID Directive 2004/39/EC (Level 1). MUFGLM does not delegate the monitoring of best execution principles and remains responsible.

MUFGLM's rules of conduct remind that MUFGLM, being a management company, is primarily concerned with the investors' interests. Aside from the explicit best execution rules explained in this policy, MUFGLM has an overriding duty to act honestly, fairly and professionally in accordance with the best interests of its clients. It is under this duty that, even for activities or products that are technically outside of the best execution regime, MUFGLM always endeavour to act in the best interests of our clients.

This document is also designed to inform the clients of the Best Execution Principles and Methods governing the monitoring performed by MUFGLM.

IV. Means of execution

The majority of / nearly all of transactions are principally executed via intermediaries, mostly the investment managers to whom MUFGLM delegates the portfolio management activities. The agreements that MUFGLM signs with the appointed investment managers also impose to the intermediaries to follow Best Execution criteria and to set up an appropriate process.

The services offered by the appointed counterparties and intermediaries are monitored on the basis of standardised criteria and the execution is assessed in line with these criteria. The chosen criteria are constantly reviewed during MUFGLM's due diligence exercises and during the performance reviews on the appointed investment managers. The effectiveness on the best execution policy of the investment managers and the quality of their best execution process is monitored by MUFGLM.

For the few funds where no delegate has been appointed as investment manager, MUFGLM acts directly as portfolio manager, upon receipt of investment advisories from the investment advisor. After review and validation of the investment advisory, MUFGLM sends the order to Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. ("MIBL Bank") to place the transaction. For the process details, reference is made to the internal Portfolio Management Procedure of MUFGLM and to the internal KAM Dividend and Trade Instruction Manuals of MIBL Bank in Luxembourg. The price, amount, trade date and settlement date are checked both by MUFGLM and MIBL Bank. The strict cut off times of transactions transmission are described in the Portfolio Management Procedure. These internal procedures describing the checks of the execution factors give a strong insurance to MUFGLM that the Best Execution Principles are well applied.

V. Ensuring Best Execution

The Investment Managers appointed by MUFGLM and MUFGLM itself ensure the best possible order execution for the investors by determining the most suitable means of execution, taking into account the execution factors and criteria set out below.

1. Execution factors/criteria:

The responsibility for assessing the relative importance of the best execution factors lies with the investment managers. They have to take into consideration:

- The characteristics of the client, including the categorisation of the client as retail or professional
- The characteristics of the order
- The characteristics of the financial instrument that is subject of the order
- The characteristics of the execution venues or entities to which the order can be directed

In order to comply with the duty to execute the client's orders in accordance with the Order Execution Principles, MUFGLM ensures via the due diligence function that the investment managers mainly apply the following execution factors:

- price
- transaction costs or commission of execution
- speed and type of execution
- likelihood of execution
- size of the order
- time of the order
- type/nature of the financial instrument
- the current liquidity of the relevant financial instrument
- financial status, responsibility and solvency of the broker/counterparty or execution venue
- responsiveness of the broker/counterparty or execution venue;
- the quality of order execution
- the quality and cost effectiveness of any related clearing and settlement facilities

2. Execution venues

The Investment Managers must determine the execution venues in order to obtain the best execution on a consistent basis on behalf of the clients, by focusing on the quality of execution available on the various venues. The execution venues are generally regulated markets, exchange-like trading systems or systematic internalisers. The non-exchange traded derivatives ("OTC derivatives") are placed on over-the-counter (OTC) markets, which are principally traded on a bilateral basis with the respective broker according to a standard contractual agreement.

VI. Selecting Investment Managers

MUFGLM's appointed investment managers are all under prudential supervision, as required by the CSSF Circular 12/546 and AIFM Directive. When appointing an investment manager, a robust initial due diligence is performed in order that MUFGLM assesses the internal organisation and infrastructure of the investment manager. MUFGLM has to get insurance of the investment manager's professional qualification and capabilities. Part of this due diligence process will assess the best execution process of the investment manager. The criteria set out in their policy will be checked and in order to ensure that the best interests of the investors are protected. The investment manager has the requirement to implement a Best Execution policy in line with its local and internal guidelines. MUFGLM monitors that the guidelines displayed in the policy are deemed equivalent to the Best Execution duties and principles mentioned in the European regulatory provisions.

In case counterparties and brokers are selected by the investment managers, MUFGLM ensures that the selection is in line with objective criteria; no preference is made between internal group traders and external traders. MUFGLM ensures during its due diligence review that the investment managers hold an effective and appropriate policy determining the principles of

selection and monitoring of such intermediaries. MUFGLM requires to be kept informed of the list of selected counterparties.

VII. Record keeping

Each investment manager must keep records of all executed trades in line with their local market and regulations standards. For the few funds where MUFGLM acts as Portfolio Manager, MIBL Bank in Luxembourg also keeps records of the executed transactions.

VIII. Aggregation and allocation

Comparable orders which are generated simultaneously to that for the funds managed by each investment manager can be aggregated to create a block order, where this is permissible by the local applicable law. Where a block order is applied, MUFGLM ensures that the investment managers hold a Fair Allocation Orders Policy and implement their policy requirements.

IX. Annual review of the principles

The Best Execution Principles are reviewed at least once a year and adjusted to reflect current business and regulatory developments. In the event of material changes, the principles may be revised outside of this annual cycle and any such changes will be made public on an ad hoc basis.

We monitor adherence to the Best Execution Principles on a regular basis to ensure compliance and to resolve any problems that may arise.

X. Acknowledgement and approval

This Policy enters into force as of 22nd June 2016. It is reviewed by the Compliance Officer and validated by the Conducting Officer in charge of the Compliance function on an annual basis. It is then approved by the Board of Directors of the Management Company for entering into force.