



MUFG Lux Management Company S.A.

Best Execution Policy



MUFG

**Compliance
Version 2.0**

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
- Directive 2014/65/EU on markets in financial instruments (MiFID II) and related implementing Delegated Regulations, including without limitation the MiFID II Delegated Regulation (EU) 2017/565
- Regulation (EU) 600/2014 on markets in financial instruments (MiFIR)
- Law of 13 July 2007 on the financial sector (to be repealed by the draft law N 7157 implementing MiFID II into Luxembourg law)
- Commission Delegated Regulation (EU) 2017/576 on the identity of execution venues and the quality of execution
- MIFID Directive 2006/73/EC (Level 2)
- Luxembourg Law of 10 December 2010 on undertakings for collective investment
- CSSF Circular 12/546, as amended by the CSSF Circular 15/633
- CSSF Regulation 10-04
- ESMA's Q&A on MiFID II and MiFIR investor protection and intermediaries topics (ESMA/35-43-349)
- Commission Delegated Regulation (EU) 231/2013 of 19 December 2012
- AIFM Directive 2011/61/EU transposed into the Luxembourg Law of 12 July 2013 on Alternative Investment Fund Managers as amended from time to time
- KAM funds: Cayman funds for which MUFGLM acts as portfolio managers
- MTF: multilateral trading facility: self-regulated financial trading venue

II. Definition of Best Execution

MiFID II requires that investment firms in all Members States take all sufficient steps to obtain, when executing orders, “the best possible result for their clients 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 on undertakings for collective investment as amended from time to time and under article 5 of Chapter 2 of the law of July 12th 2013 on Alternative Investment Fund Managers as amended from time to time, is classified as a professional client and then does not derogate to the best execution requirements when providing collective portfolio management as an authorised AIFM and UCITS management company. 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 II and MiFID II Delated Regulation (EU) 2017/565.

Therefore, this Best Execution policy has been implemented to comply with to the provisions of the Article 27 (1) of the MIFID II and the Article 64 of MiFID II Delated Regulation (EU) 2017/565. 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 its duty that, even for activities or services that are technically outside of the best execution regime, MUFGLM always endeavours to act in the best interests of its 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 investment management agreements that MUFGLM has signed with the appointed investment managers also impose to the intermediaries to comply with the best execution criteria and to set up an appropriate best execution policy.

The services offered by the appointed counterparties and intermediaries are monitored on the basis of standardised criteria and the "best execution is assessed in line with these criteria. The chosen criteria are constantly reviewed during MUFGLM's performance due diligence 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. In such circumstances, MUFGLM takes all sufficient steps to obtain substantively equivalent outcomes to the MiFID II best execution standards and to ensure that the services provided to its clients are performed in accordance with their best interests. MUFGLM also takes all sufficient steps to ensure that its selection process of delegate(s) and the overall management of the portfolio(s) continue to meet these standards.

For the few funds where no delegate has been appointed as investment manager, MUFGLM acts directly as portfolio manager, upon receipt of investment advisory 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.

Where MUFGLM handles client's orders either on a client's behalf or as part of its portfolio management activities, it must ensure that orders are:

- executed promptly;
- accurately recorded and allocated; and
- executed sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

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’ transactions’ transmission are described in the Portfolio Management Procedure. These internal procedures describing the checks of the execution’s 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 must obtain the best possible result for the clients to the extent that they execute an order for the clients by determining the most suitable means of execution, taking into account the best 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 below when executing clients’ orders:

- The characteristics of the client, including the categorisation of the client as retail or professional;
- The characteristics of the order, including where the order involves a securities financing transaction;
- The characteristics of the financial instrument that is subject of the order;
- The characteristics of the execution venues to which that order can be directed;

In order to comply with the best execution obligation whilst executing the client’s orders in accordance with the Order Execution Principles, MUFGLM ensures via its due diligence monitoring 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
- other appropriate factors, such as a broker's willingness to commit capital and the availability of external venues for the order or a particular product.

2. Execution venues

The Investment Managers must determine the execution venues on which they intend to obtain the best execution results on a consistent basis on behalf of their clients, by focusing on the quality of execution available on the various execution venues.

Under MiFID II Delegated Regulation, the term "execution venue" includes:

- Systematic Internalisers ;
 - Multilateral Trading Facilities (MTFs);
 - Organised Trading Facilities (OTFs);
 - Regulated Markets;
 - Counterparties acting as liquidity providers or market makers (including affiliates dealing as principal) e.g., a counterparty willing to purchase a security held on behalf of a MUFGLM client;
- or
- an entity that performs a similar function in a third country to functions performed by any of the foregoing.

The Investment Manager may also from time to time place orders with brokers (that may or may not be execution venues) which will interact with execution venues to execute the relevant orders.

MUFGLM has to ensure that the Investment Manager will not unfairly discriminate between execution venues (when executing orders itself) or brokers (when it transmits or places orders with third parties for execution) but will make a decision based on a consideration of the execution factors and where relevant other qualitative factors, relating to a broker or an execution venue's characteristics (such as any clearing schemes, circuit breakers or scheduled auctions on the execution venue) and other considerations relevant to the trade or the execution venue/broker. In order to act in the best interests of its clients, MUFGLM will also have to ensure that the Investment Managers are regularly assessing the market landscape to determine whether or not there are alternative execution venues that they could use.

The criteria to use an execution venue or broker is generally based on evaluation of a number of quantitative and qualitative factors that may include (as applicable), but are not limited to:

- competitiveness of commission rates or spreads;
- promptness of execution;
- clearance and settlement capabilities;
- quality of service;
- willingness to commit capital;
- creditworthiness;
- reputation; and
- financial stability

In accordance with article 3 of the Commission Delegated Regulation (EU) 2017/576, where an Investment Manager is executing or placing/transmitting orders, MUFGLM has to ensure that the Investment Manager will summarize and make public on an annual basis without any charge

in a machine-readable electronic format, the report of the top five execution venues where they have executed their clients orders, as well as the five top entities (brokers) to which the clients orders were routed during the period and a summary of the outcomes achieved when executing those orders for each class of financial instruments in terms of trading volumes where it has executed or placed/transmitted orders. In addition, this does not preclude the Investment Manager for providing a consolidated report on the execution venues and the entities it uses most frequently to execute client orders.

3. Trading obligations in shares and derivatives

Article 23 (1) of MiFIR determines the scope of the trading obligation for shares admitted to trading on a regulated market or traded on a trading venue by requiring investment firms to ensure that trades they undertake in shares take place on a regulated market, MTF, systematic internaliser or equivalent third country venue.

MUFGLM will, in its due diligence process where the Investment Manager is acting as its agent or a MiFID broker, ensure that trades it “undertakes” in shares admitted to trading on a regulated market or traded on trading venue, are taken place on regulated market, MTF or systematic internaliser or a third country trading venue assessed as equivalent.

Additionally, the Investment Manager’s trading obligation will also apply to derivatives transactions in accordance with the Article 28 MiFIR.

Where these mandatory trading obligations (or other similar obligations in the jurisdiction where the client’s trade is executed or the broker is located) apply to trades, the Investment Manager executes or places trades with third-parties for execution, the best possible execution result for that client shall be achieved in compliance with these obligations.

4. Execution of trades outside of a Regulated Market, MTF or OTF

The Investment Manager, or third-party brokers placing client orders, may execute all or part of client orders outside of a regulated market, MTF or OTF where permitted under the agreement with its client and where the client has consented to the trading being done outside of these venues. Such trades may be undertaken on similar non-EEA/third party exchanges / trading platforms or over-the-counter (OTC) with brokers and other liquidity providers.

Although the Investment Manager will take all sufficient steps to obtain the best possible execution results for its clients when executing OTC trades, please note that there are certain risks associated with OTC trading. Transactions that are executed OTC will not be subject to the rules of trading venues, which are designed to provide for the fair and orderly treatment of orders and facilitate price transparency (although trades with certain OTC counterparties such as SIs may be subject to similar requirements). Additionally, OTC transactions may be subject to increased counterparty risk and settlement risk, as these trades will not be covered by the clearing and settlement rules of the relevant trading venue and central counterparty (CCP).

MUFGLM will ensure in its due diligence process that this will be taken into consideration in the best execution process of the Investment Manager.

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 in order to ensure that the best interests of the investors are protected. The investment manager has the necessary resources 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 that apply in the European Union. MUFGLM will have to ensure that the Investment Manager monitors the quality of best execution by asset type and instrument type, and also by type of execution venue selected.

In case of 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 and will ensure that the Investment Managers concerned monitor continuously the approved execution venues and the brokers on a risk-based approach.

VII. Reporting

MUFGLM will have to ensure in its due diligence process that the Investment Manager will issue periodic reports which set out the activities undertaken and the performance of the fund portfolio for the reporting period (provided at least every three (3) months) and information on the costs and charges incurred in connection with the services that the Investment Managers provide to the client (provided on an annual basis).

VIII. Record keeping

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

IX. 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.

X. Annual review of the principles

This Best Execution Policy is reviewed at least once a year and adjusted to reflect current business and regulatory developments. In the event of material changes, the policy 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 Policy on a regular basis to ensure compliance and to resolve any problems that may arise.

XI. Acknowledgement and approval

This Policy enters into force as of [14th June 2018]. 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.

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