
Best Execution

Policy

Version 3.0

31/01/2020

1. Applicable regulatory provisions

- Luxembourg Law of 10 December 2010 on undertakings for collective investment;
- Law of 12 July 2013 on Alternative Investment Fund Managers;
- Law of 30 May 2018 on markets in financial instruments;
- CSSF Regulation 10-04 as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (hereafter "Regulation 10-04");
- Circular CSSF 07/307, as amended by the CSSF Circulars 13/560, 13/568 and 14/585 on MiFID: Conduct of business rules in the financial sector;
- Circular CSSF 19/723 ESMA Guidelines on the application of the definitions of commodity derivatives in Sections C6 and C7 of Annex I of MiFID II;
- Circular CSSF 18/698 on authorisation and organisation of investment fund managers incorporated under Luxembourg law Specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent;
- 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 (hereafter "MiFID");
- Commission Directive 2006/73/EC as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID Directive (Level 2));
- Regulation (EU) 600/2014 on markets in financial instruments) (hereafter "MiFIR");
- Commission Delegated Regulation (EU) 2017/576 on the identity of execution venues and the quality of execution;
- Commission Delegated Regulation (EU) 231/2013 of 19 December 2012;
- ESMA's Q&A on MiFID II and MiFIR investor protection and intermediaries topics (ESMA/35-43-349).

2. Definition of Best Execution

MiFID requires that investment firms in all European Union ("EU") 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, order size, nature or any other consideration relevant to the execution of the order".

3. Aim of the policy

MUFG Lux Management Company S.A. (hereafter "MUFGLM") is classified as a professional client for the purpose of MiFID and does not derogate from the MiFID best execution requirements when providing collective portfolio management services. However, Circular CSSF 07/307 reminds companies which do not execute client orders themselves, that they 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 in MiFID.

Therefore, MUFGLM has implemented a Best Execution Policy (hereafter the "Policy") to comply with to the provisions of Article 27 (1) of MIFID II and Article 64 of MiFID II Delegated Regulation (EU) 2017/565.

MUFGLM is primarily concerned with the clients' interests. Aside from the explicit best execution rules explained in the 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 services that are technically outside of the best execution regime, MUFGLM always endeavours to act in the best interests of its clients.

The Policy is also designed to inform the clients of the best execution principles and methods governing the monitoring performed by MUFGLM.

4. Means of execution

The majority of the transactions are principally executed via intermediaries, mostly the portfolio managers to whom MUFGLM delegates the portfolio management activities. The agreements that MUFGLM has signed with the appointed portfolio managers also impose to the intermediaries to comply with the best execution criteria and to set up an appropriate best execution policy, copy of which is provided to MUFGLM.

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. 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 portfolio manager, MUFGLM acts directly as portfolio manager, upon receipt of investment advisory from the appointed investment advisor. After review and validation of the investment advise, MUFGLM sends the order to the central administrator 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.

5. Best Execution Principles

MUFGLM and the appointed portfolio managers must obtain the best possible result for the clients to the extent that they execute an order by determining the most suitable means of execution.

The best execution principles, as defined by MiFID, cover the following (non-exhaustive):

- certain **execution factors/criteria** have to be considered (e.g. client categorisation, identification of the financial instrument being subject of the order, identification of the execution venue);
- the **execution venues** will have to be determined with the aim to obtain the best execution results on a consistent basis on behalf of the clients, by focusing on the quality of execution available on the various execution venues;
- certain **trading obligation re shares and derivatives** have to be considered;
- in case trades are **executed outside a regulated market, a multilateral trading facility or an organised trading facility**, the necessary consent from the client will have to be obtained;
- when local law allows, comparable orders may be aggregated in a so-called **block order**; in that case a fair allocation of orders should be ensured.

6. Reporting

Portfolio managers shall provide to MUFGLM on a quarterly basis the confirmation about compliance with their best execution policy.

7. Record keeping

Each portfolio manager must keep records of (i) all executed trades in line with their local market and regulations standards and (ii) telephone conversations and electronic communications. For the funds where MUFGLM acts as portfolio manager, the central administrator also keeps records of the executed transactions.