



European
Capital Partners

BEST EXECUTION POLICY

Version: November 2020



1. BEST EXECUTION AND BEST SELECTION OBLIGATIONS

Objective

1.1 In accordance with the Markets in Financial Instruments Directive¹ (MiFID II) as revised and in force since 3rd January 2018, the Company must act in the best interests of its Clients when executing decisions to deal on behalf of the AIF or the Client in the context of the management of their portfolio and when making a Portfolio Transaction.

1.2 All Capitalized Terms herein will have the meaning defined in the latest version of the Handbook of Policies and Procedures.

Scope

1.3 This purpose of this Policy is to define and describe the procedures used by the Company to ensure best selection and best execution of its Clients in accordance with MiFID II when.

Legal references

1.4 MiFID comprises the following regulations:

1.4.1 Art. 24(1) and 27 of Directive 2014/65 / EU;

1.4.2 Art. 26 of Regulation (EU) No 600/2014;

1.4.3 Art. 64 to 66 of Delegated Regulation of 25 April 2016;

1.4.4 Art. 28 of the Delegated Regulations.

Definition

1.5 **Portfolio Transaction** means the handling and execution of orders on the portfolio of a Client.

Preliminary remark

1.6 The Company is only providing services to Clients who qualify as Professional Investors.

1.7 If a retail investor asks the Company to manage a mandate, the investor must accept to be categorized as a Professional Investor.

1.8 When orders are executed by intermediaries, the Company has a best selection obligation in respect of the intermediaries to whom it gives order for execution.

1.9 When a Client asks for an intermediary who has not been selected by the Company, the Client must agree on a formal document that the Company is not obliged to comply with the Best Selection and Best Execution obligations.

2. BEST SELECTION

Principles of best selection policy

¹ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014



- 2.1 The Company's best selection policy is to select on behalf of its clients, intermediaries that have taken all reasonable measures to obtain the best possible result during the execution of orders transmitted to them.
- 2.2 The Company undertakes regular controls (at least annually and when any significant change in organization or structure) of the efficiency of its selection and execution policy (quality of execution), with a view to rectifying any deficiencies that might be observed.
- Process for selecting intermediaries.**
- 2.3 To comply with its objective of Best Selection, the Company has implemented a selection process used for the choice of a new broker.
- 2.4 The Portfolio Management team arranges a due diligence on potential new brokers and has to obtain their best execution policy and as a basis of selection.
- 2.5 The Portfolio Management team rates criteria listed below:
- 2.5.1 Qualitative aspects e.g. total price of the transaction; access to the execution venues (e.g. regulated market, multi-trading facility of OTC counterparty) in order to enable best execution; connectivity such as algorithms and tools used to handle orders, aimed at taking the best available opportunity throughout a range of different trading venues (SOR: Smart Order Routing); Voice order treatments; market technology; direct access to the market; access to market maker prices;
- 2.5.2 Quantitative aspect: all transactions processed over a selection period are measured and compared to defined benchmarks (IS-TWAP, VWAP ...), which makes it possible to classify the brokers. This evaluation relies on the use of Transaction Cost Analysis (whenever available) in order to assess for each order the timing of completion of the exchanges between the managers, the brokers and the markets, and to evaluate the quality of the executions;
- 2.5.3 Middle Office Notation: quality of confirmations, quality of the outcome; suspense management
- 2.6 New brokers cannot be subject to a qualitative and quantitative evaluation, or a notation of their middle office. New brokers are selected based on their reputation, their human and technical resources, their ability to provide the best execution in terms of their "best execution" policy, according to technical and technological criteria.
- 2.7 The Senior Management will review these evaluations and select brokers.

3. BEST EXECUTION

- 3.1 Whenever the Portfolio Management Team buys or sells the Investment on behalf of the Company and for the account of the relevant AIF or Client, the Portfolio Management Team shall take all reasonable steps to obtain the best possible result for the AIFs and Clients by considering:
- 3.1.1 **Price**: this is the final price of the financial instrument, excluding our own execution fees. Price is generally the most important factor when we are assessing how to obtain the best possible result when executing Client's orders;



- 3.1.2 **Costs:** they include commissions, costs and fees that are charged for executing the customer's order. If we charge a fixed-rate commission on their transactions, these costs will have a limited impact on the procedures for execution of their order. If the customer has entered into a commercial agreement whereby these costs impact on the fees that we charge them, we will agree with them the best way to factor these costs into our execution strategy;
- 3.1.3 **Speed:** this is the speed with which we can execute an order. If the customer's instructions state or suggest how quickly we have to execute the order, we follow these instructions unless we see an immediate, significant conflict with the price. When the instruction makes no reference to speed, we execute the order at the speed which, in our view, ensures a balance between creating a market impact and timely handling in order to avoid execution risk.
- 3.1.4 **Likelihood of execution:** this is the probability that we are able to execute the customer's order, or at least a significant proportion of the order. The importance of this factor increases when access to liquidity for the instrument in question is limited in some way;
- 3.1.5 **Likelihood of settlement:** we expect the transactions that we execute for our customers to be settled in good time. As a general rule, the likelihood of settlement is not a significant factor in the equity markets. In some situations, however, the likelihood of settlement may be a more significant factor than price;
- 3.1.6 **Size of order:** this is the size of the order relative to the average volume of trades in a specific financial instrument. The size of the customer's order may be a significant factor if the order exceeds the daily volume of trades in a specific financial instrument, e.g. in the case of combined order trades. Large-volume transactions may have a negative impact on the price of financial instruments when executed directly as one trade in a given execution venue. If a customer submits an order of this type, we will not necessarily consider price and speed as being the most important factors. When submitting a large order, it may be in the customer's interest to build up or unwind a substantial position in a specific financial instrument. In these circumstances, we may consider the likelihood of execution and the likelihood of settlement to be key execution factors
- 3.1.7 **Nature of order:** in some cases, the nature of the order leads conditions or restrictions as regards its execution. For example, if the customer submits a limit order, we may face restrictions when it comes to its execution, such as the fact that some execution venues do not accept limit orders. In such cases, we will consider the other execution factors to obtain the best result for the customer in the execution venues that accept your limit order;
- or
- 3.1.8 **Any other consideration relevant to the execution of the order.** The same applies where the Portfolio Management Team is making a Portfolio Transaction with another entity for execution. The relative importance of such factors shall be determined by reference to the following criteria:
- (a) The objectives, investment policy and risks specific to the AIF or the Client, as indicated in the AIF Documents respectively the Client Mandate;

- (b) The characteristics of the Portfolio Transaction;
- (c) The characteristics of the investment that are the subject of the Portfolio Transaction; and
- (d) The characteristics of the execution venues to which that Portfolio Transaction can be directed.

Best execution and trade allocation policy for AIFs

3.2 The Company has established and implemented the following arrangement for complying with the obligations referred to above:

- 3.2.1 The Portfolio Management Team on its behalf will execute and make Portfolio Transactions for AIFs sequentially and promptly unless the characteristics of the Portfolio Transaction or prevailing market conditions make this impracticable, or the interests of a relevant AIF require otherwise.
- 3.2.2 A Portfolio Transaction executed or placed on behalf of an AIF is promptly and accurately recorded and allocated.
- 3.2.3 Financial Instruments or sums of money, received in settlement of the executed or placed Portfolio Transaction must be promptly and correctly delivered to the account of the appropriate AIF.
- 3.2.4 The Company will not misuse information relating to pending orders for AIFs or Clients and will take all reasonable steps to prevent the misuse of such information by any of its Members of Staff.
- 3.2.5 The Company will not aggregate a Portfolio Transaction for an AIF with Portfolio Transaction for another AIF with a Portfolio Transaction for its own account, unless the following conditions are met:
 - (a) It must be unlikely that the aggregation of Portfolio Transactions will operate overall to the disadvantage of any of the AIFs involved;
 - (b) A Portfolio Transaction allocation policy will be established and implemented, providing in sufficiently precise terms for the fair allocation of aggregated orders, including how the volume and price of orders determines allocations and the treatment of partial executions.
 - (c) Where the Company aggregates orders and the aggregated Portfolio Transaction is partially executed, it must allocate the related trades, where possible and meaningful and not determined otherwise, proportionally among the AIFs.
 - (d) If Portfolio Transactions for the account of several AIFs and, as the case may be, for the own account are aggregated, the Company must not allocate the relevant Portfolio Transactions in a way that is detrimental to such AIF or any Investor.



- (e) If aggregated Portfolio Transactions are partially executed, the Company must allocate the related Portfolio Transactions to such AIF in priority over those for own account.
 - (f) If the Company is able to demonstrate to an AIF on reasonable grounds that it would not have been able to carry out the order on such advantageous terms without aggregation, or at all, it may allocate the transaction for own account proportionally.
- 3.2.6 The Company must at all times be able to demonstrate that it has executed or placed orders on behalf of the AIF in accordance with this Policy.
- 3.2.7 Whenever there is no choice of different execution venues, the Company must only be able to demonstrate that there is no choice of different execution venues.

Best execution and trade allocation policy for Clients

Best execution

- 3.3 The Company is not executing Client orders, nor does it trade on its own account. The Company places orders on behalf of Clients with selected executing brokers which are listed on the Broker/Dealer List (see Annex A).

Trade allocation

- 3.4 Orders on behalf of several Clients may be aggregated.
- 3.5 Executed trades and partial executions will be allocated pro-rata to Client accounts for each trading day.
- 3.6 Exceptions to a pro-rata allocation of trades must be approved by the Compliance Officer. Such cases may include:
- 3.6.1 Client directed transactions;
 - 3.6.2 Situations to comply with investment restrictions and regulations;
 - 3.6.3 Sale of securities contributed by a Client to its accounts; and
 - 3.6.4 Initial investment of new accounts.
- 3.7 On an annual basis, the Compliance Officer assesses on a sample basis whether trades have been allocated honestly and fairly according to this Policy.

Trading strategy

- 3.8 The Company usually aggregates all Client orders whenever possible in order to deploy the trading strategy in the most efficient manner. The Company will use the trading techniques that are believed to result in the best overall execution and price efficiency for its Clients.
- 3.9 These techniques may include, amongst others:



- 3.9.1 Aggregating orders for Clients who trade through the same executing broker;
- 3.9.2 Sequencing and pacing orders to obtain execution efficiency and to mitigate the possibility of orders for Clients impacting the market price of the security; and
- 3.9.3 Use of limit orders to reduce variance in execution price across accounts that trade through different executing brokers.

Escalation process

- 3.10 Where a breach of this Policy is identified, the Compliance Officer must be informed.
- 3.11 The Compliance Officer will then assess whether this breach is material and detrimental to the interests of the relevant AIF or Client (a **Material Order Breach**) and decide whether to:
 - 3.11.1 Inform the Board where it considers the breach to be a Material Order Breach; or
 - 3.11.2 Solve the breach without such informing where the breach is, in the Compliance Officer's opinion, not a Material Order Breach.

Monitoring

- 3.12 The Compliance Officer shall monitor on a regular basis the effectiveness of its arrangements and policy for the execution of orders with a view to identifying and, where appropriate, correcting any deficiencies.

4. REVIEWING EXECUTION POLICY

- 4.1 Minimum review period
 - 4.1.1 The execution policy communicated to Clients shall be reviewed at least every year. However, any significant change impacting the ability to obtain the best result possible also requires an early review of the policy.
 - 4.1.2 The following is a non-exhaustive list of the factors that may lead to such early reviews of the policy:
 - a. when controls undertaken by traders or Compliance indicate sizeable divergences with the policy's initial objectives;
 - b. when new elements emerge such as:
 - (i) new places of execution, which are shown after analysis to be worthy of inclusion on the list of selected places of execution,
 - (ii) new financial instruments,
 - (iii) new trading tools.
- 4.2 Initiative for the review



- 4.2.1 First-level responsibility for defining execution policy lies with:
- a. the portfolio managers
 - b. Compliance and Risks, which ensures that the policy is reviewed at least once a year.
- 4.2.2 The execution policy is not necessarily amended after a review. However, any decision not to amend the execution policy post-review needs to be formally recorded. However, if certain elements or observations suggest the execution policy should be amended early, the review is conducted

5. REPORTING AND CONTROL MECHANISM

- 5.1.1 First level of control & reporting conducted by the portfolio managers or the Middle Office

The Portfolio Managers or the Middle office produce the following reports:

- TOP 5 venue report (MIFID2 requirement)
- Selection & evaluation of brokers
- Monitoring of volumes by broker

- 5.1.2 Second level of control on the quality of selection and execution

The compliance officer and the risk manager undertake second-level control on quality of selection and execution based on Portfolio Managers reporting and brokers reporting (TCA).