

## BEST EXECUTION POLICY

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Technical Approval	Investment Committee	
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## **1. Regulatory framework**

This document has been drafted taking into consideration the following laws and regulations:

- i. Laws of 5 April 1993 on the financial sector as amended, transporting the Directive 2004/39/EC of the European Parliament on markets in financial instruments (dated 21 April 2004, the Markets in Financial Instruments Directive, hereinafter “MiFID”), which was transposed into Luxembourg law by the Law of 13 July 2007 on markets in financial instruments (the “Law”), In June 2014, the European Commission revising the MiFID framework by adopting new rules into Directive 2014/65/EU – Markets in Financial Instruments (MiFID II).
- ii. Circular CSSF 18/698 with defining the organization of the portfolio management function for investment fund managers incorporated under Luxembourg law.

## **2. Purpose & Scope of this policy**

The objective of this document is to describe the principles on best execution performed by the Investment Management Department for trading securities and funds for undertakings for collective investment, (UCITs) or alternative investment funds (AIFs, and together with the UCITS, UCIs) managed by Adepa Asset Management S.A. (ADEPA or the Company).

This policy applies to all trading activities that ADEPA carries out for the UCIs ADEPA is acting as portfolio manager. ADEPA does not directly execute orders, but routes them to the brokers following consultations with the advisors as a result of the investment decision process. In this process, ADEPA acts according to the regulation and ensures that the order has been executed fairly, honestly, professionally and in compliance with the best execution policy in order to obtain the best possible result for the UCI's investors.

## **3. Investment Management Delegation**

When preparing the Investment Management Agreement with a 3<sup>rd</sup> Party Investment Manager, ADEPA's Legal department will ensure that the delegation of the broker selection is subject to prior consent of the Company, as stipulated in clause 4.1 of ADEPA's standard contract. The selection of brokers falls under the sole responsibility of the delegated Investment Manager. When delegating the portfolio management function to a 3<sup>rd</sup> party Investment Manager, ADEPA's initial and ongoing due diligence includes the review of the best execution procedure of each delegated entity. Moreover, the on-going monitoring of the delegated investment manager includes the verification that it complies with the best execution policy.

## **4. Order execution criteria**

According to ADEPA's business model, the Company has no direct access to specific market places. Therefore, ADEPA does not directly execute the orders itself and uses financial intermediaries, brokers and counterparties to fulfil this function. As management company, ADEPA chooses only trading partners and market places that have a best execution procedure which is allowing ADEPA to achieve the best possible result on behalf of each managed UCI.

ADEPA is authorised to place orders on financial instruments with any financial intermediary, broker and counterparty provided that the financial intermediary, broker or counterparty is duly regulated and validated prior satisfactory due diligence.

These entities themselves also have an obligation of best execution, whether in the frame of MiFID II for those located in the European Economic Area (EEA), or in the frame of any other equivalent legislation for those located outside the EEA. Consequently, the trading of all orders will always be in accordance with a best execution obligation.

The Company may consider various criteria for determining how orders are to be executed with respective counterparties. When ADEPA executes an order through any of its approved list of selected brokers and counterparties (see appendix 3), it will determine the relative importance of several execution factors based on its experience and judgement, for each product type, with respect to the information available in the market and taking into account the following best execution criteria:

- a) Price
- b) Transaction cost
- c) Speed of execution
- d) Execution probability
- e) Liquidity (order size and market impact of the transaction)
- f) Settlement likelihood
- g) Other relevant characteristics in relation to the order

Where clear cases of poor execution are identified, ADEPA will investigate promptly and take appropriate remedial action if necessary, which may include requiring the executing broker to amend the transaction or, depending on the seriousness or recurrence of the wrong doing by the broker, the termination of the relationship with such broker.

This policy is applicable to all financial instruments traded on behalf of ADEPA's UCIs and in particular, but not only, to equities, fixed Income, derivatives and Units in collective investment schemes or unit trusts.

## **5. Broker selection and approval process**

ADEPA is authorised to trade with any broker which is officially regulated by a relevant Stock Exchange Regulator or Financial Market Authority. ADEPA, as well as the delegated investment managers, need to access a broad range of brokers in order to be able to execute orders for UCIs on all instruments and markets.

When opening new brokerage relations and preparing the due diligence file, ADEPA will ensure that all questions and documents in relation with best execution are addressed and are satisfactory.

When selecting brokers, intermediaries or counterparties, the Company must ensure that each of them represents an acceptable overall risk. To succeed, ADEPA takes all reasonable steps and care to evaluate the selected broker and ensure that it can consistently provide best execution, taking into consideration the execution factors set out in this Policy.

ADEPA's broker selection process will also consider relevant details like their expertise on financial instruments concerned, the type and structure of the market and the country where these brokers operate. As a result of the due diligence performed on the broker, a risk scoring will be given which allows to clarify the broker with a low risk, a medium risk or a high risk. The frequency of the on-going due diligence will depend on the risk allocated to each broker. In between this cycle an on-going due diligence will be performed in case of change of material circumstances (e.g. change of UBO, change of country of regulation etc.). However, in all cases the proof of regulation shall be obtained on an annual basis.

## **6. Order execution**

ADEPA ensures the prompt and honest execution of orders for all managed UCIs. Furthermore, ADEPA verifies that all orders and settlement instructions are established as early and quickly as possible and immediately processed correctly. The registration will be followed closely and allocation is carefully checked. Trade confirmations are forwarded immediately after completion to the respective counterparties involved.

## **7. Monitoring and review**

### **7.1. Review of the policy**

The policy is reviewed on a yearly basis, along with the brokers and counterparties review, and submitted to the Conducting Officers Committee.

### **7.2. Compliance Broker on-going due diligence - Risk Assessment**

On-going broker due diligence is performed by ADEPA's Compliance Department. As a result of this due diligence, the risk previously assigned to the broker could be amended or, in the event of significant findings, trigger a recommendation to ADEPA's Conducting Officers Committee to end the relationship.

### **7.3. Best execution monitoring**

1. Investment Management Department is involved in the broker and counterparty monitoring and verifying each best execution policy from all different trading counterparties on a regular basis.
2. In order to monitor whether the orders have been executed along with the best execution policies, several checks are performed on a regular basis:
  - In OPUS (ADEPA's OMS), the system will create a warning if the price returned by the broker is 10% higher than the price of the last CRE check.
  - Every order will keep the date and time of the compliance check performed before an order is sent to the brokers, along with the price returned from Bloomberg at that time, which allows to easily see if there is a difference between the price of the execution and the market price before its execution.
  - Weekly IC meetings established verifying each investment decision in liquid investments taken including the trade price as well as the last market price.
3. Any significant breach of the best execution policy detected during the monitoring of the activity of the

broker will be escalated by the Investment Management Department to the Conducting Officers Committee.

4. In case of unconfirmed trades for derivatives more than 5 days, Investment Management Department will escalate to the Conducting Officers Committee.

## **8. Appendix**

Appendix 1 – Broker on-going due diligence & Questionnaire

Appendix 2 – Template Broker DD Assessment

Appendix 3 – List of Selected Brokers and Counterparties