

<b>PROCEDURE</b>		
		Date : 17/02/2016
	<b>BEST EXECUTION POLICY</b>	

## 1. LEGAL FRAMEWORK

MC Square is a public limited company governed by the laws of the Grand-Duchy of Luxembourg.

MC Square is authorized by the Commission de Surveillance du Secteur Financier (“CSSF”) as a management company governed by Chapter 15 of the law of 17 December 2010 on Undertakings for Collective Investments.

This policy complies with the following provisions:

- (i) CSSF Regulation No. 10-4 dated 24 December 2010 implementing the Commission Directive 2010/43/EU of 1<sup>st</sup> July 2010 on the implementation of Directive 2009/65/EC of the European Parliament and Council regarding organizational requirements, conflicts of interest, conduct of business, risk management and the contents of the agreement between a depository and a management company (“CSSF Regulation 10-4”)
- (ii) CSSF circular 12/546 dated 24 October 2012 on the authorisation and organisation of the Luxembourg management companies subject to Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment as well as to investment companies which have not designated a management company within the meaning of Article 27 of the Law of 17 December 2010 relating to undertakings for collective investment (“CSSF Circular 12/546”)

In accordance with the above mentioned provisions, MC Square shall ensure that the conducting officers of the Company referred to hereinafter, act in the best interests of the funds managed by the Company (the “Funds”).

Given that *Late Trading* and *Market Timing* practices could have a significant impact on the performance of the Funds and thus lead to a prejudice for subscribers, MC Square applies pre-emptively strict rules as recommended by CSSF Circular 04/146 dated 17 June 2014 concerning the protection of undertakings for collective investment and their investors against *Late Trading* and *Market Timing* practices.

## **2. PRINCIPLES**

MC Square does not transmit orders for execution and does not execute directly the orders in the name and on behalf of the Funds. The portfolio management function is indeed delegated to duly selected investment managers. When selecting an investment manager, the criteria for “best execution” is subject to a particular review from MC Square given that MC Square remains responsible for the best execution towards the Funds even if the portfolio management is delegated to portfolio managers (the “Portfolio Managers”).

In general, to respect the duty of "best execution", management companies must ensure that the execution of transactions is such that the total cost of each transaction is the most favorable. The concept of "best execution" is not limited to obtaining the best transaction costs and the lowest price. Thus, the Portfolio Managers shall take all reasonable measures to get the best possible result for the Funds, taking into account besides the price and cost, the speed, the likelihood of the execution and settlement, size and nature of the order or any other consideration relating to the execution of the order; in order to increase the value of the portfolio of the Funds on a short term and long term basis. The agreements concluded with the Portfolio Managers must take into account this obligation of “Best Execution”. The relative importance of these criteria is determined while taking into account the following criteria:

- a. the objectives, the investment policies and the risks proper to the Funds, as disclosed in the prospectuses or in the constituting documents of the Funds;
- b. the characteristics of the order;
- c. the characteristics of the financial instruments which are the subject of this order; and
- d. the characteristics of the execution venues where this order can be dealt.

## **3. SELECTION AND ASSESSMENT OF THE BROKERS**

The Portfolio Managers use different brokers in order to ensure the liquidity of the sub-funds of the Funds and the transparency of the market, and to consequently ensure the application of the “Best Execution” principles.

The brokers, in charge of the execution of the orders, are assessed on an ongoing basis on the basis of the following criteria:

- the price of the executed orders
- the commission rates
- the ability to execute the orders taking into account, among others, the volume and the impact of the corresponding price;
- the volumes relating to the financial instruments
- the availability and the professionalism
- the financial stability and the risk management
- the programs of best execution and
- the additional services, including the access the research, conferences, seminars, etc...

## **4. AGGREGATION AND ALLOCATION OF TRADING ORDERS**

MC Square shall ensure that the Portfolio Managers guarantee the prompt, fair and expeditious execution, recording and allocation of portfolio transactions on behalf of the sub-funds of the Funds.

The order and the execution methods will be established as soon as possible in order to ensure that the orders to be executed are immediately and duly recorded, with precision and promptly.

The orders will be sent immediately to the depositary and to the other counterparties involved. The order must be fulfilled as soon as possible and the chronological method shall be applied ("First in - First out"), unless this is impossible given the nature of the order or the market conditions. The execution of an order can be postponed if the counterparty has taken reasonable measures to ensure that it acts in the interests of the Fund.

The orders are normally executed, the financial instruments and the money received are immediately and precisely transferred on the account of the Fund.

An order relating to a Fund cannot be aggregated with an order of another portfolio managed by the Portfolio Managers unless the following conditions are met:

- it must be unlikely that the aggregation of orders will work overall to the disadvantage of any portfolio managed by the portfolio manager;
- an order allocation policy must 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.

The allocation of an aggregated order must be decided and registered in the trading system of the Portfolio Manager before its execution. Three situations may occur:

- an aggregated order which is fully executed is allocated on the basis of the mid-price;
- however, if an aggregated order can only be partially executed, the execution portion of the order will be allocated proportionally on the basis of the mid-price;
- in case a very small part of the order can only be executed, and where a proportional allocation could not be initiated due to excessive transaction costs, the portion of the order to be executed would be allocated in the portfolio which presents the higher ratio need/deviation vis à vis the reference portfolio.

## **5. CONTROLS**

MC Square regularly checks its procedures to ensure that the Best Execution Policy is firstly applied in the interest of investors and also updated in the event of major change.

The selected third parties are professionals of the financial sector subject to an equivalent legislation as MC Square.

During the Portfolio Manager selection process, a Due Diligence Questionnaire (DDQ) is to be completed by the Portfolio Manager. The Portfolio Manager shall communicate his Best Execution and Brokers Selection Policies as well as the approved and recommended brokers list. This DDQ is reviewed at least once a year, allowing inter alia to update the list of brokers.

Any new counterparty is subject to a review by MC Square which can apply its veto on the use of a particular broker.

On an annual basis, the Portfolio Managers must evaluate brokers based on the criteria discussed above.

The evaluation process and the results must be documented and sent to MC Square in paper or electronic format. Furthermore, the Portfolio Managers have to annually certify that their own Best Execution Policy conforms to the rules of MC Square.

Any identified weakness will be addressed as quickly as possible and corrective measures implemented.

An "Operating Memorandum" (OM) is established for each Fund and/or sub-fund. These OM resume the roles and responsibilities of each stakeholder in the transmission of orders. Any

change in the orders transmission procedure is reflected in the OM. MC Square and the depositary bank are responsible for updates.

## **6. AVAILABILITY**

This policy is available free-of-charge on request.

## **7. APPLICABLE LAWS AND REGULATIONS**

Article 111 of the Luxembourg Law of 17 December 2010  
Articles 28, 29, 30 and 31 of CSSF Regulation 10-4  
Section 5.2.7. of CSSF Circular 12/546.