

PROCEDURE		
		Date : 11/12/2019
	BEST EXECUTION POLICY	Replace : 17/02/2016

1. LEGAL FRAMEWORK

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

MC Square (the “Company”) is a management company (hereafter “ManCo” or “IFM”) pursuant to Chapter 15 of the Law dated 17 December 2010 (the “UCITS Law”) relating to undertakings for collective investments and is also an alternative investment fund manager (hereafter “AIFM” or “IFM”) pursuant to Chapter 2 of the Law dated 12 July 2013 (the “AIFM Law”) relating to AIFMs.

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 1st 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 18/698 dated 23 August 2018 on the authorisation and organisation of investment fund managers (“IFM”) subject to the Law of 12 July 2013 and the Law of 17 December 2010 relating to undertakings for collective investment. (“CSSF Circular 18/698”)

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”).

This policy applies to the Company and to its appointed investment managers, portfolio managers, trading counterparties (e.g. securities brokers) and advisors (the “Delegates”) in the context of managing UCITS and alternative investment funds (AIFs) based either in Luxembourg (jointly hereafter referred to as undertakings for collective investments schemes or “UCIs”), and relates to the execution of decisions to deal and placing orders.

MC Square may either delegate or perform directly the portfolio management function of a given UCITS or AIF depending on the targeted asset class(es).

Accordingly, this policy applies to trade orders where MC Square (or its Delegates) either (i) executes itself decisions to deal on behalf of a given undertaking for collective investment scheme (“UCI”) or (ii) places orders to deal on behalf of a given UCI with other entities for execution (e.g. intermediaries such as brokerage firms).

2. TIMELY EXECUTION AND LATE TRADING

Orders must be executed in a timely manner and in the chronological order received except where client specific issues require trades to be sent to market at a different time. Examples that may require one or more accounts to trade at a different time include but are not limited to the following:

- Cash flow requirements, cash availability and client instructions to raise or invest cash;
- When it is impracticable to aggregate trades for a particular type of account with those of other clients;
- Client requirement to attain specific trade approval prior to execution;
- Different operational set-up.
- Specific instructions from Portfolio Managers or Clients to execute order at a specific time.

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.

3. PRINCIPLES

Where the portfolio management function is indeed delegated to duly selected investment managers, MC Square normally does not transmit orders for execution and does not execute directly the orders in the name and on behalf of the Funds. 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 function is delegated to regulated portfolio managers (the “Portfolio Managers”).

The UCITS Directive requires management companies (and their delegates) to act in the best interest of a UCITS they manage (and, accordingly, of their investors) when:

- a) executing decisions to deal on behalf of the UCITS in the context of the management of their portfolios.
- b) placing orders to deal on behalf of the managed UCITS with other entities for execution, in the context of the management of their portfolios.

This best execution requirement is also further reflected in CSSF Regulation 10-4 and in particular section 3 (best execution) of chapter IV (rules of conduct) as from article 28 onwards. From a general perspective and based on the principle of fair treatment of investors, management companies must take all reasonable steps to obtain the best possible result for the managed UCIs and their investors, taking into account price, costs, speed, likelihood of execution and settlement,

order size and nature or any other consideration relevant to order execution. This obligation is known as the duty of “best execution”.

The AIFM Law requires AIFMs to establish, implement and apply procedures and arrangements which provide for the prompt, fair and expeditious execution of orders.

The purpose of this policy is to promote transparency with respect to order execution and to detail the Company’s arrangements in relation to order execution, which will be applied to all managed UCIs, for the purpose of acting in the best interests of such managed UCIs and their investors, and obtaining the best possible result when executing orders.

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.

4. SELECTION AND ASSESSMENT OF THE BROKERS

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...

5. 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.

6. GOVERNANCE AND 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 and supervision 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.

Additionally, MC Square has established a Supervision Committee in order to review, on a regular basis, inter-alia the trading activities of the Firm. The governance, composition and main responsibilities of the Supervision Committee are defined in the terms of reference of said committee.

7. REVIEW OF BEST EXECUTION POLICY

The Company reviews this Policy at least annually, as well as whenever a material change occurs that affects its ability to continue to obtain Best Execution on a consistent basis.

8. AVAILABILITY

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

André Lecoq
Chairman of the board of directors

Karl Heinz Dick
Director