



UNION BANCAIRE PRIVÉE

Union Bancaire Privée UBP SA, London Branch

London, Asset Management Order Execution Policy

Equities

1. Introduction

As required by the Directive n°2014/65/UE of the European Parliament and of the Council of 15th May 2014 on markets in financial instruments (“MiFID II”), firms that execute orders or make decisions to deal are required to establish execution arrangements and an execution policy for complying with overarching best execution requirements.

This document therefore sets out Union Bancaire Privée UBP SA, London Branch’s (“UBP”) Asset Management Order Execution Policy (“Execution Policy”) for complying with the obligation to take all reasonable steps to obtain the best possible result when executing orders on behalf of its clients.

2. Scope

The Execution Policy applies to financial instruments according to the Directive MiFID II. The Asset Management Department place orders in equity securities (“Equities”) only, therefore Equities are the only relevant asset class for the purpose of this Execution Policy.

In respect to the applicable regulation, UBP’s clients have been categorized by UBP as Professional Clients (referred to collectively as “Clients”); as such this order execution policy only applies to such professional clients.

As a discretionary portfolio manager, UBP makes decisions to deal and subsequently transmits these decisions as orders on behalf of its Clients to third party brokers for execution.

In accordance with the best execution requirements, UBP will consistently takes all sufficient steps to provide the best possible outcome for its clients when placing orders with other entities for execution.

3. Legitimate reliance

The Execution Policy applies where UBP carries out Client transactions in such Equities, when UBP transmits them to third party brokers for execution. UBP has considered the European Commission’s four-fold cumulative test. Pursuant to MiFID II, UBP owes a duty of best execution to its Clients.

While executing orders with specific instructions given by a Client, these instructions shall override best-execution requirements set out in this policy.

Any specific instructions from the Client may prevent UBP from taking the steps that it has designed and implemented in this policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.



4. Best execution criteria

In assessing the relative importance of the best execution factors, UBP London has considered the following criteria as part of the overall execution strategy:

- ◆ the characteristics of the client;
- ◆ the characteristics of the order (limit, market, stop loss);
- ◆ the characteristics of the financial instrument that will be the subject of the order; and
- ◆ the characteristics of the potential execution venues to which the order(s) could be directed.

For Equities, the trading strategy and the significance of the execution factors will depend on the particular instrument being traded, the size of the order and prevailing market conditions.

5. Best execution factors

UBP London will adhere to the best execution requirements when determining an execution strategy and decision to deal on behalf of its Clients, and will take steps to achieve the best result in accordance with this Execution Policy. When determining the strategy for execution of a Client transaction, UBP London will take into consideration certain factors as appropriate. Factors UBP London may consider, but will not be limited to, include:

- ◆ price,
- ◆ cost, including fees and commissions
- ◆ speed,
- ◆ Market Impact – to ensure that the cost of market impact is kept to a minimum.
- ◆ likelihood of execution and settlement,
- ◆ size and nature of the order,
- ◆ market impact,
- ◆ broker's expertise in relation to specific financial instrument or any other consideration relevant to the execution of the order.

Ordinarily, the best possible result is determined in terms of total consideration representing the price of the financial instrument and the costs relating to the execution, which shall include all expenses incurred by the Client which are directly relating to the execution of the client's order. This includes venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

This general principle might be tempered, for example, where the size of the order is large compared to the liquidity of the instrument in question, or where speed of execution becomes important for investment due to the nature and size of the order or client cash flow requirements and therefore the execution venue factor might take priority over the total consideration.

A broker's geographical location and relevant experience in relation to specific instruments traded are also factors UBP considers, particularly in respect of illiquid securities and/or specific markets. Accordingly, criteria such as speed of the transaction, size of the order, nature of the order, market impact and any other implicit transaction costs may be given priority over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result for the client.

6. Selection and monitoring of third party brokers

UBP does not use connected parties or affiliates for the execution of its Clients' transactions. In all cases, Client transactions can only be executed with duly authorised third party brokers.

UBP has a detailed internal process for validating and maintaining its authorised third party broker list. The UBP Bank and Broker Committee is responsible at Group level for validating and maintaining the authorised broker



list. UBP will obtain assurance by means of execution arrangements from the authorised third party brokers that they have procedures in place equal to the ones adopted and implemented by UBP. UBP also ensures the ongoing monitoring and oversight of these third party brokers.

UBP considers the following as the most important factors when selecting a third party broker:

1. Size, creditworthiness and reputation of the broker (company rating);
2. A well established reputation in relation to a particular market or industry sector;
3. Clearance and settlement capabilities (such as the ability to settle DVP);
4. Access to markets and distribution networks; and
5. Availability and effectiveness of algorithmic trading strategies (Note: this is only relevant when considering an electronic trading relationship)
6. This list shall be completed with qualitative factors such as clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration, and the relative importance of each factor.

As part of its due diligence process, UBP will request a copy of the third party broker's execution policy and Terms of Business in order to seek assurance that the broker will comply with the best execution obligations required by the applicable regulation.

The Client has to be aware that for some specific execution venues located outside the EEA borders, it may not be possible to rely on a MiFID II compliant broker as those execution venues are not in the scope of this regulation. This has no impact on UBP's best execution obligations to the Client.

UBP periodically evaluates the quality and calibre of the services offered by the third party brokers through a Broker Review in accordance with the needs of UBP and its Clients. Whenever it deems necessary, UBP renegotiates commission rates and may remove a broker from the approved list.

UBP monitors the quality of all executions on an ex-ante and ex-post basis: (i) ex-ante, UBP monitors its best execution policy in order to ensure that the design and review process of policies is appropriate and takes into account new services or products, and (ii) ex-post, UBP checks whether the best execution policy has been correctly applied and if the Client instructions and preferences are effectively passed along the entire execution chain.

In addition, UBP London carries out ongoing monitoring and regularly evaluates the overall quality of the executions provided by brokers. Risk Management, Compliance, the Portfolio Managers and senior management meet quarterly to evaluate the quality of execution and make recommendations regarding best execution practices.

7. UBP's investment strategies and choice of third party brokers

UBP relies on the extensive day to day experience of its Portfolio Managers to determine the execution strategy of its Clients' transactions.

UBP has a pre-trade analytics process to assist in evaluating the most efficient and cost-effective type of execution for each client transaction. UBP assesses the average daily trading volume and price movements for the relevant securities when deciding upon the best form of execution from amongst, for example, setting a price limit or a volume limit. TCA (execution system) enables UBP to form a general picture of the liquidity of a stock before beginning trading the order. UBP can factor in certain variables such as on-exchange volume (obviously off-exchange data is not available in real time), volatility, order size, etc. This helps UBP understand the circumstances surrounding the execution of the order and any potential problems in achieving the desired outcome. This is one step in the pre-trade shaping of an execution strategy for each order as it only helps UBP understand the on-exchange picture. UBP will also use additional factors such as IOIs, flow lists, news flow, etc. in order to decide what the best execution strategy will be for a particular order.



The Portfolio Managers do not place orders directly on trading venues due to UBP not being a member of a trading venue, but will select a third party broker with whom transactions are executed.

UBP strives to achieve best execution of each transaction by carefully selecting a third party broker from its approved list.

UBP will ordinarily treat price and cost as the highest priority execution factors to differentiate between the choices of third party brokers. However, where UBP considers that there is a reduced likelihood of successful execution or settlement through a particular third party broker, it may avoid trading through that entity. Furthermore, in circumstances where there is a rapid price movement and any delay is considered likely to disadvantage the client, UBP will treat speed as the priority factor (above considerations of price and cost).

Consequently, UBP's use of third party brokers is intended to enhance the overall quality of execution when taking these factors into consideration.

Outlined below are some examples of key trading scenarios and the process for determining the relative importance that UBP may place on the various execution factors when it makes a decision to deal.

7.1 Program Trading

For subscriptions and redemptions that are significant relative to the fund size programs are used to trade a basket of equities at the closing price, which are sent to third party brokers for execution. Program trades may also be used for other trading strategies.

The use of program trading is both an operationally and cost efficient method to execute a large list of securities under one instruction.

Pre trade analysis will be conducted in order to assess the strategy undertaken and to determine if there is enough liquidity to execute the transaction at the closing price.

It is paramount that the broker selected is able to control the market impact that the trade may generate. Therefore, in this example, the management of implicit costs is also a primary execution factor.

Where there are competing options of more than one broker who can manage the market impact, UBP will then consider other factors.

Once the trades are executed, post-trade analysis will be completed to assess the trade against internal benchmarks.

7.2 Single Stock Trading

The Portfolio Manager will choose a broker that has access to key sources of liquidity.

Cost is a key execution factor. When taking all reasonable steps to obtain the best possible result, UBP will consider whether any factors may give rise to implicit costs, i.e. costs attributable to the market impact of a transaction, and explicit costs such as commissions. UBP will take all reasonable steps to manage these implicit and explicit costs.

Where the security traded is not highly liquid in relation to the order size, likelihood of execution and speed of execution become more important factors. In selecting the appropriate broker the priority factor for consideration will be their expertise in relation to accessing liquidity in the stock in question. The Portfolio Manager will discuss market impact with the executing broker and agree an execution strategy in order to limit implicit costs such as market impact. In this example, explicit cost in terms of the broker's commission may not be the most competitive and is thus de-prioritised.



7.3 Trading costs

Trading costs and fees may vary depending on the third party broker chosen by UBP. These differences are due to different broker charging structures and implicit costs for example minimising the market impact of order execution must be considered alongside the explicit costs. It is UBP's policy to select the broker that charges the lowest commission rate (explicit cost). As is specified elsewhere in this Execution Policy, the explicit cost of transaction is generally a high rated factor. However, in some circumstances such as illiquid markets, commission rate will be a low rated factor. A lower execution cost in these markets may not provide the client the best overall outcome, for example a broker charging 6bps for execution which can be immediately filled, could be a more optimal outcome compared to a broker charging 3bps but executing over 3 days by which time the market price could move against the client.

Where there is more than one choice of competing third party brokers, UBP will consider the full cost implications of each broker. UBP's internal commission structure will not favour one over another and its commission charges will reflect only those charges it incurs. Where there is a direct choice of broker, with other factors being equal, the broker with the lowest commission rate will be used.

UBP reviews commission levels and rates charged by brokerage firms. Additionally, UBP periodically gathers intelligence on the brokerage community in order to maintain a posture on negotiated commissions. This allows UBP to take advantage of the competitive environment in negotiating commission rates that are considered fair and reasonable for its clients.

7.4 Volatile markets

When the price of the contemplated stock is moving rapidly speed of execution will be the priority factor. Speedy execution is achieved through the use of a broker capable of achieving rapid and effective execution in the circumstances with the stock in question. Other important factors are a completed execution and cost. The price factor in these circumstances is thus inevitably de-prioritised.

7.5 Aggregation and Allocation of transactions

Client orders can be carried out in aggregate. In such a case, the Client's pre-allocated amounts are aggregated and executed amounts are then allocated to each Client on a pro rata basis to the pre-allocated amount. In some cases, generally depending on the market conditions, trades can be executed over a number of hours or days. In these cases, trades are allocated on a pro rata basis at the average trading price calculated across all trades executed during any given day.

UBP engages in aggregation of orders in the belief that it is consistent with its duty to seek the best possible execution results for Client transactions, noting that aggregation may operate on some occasions to the advantage of individual Clients and on other occasions to the disadvantage of individual Clients.

When an order is created after the point at which trading has already begun for another order in the same name, the second order will queue behind the first until the first order is completed. This is in order to make sure the first order is not unfairly impacted.

7.6 Cross transactions between portfolios

UBP may take advantage of cross transaction opportunities when the client and/or local regulation allows. The most common scenario is when there is an inflow for one fund and an outflow on the same day for another, typically in this instance stocks will be traded between the funds at closing prices via a third party broker. Commission rates can be minimalised, there is no market impact and as trades take place at official closing prices there is clarity and fairness for both sets of clients. Cross transactions between portfolios are subject to the prior consent of UBP's Compliance Officer.



7.7 Unbundling

UBP will cease to operate Commission Sharing Agreements (CSA) or fund research via dealing commissions from 1 January 2018, with the dealing commission rate reflecting the execution only fee.

8. Client order handling

UBP has established and implemented an order handling policy to ensure that when carrying out client transactions, the orders executed on behalf of its clients are promptly and accurately recorded and allocated.

UBP has systems in place to ensure that when it carries out an order on behalf of a Client, (a) it promptly provides the Client with the essential information concerning the execution of that order; and (b) no later than the first business day following execution (or, if the confirmation is received by the UBP from a third party, no later than the first business day following receipt of the confirmation from the third party) it sends a notice to the Client confirming execution of the order.

9. List of third party brokers

UBP lists the third party brokers used to execute transactions in Appendix 1 [on its website](#). This list reflects all the third party brokers on which UBP places significant reliance to obtain on a consistent basis the best possible result for the execution of client orders.

UBP will review the list of third party brokers on a regular basis. In addition, UBP has the right to delete or add third party brokers to the list that appears on the website in order to always reflect those which allow it to obtain the best possible result on a consistent basis.

Information on the top five execution venues and quality of execution obtained can be found at the following address: <https://www.ubp.com/en/legal-aspects/mifid>.

10. Potential conflicts of interest

In respect to the MIFID II provisions, UBP does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

UBP is required to maintain a conflicts of interest policy identifying the circumstances that constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, and specifying the procedure that UBP follows and measures that UBP adopts in order to manage such conflicts.

This requirement applies to potential conflicts of interest that may arise between UBP and its Clients as a result of its execution arrangements which could prevent it from satisfying its best execution obligations.

All financial services firms will face areas of potential conflicts of interest, the nature of these depending upon the nature of a firm's business model. UBP handles all possible conflicts of interest that can arise in the execution of a client order/transaction according to its "Framework for Handling Conflicts of Interest Policy". Clients requiring further information should contact the UBP Compliance Department.

11. Monitoring and review

The quality of trade execution is monitored by the Portfolio Managers through regular reviews of executed trades. The Compliance Department carries out independent best execution monitoring and testing on a regular basis. The Compliance Officer will ensure that the reviews and monitoring oversight takes place. This will include a review of the available venues to confirm that they continue to be appropriate for consideration in achieving best



overall results on execution of orders. The dates and details of any changes to the Execution Policy, Execution Venues or Third Party Brokers will be documented by the Compliance Officer.

UBP will monitor the effectiveness of its order execution arrangements and this Execution Policy and regularly assess whether or not the third party brokers it uses continue to provide the best possible results for UBP Clients.

UBP will review, at least annually or when a material change occurs, both its order execution arrangements and this Execution Policy. Material changes to this Execution Policy will be notified through the UBP corporate website and will be available to existing as well as potential clients. Immaterial changes will not be subject of a notification.

12. Consent

UBP is required by the regulations to obtain the consent of its clients to the Execution Policy. Unless the Client advises UBP to the contrary, UBP will deem that consent has been provided when the Client next places an order for execution with UBP. Where the Client only wishes to be provided with discretionary portfolio management services, he will be deemed to have accepted the Execution Policy when he appoints UBP to provide these services.

Additionally, before UBP is permitted by the regulations to pass orders to its third party brokers to be executed outside a regulated market or a multi-lateral trading facility ("MTF"), UBP must receive from the Client prior express consent in order to allow the order to be executed outside a regulated market or MTF. Clients will sign a MTF consent form during the on boarding process.

Under no circumstance will UBP pass orders to its third party brokers to execute an order on a listed instrument outside a regulated market or MTF without having received the Client's prior express consent.

APPENDIX – List of Venues

UBP approved list of third party brokers includes the following:

[Pursuant to Article 66 (3) of the 2017/565 Delegated Regulation, this list shall specify which third party brokers are used for each class of financial instruments, for retail client orders, professional client orders and SFTs]