

Principles for the best execution of orders (best execution policy)

Best Execution in Asset Management

General information

Scope of application	Vontobel Group: <input type="checkbox"/> Legal entities: Business units / Support units: <input checked="" type="checkbox"/> AM <input type="checkbox"/> IB <input type="checkbox"/> WM <input type="checkbox"/> CS <input type="checkbox"/> FR <input type="checkbox"/> OP
Original issuance	1 January 2018
Current version effective from	1 November 2019
Policy owner	Head COAM
Policy number	342
References	289
Languages	DE, EN
Signing authority	Head of AM business unit

Content information

This policy contains a summary of the approaches, procedures and principles of best execution of purchases and sales of financial instruments, etc. (best execution) that apply to certain Vontobel AM companies.

History

ISSUANCE DATE	POLICY OWNER	REVISION TYPE	CHANGES
1 Jan. 2018	L&C AM	---	---
1 Jan. 2019	---	Correction	New layout
1.Nov..2019	L&C AM	Revisions	Material revisions and ascertainment

Table of Contents

1. Purpose and scope of this policy	3
1.1 Purpose	3
1.2 Scope 3	
1.3 Applicable legislation	3
2. Client instructions	3
3. Selection of brokers and counterparties	3
4. Factors of best execution	3
5. Relative importance of factors for best execution	4
5.1 Equities	4
5.2 Fixed income / Debt securities	4
5.3 Money market / Money market instruments	4
5.4 Exchange-Traded Funds	4
5.5 Exchange-traded derivatives	5
5.6 Over-the-counter derivatives	5
5.7 FX spots	5
6. Aggregation and Allocation of client orders	5
7. Regulated markets	5
8. Review of the best execution policy and client information	5
9. Entry into force	6

1. Purpose and scope of this policy

1.1 Purpose

This Best Execution Policy sets out information relating to how Vontobel Asset Management (“hereinafter Vontobel AM”) seeks to provide best execution as required by Applicable legislation as set out below when executing orders on behalf of its clients.

“Best Execution” is the term used to denote the duty Vontobel AM has to obtain the best possible result under relevant circumstances when executing transactions on behalf of clients in the types of financial instruments set out in this policy..

1.2 Scope

This policy covers trading by the following Vontobel AM companies:

- Vontobel Asset Management AG, Zurich (VAMAG);
- Vontobel Asset Management S.A., Munich branch (VAMSA DE);
- Vontobel Asset Management S.A., Milan branch (VAMSA IT);

in the financial instruments listed in section 5.

This best execution policy describes Vontobel AM’s approach to executing orders for institutional clients that can be treated as professional or institutional counterparties for regulatory purposes.

Best execution is a process, it is not a result. This means that Vontobel AM acts in accordance with the principles described herein but cannot guarantee that in all circumstances and in every case the best possible result will be achieved.

The aforementioned Vontobel AM companies may delegate the execution of orders to specialized execution desks, subject to adherence of this policy.

1.3 Applicable legislation

In connection with the best execution policy, the following regulations and their implementing decrees (national decrees where applicable) and technical standards, etc., apply:

- VAMSA DE: Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)
- VAMSA IT: Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and Consob Regulation on Intermediaries n° 20307/2018.
- VAMAG: Collective Investment Schemes Act (CISA) or Financial Services Act (FinSA) (as soon as in force), and implementing ordinances.

2. Client instructions

If an explicit instruction has been received from a client in relation to an order or a type of financial instrument, Vontobel AM will follow that instruction as far as reasonably possible when executing that trade. By following a specific client instruction, Vontobel AM’s Best Execution obligation to the client will be deemed to be satisfied in relation to some or all of a transaction

to which a client instruction relates. However, where an explicit instruction covers only one part or element of an order, this policy shall apply to the rest of the order not covered by the explicit instruction. In the case of explicit instructions, Vontobel AM is not obliged to adhere to the best execution principles described in this policy to the extent of the client instruction which shall take precedence.

3. Selection of brokers and counterparties

The Vontobel AM companies covered by this best execution policy select their brokers and counterparties in a preliminary selection process. Brokers and counterparties who have successfully completed this selection process, subject to a separate policy, will be included on the appropriate list of approved brokers or counterparties.

A review of the approved brokers or counterparties takes place at least once a year.

4. Factors of best execution

In seeking to achieve Best Execution with respect to a particular order, the following relevant factors will be taken into account:

- **Price of the financial instrument**
In addition to liquidity, the price of a financial instrument depends above all on the structure of the pricing process. In particular, the spread between the highest supply on the demand side and the lowest supply on the supply side, depending on the size of the order, must be taken into account.
- **Costs of order execution**
In addition to the price, the costs directly associated with the execution, such as fees, commissions and compensation to third parties, must also be taken into account together with implicit costs.
- **Speed of settlement**
The speed of execution and settlement depends to a large extent on the liquidity at the execution venue, its opening hours and the performance of the systems. The settlement speed is defined as the period of time that elapses between the placement of the order on the market and the final execution of the order.
- **Security of settlement**
The security of the settlement may depend on a number of different factors. Some of the key factors include the absence of operational errors, the correct execution of trading instructions, a smooth settlement process and immediate and simple problem-solving.
- **Size and type of order**
Not all brokers or counterparties are able to process efficiently orders of any size. Selection may therefore depend on sufficient trading capacity. It must also be considered whether the respective brokers or counterparties are connected to the systems and trading venues that are required by Vontobel AM to execute orders for the various financial instruments.
- **Execution probability**
The probability of order execution depends primarily on

the ability of the selected brokers or counterparties to execute orders at market prices, depending on type, structure and size, and on their links to the relevant trading venues.

– **Other factors**

In addition, other factors that may be relevant to the execution of orders may also be taken into account in best execution. This may be, for example, the economic stability and rating of a broker or counterparty, or their flexibility in implementing specific trading strategies.

5. Relative importance of factors for best execution

Vontobel AM will determine the relative importance of the above factors in light of market information reasonably available and commercial judgment and taking into account a number of criteria, namely:

- the investment intent of the portfolio manager who created the order;
- the characteristics of financial instruments that are subject to the order eg equity or debt instruments;
- the types of venues through which dealing can be carried out;
- the characteristics of the order, including whether any specific client instructions are given; and
- prevailing market conditions such as the degree of liquidity and volatility in the market.

During the trading process when applying consideration to each execution factor, Vontobel AM will use their expertise and experience to achieve the best balance across the full range of factors; including where they may conflict with each other. Overall, this may mean that it can appear that Best Execution (taking into account the characteristics of each trade) for every transaction has not been achieved, despite good faith efforts to seek Best Execution

5.1 Equities

Orders are generally sent via a trading facilities to brokers for execution.

During execution, various execution options (block, algorithm, etc.) are taken into account, based on the liquidity of the respective market.

The factors of best execution are usually weighted in the following order:

- Costs of order execution
- Price quality achieved by brokers
- Speed of settlement
- Size and nature of order
- Security of settlement
- Execution probability
- Other factors

5.2 Fixed income / Debt securities

In the case of bonds, the decision is based on the availability of offers on the market.

Since liquidity in the bond market is sometimes low, factors such as the size of the order, offers from brokers and other restrictions can influence the trading process. Whenever possible, prices are requested from various brokers in order to ensure that pricing is competitive.

Trading is done primarily on the secondary market. In certain cases, however, transactions are placed on a stock exchange via a broker.

The factors of best execution are usually weighted in the following order:

- Price of the financial instrument
- Size and nature of order
- Speed of settlement
- Security of settlement
- Execution probability
- Costs of order execution
- Other factors

5.3 Money market / Money market instruments

For time deposits and fixed-term deposits, etc., offers are obtained from various counterparties, whereby the deal is usually awarded to the counterparty offering the best interest rate. Due to contractual or legal investment restrictions, this may vary. The rate is fixed for the entire term.

Time deposits and fixed-term deposits can only be terminated at unfavorable conditions. As a result, the interest rate is reviewed only if a new time or fixed-term deposit is opened.

The factors of best execution are weighted in the following order:

- Price of the financial instrument
- Size and nature of order
- Costs of order execution
- Speed of settlement
- Security of settlement
- Execution probability
- Other factors

5.4 Exchange-Traded Funds

Order for exchange-traded funds (ETFs) are generally routed via trading facilities to brokers for execution. In the case of large orders, quotes can be requested from several brokers by means of a request for quote (RfQ) to achieve a competitive price.

The factors of best execution are usually weighted in the following order:

- Price of the financial instrument
- Costs of order execution
- Speed of settlement
- Size and nature of order

- Security of settlement
- Execution probability
- Other factors

5.5 Exchange-traded derivatives

In exchange-traded derivatives (ETDs), the investment universe focuses on futures and options, on different indices and on derivative contracts on individual securities, currencies, interest rates, loan defaults, etc. Large orders are usually traded over a longer period of time or spread over several days.

ETD orders are generally routed via trading facilities to brokers (also in blocks) for execution on the respective stock exchanges.

The factors of best execution are usually weighted in the following order:

- Costs of order execution
- Size and nature of order
- Price of the financial instrument
- Speed of settlement
- Security of settlement
- Other factors

5.6 Over-the-counter derivatives

Over-the-counter (OTC) derivatives such as commodities, interest rates, credit default swaps and forward exchange transactions are concluded on the basis of standardized OTC master agreements between the customer or the management company and the respective counterparty (ISDA, German master agreement, etc.).

As far as possible, offers from different counterparties with whom master agreements have been concluded are compared. Offers are obtained either bilaterally or as a request for quote (RfQ) via a trading facility.

The factors of best execution are weighted in the following order:

- Price of the financial instrument
- Costs of order execution
- Size and nature of order
- Speed of settlement
- Security of settlement
- Execution probability
- Other factors

5.7 FX spots

Best execution requirements under MiFID II do not apply to spot foreign exchange (FX), however Vontobel AM seeks to treat clients fairly and to seek to manage any conflicts of interest that may arise in respect of such transactions.

6. Aggregation and Allocation of client orders

When Vontobel AM deems the purchase or sale of the same security to be in the best interest of two or more of its portfolios, it may, but shall be under no obligation to, aggregate the securities to be purchased or sold in order to seek more favorable prices, more efficient execution, or to take steps to ensure fairness across clients (to the extent permitted by applicable law and regulations). In relation to particular orders, the effect of aggregation may work to the disadvantage of an individual client portfolio although all reasonable steps are taken to protect the interests of all clients.

In particular, Vontobel AM seeks to only aggregate orders where it considers that such aggregation should work overall to the benefit of all clients whose orders are to be aggregated.

As described in the policy 173 "Portfolio Management in Asset Management", all portfolios must be treated in a non-preferential manner such that no single portfolio may be systematically favored over another. The allocation of orders cannot be based upon the client's account size, identity, fee structure, the performance of the portfolio and / or the Portfolio Manager.

7. Regulated markets

MiFID II requires the execution of transactions in shares admitted to trading on a Regulated Market or traded on a Trading Venue on a Regulated Market, MTF or Systematic Internaliser, or Equivalent Third-country Trading Venue, as appropriate, unless those shares are out of scope for such obligation pursuant to Article 23 of MiFIR. This requirement may mean that in some cases, Vontobel AM will have to trade on an EU venue even where a better price or more liquidity may be available on a non-EU venue.

Subject to the express consent of a client, Vontobel AM may execute all or part of a client order outside of a Regulated Market, MTF or OTF. In the absence of express client consent or a contrary requirement, if Vontobel AM continues to manage client assets, Vontobel AM will treat the client as having provided consent to trade outside a Regulated Market, MTF or OTF, as Vontobel AM believes it is in the best interests of clients to do so.

8. Review of the best execution policy and client information

These best execution principles are reviewed by Vontobel AM on an ad hoc basis, but at least once a year, and approved by the Risk & Compliance Committee.

An ad hoc review takes place, for example, in the event of changes to the regulatory framework, changes to trading processes or changes to the investment universe in the client portfolio.

Vontobel AM informs its clients of all significant changes by making the current version of the best execution policy available for download on the websites of the companies falling within its scope.

In addition, Vontobel AM annually publishes the five most important brokers and execution venues in terms of trading volume for each class of financial instruments, together with an

evaluation of the execution quality achieved (Top Five Reporting).

9. Entry into force

This revised policy enters into force on 1 November 2019.