

Mitsubishi UFJ  
Investor Services & Banking  
(Luxembourg) S.A.



Best Execution  
POLICY





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# 1. General

## 1.1 Definitions

Best execution	Obligation to take all sufficient steps to obtain, when executing orders, the best possible result for clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order
CSSF	Commission de Surveillance du Secteur Financier
Eligible counterparty	Per se investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations.
Execution Factors	Factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order
Market maker	A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person

MiFID II	Markets in Financial Instruments Directive, corresponding to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014
MiFID II law	Law of 30 May 2018 on markets in financial instruments
MiFIR	Markets in Financial Instruments Regulation, corresponding to Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014
Professional client	A client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs
Retail client	A client who is not a professional client
Systematic internaliser	An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system
Trading venue	Regulated market, an MTF or an OTF

## 1.2. Introduction and purpose

In accordance with the requirements of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments which entered into force on January 3rd, 2018 (hereafter “MIFID II”), and as implemented in the rules of the CSSF, Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (hereafter “MIBL” or “the Bank”), is required to put in place a document showing that it takes all sufficient steps to obtain the best possible result, or best execution, on behalf of Clients and to implement effective order execution arrangements.

This document is part of the Bank's obligation to provide appropriate information to its Clients with regards to its order execution arrangements. In order to comply with this obligation, the Bank makes this document available as part of its on-boarding process for new Clients and upon request as well as is able to demonstrate that MIBL has executed their orders in accordance with the investment firm's execution policy. Finally, MIBL shall provide the requested information on a comprehensible and timely manner and through a durable mean.

### **1.3. Amendment and abolition**

This Policy shall be managed by the Compliance Department.

This Policy shall be reviewed at least annually or whenever a material change occurs that affects the Bank's ability to continue to obtain the best possible result for their Clients. The amendment and abolition of the rules shall follow the Document Management Procedure. Any amendment or abolition is subject to prior approval of the Board of Directors as per the Document Management Procedure.

A material change shall be a significant event that could impact parameters of best execution such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

The Bank monitors and assesses on a regular basis the effectiveness of its order execution arrangements in order to identify and, where appropriate, correct any deficiencies.

Finally, this Policy is published on MIBL's website and made available to all clients.

### **1.4. Scope of application**

The information contained herein about MIBL's execution arrangements applies exclusively to the services provided by MIBL when these are falling under the list of investment services (as listed in section A of Annex I of MiFID II), in relation to transactions in "Financial Instruments" (as defined under Annex I, section C of MiFID II), to Clients classified as "Professional Clients" (as defined under Annex II of MiFID II, hereafter the "Clients"). Those services are listed in Appendix I of this document.

According to Article 30 of MiFID II, for the investments services provided to "Eligible Counterparties", MIBL must act honestly, fairly and professionally, taking into account the nature of the Eligible Counterparty and of its business. The same provision though

is applicable to all clients according to Article 65 of Commission Delegated Regulation 2017/565.

## 2. Best execution criteria

As provided by MiFID II in Article 27(1), MIBL must take all sufficient steps to obtain, when executing orders, the best possible result for its Clients taking into account and determining the relative importance of execution factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. When determining the relative importance of factors listed here above, MIBL shall mainly take into account the following execution criteria:

- a) the characteristics of the Client including its categorisation;
- b) the characteristics of the Client's order and especially any letter agreement between the Client and MIBL, specifying the instructions to execute transaction (refer to Appendix II for further details);
- c) The characteristics of the financial instrument and the execution venue, or counterparty, to which that order can be directed; and
- d) Any specific instruction from the Client, particularly in relation to the point b) here above - relating to the order or any specific aspect of the order (as for example, the instruments to be used or the timing of execution).

With respect to the services provided by MIBL in relation to the asset class of FX derivatives (as further described in Appendix I), every transaction is executed between MIBL and the Clients Over-The-Counter (meaning outside regulated markets, multilateral trading facilities and organised trading facilities), where MIBL executed the order, as a riskless principal, on behalf of the client.

All transactions executed by MIBL with its Clients are covered back-to-back with one of the current four execution venues listed in Appendix II. Two of them (intra group execution venues) are mainly used for transactions qualified as large, subject to MIBL sole discretion and to MIBL's applicable rules and limits.

With respect to the reception and transmission of orders (as further described in Appendix I) and where applicable, MIBL processes orders based on the instructions received from Clients, acting exclusively on an agency basis.

## 3. Order handling

### 3.1. Order handling process

MIBL is required, when executing orders on behalf of its Clients, to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of Client orders. These procedures or arrangements shall allow for the execution of otherwise comparable Client orders in accordance, and where applicable, with the time of their reception by the Bank.

### 3.2. Client's instructions

By default, MIBL does not accept specific Client instructions to execute transactions in a particular manner (in any other form than through an agreement as defined in Appendix I), be it through the use of Client designated execution venues or any other instruction. Should such case arise, this should be subject to MIBL discretion, and would be deemed that all sufficient steps to achieve the best possible result for the Client with regards to best execution have been taken.

MIBL shall provide Clients with a clear and prominent warning in case any specific instruction may prevent MIBL from taking the steps that it has designed and implemented in this Policy to obtain the best possible result.

### 3.3. Aggregation and allocation

In the scope of the execution process, aggregation of orders will only occur if the Bank reasonably believes that to do so will be of benefit to all of the Clients included in the aggregated order. Notwithstanding that belief, in case of aggregated orders, clients shall be informed that the aggregation may work to its disadvantage in relation to a particular order. Allocations between the Clients in an aggregated order will have been at the pre-execution stage.



### **3.4. Selection of counterparties**

When executing client's order, the Bank will deal only with the four counterparties listed in Appendix I. These counterparties will be subject the Bank's periodic and on-going review processes. As part of this process, the Bank will confirm that each of them has an obligation to provide it with best execution under MiFID II or will provide a similar undertaking.

Currently, transactions qualified as large will be executed in priority with the two intra group execution venues, subject to MIBL sole discretion and to MIBL's applicable rules and limits.

### **3.5. Comparison of different competing venues**

As required by Article 27(1) of MIFID II, where there is more than one competing venue to execute an order for a financial instrument, MIBL assesses and compares the results for the Client that would be achieved by executing the order on each of the execution venues, listed in Appendix I, capable of executing that order and subject to applicable requirements and limits, taking into account the Bank's own commissions and the cost for executing the order on each of them.

### **3.6. Public disclosure of the Top 5 execution venues**

In accordance with Article 27(6) of MIFID II, the Bank should summarize and make public, on an annual basis, the top five execution venues in terms of trading volumes where it transmitted or placed Client orders for execution in the preceding year as well as information on the quality of execution obtained. Nevertheless, currently the bank is working with four execution venues in which two are intra group.

## **4. Fees**

The Bank commits to not receiving 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. Also, MIBL shall ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients.

If MIBL applies different fees depending on the execution venue, MIBL should explain these differences in sufficient detail in order to allow the Client to understand the advantages and the disadvantages of the choice of a single execution venue. Similarly, MIBL should specify the costs and charges applied to all Client involved in the transaction.

## **5. Force majeure**

Due to systems failures, market disruptions or other reasons which are unavoidable or beyond its reasonable control, MIBL may from time to time place orders or execute transactions in a manner that differs from the normal process contemplated by its Best Execution Policy. In such an event, MIBL will still endeavour to place or, as the case may be, to execute transactions on the best terms available in the relevant circumstances.

## **6. Record keeping**

MIBL shall arrange for records to be kept of all services, activities and transactions undertaken by it, as well as the documents agreed between the firm and the client that set out the rights and obligations of the parties for a period of five years and, where requested by the CSSF, for a period of up to seven years.

## **7. Best Execution related to the fixed income trading activity**

In addition to the above paragraphs, this section 7 is dedicated to the fixed income trading activity.

## 7.1. Best execution criteria

### 7.1.1. Fixed Income Sales and Trading

MIBL transacts all fixed income sales and trading transactions as matched principal on a 'trade date' basis and does not hold inventory or positions.

MIBL does not offer running quotes on securities in real time relating to inventory held on its balance sheet and is thus not acting as a market maker or systematic internaliser. MIBL trades in instruments which are not listed on recognised exchanges and which have historically been traded "over the counter" between counterparties.

As MIBL acts in a matched principal capacity, MIBL is considered an execution venue because it is considered to be an "other source of liquidity" and this should be reflected in its RTS 28 reporting.

Where MIBL acts as the execution venue e.g. deal directly with a client on a principal basis, MIBL will review the quality of our own execution in the same way as we would for any other execution venue.

## 7.2. Legitimate Reliance

When undertaking trades on behalf of clients, MIBL must determine whether a client is legitimately relying on MIBL in relation to pricing, and other important factors related to the transaction. MIBL determines this by applying the four-fold cumulative test, which considers:

- a) Which party initiated the trade;
- b) Questions of market practice and the existence of a convention requirement to 'shop around';
- c) The relative levels of price transparency within the relevant market; and
- d) The information provided by us and any agreement reached.

## 7.3. Order handling

### 7.3.1. Client's instructions

By default, MIBL does not accept specific Client instructions to execute transactions in a particular manner (in any other form than through an agreement as defined in Appendix I), be it through the use of Client designated execution venues or any other instruction. Should such case arise, this should be subject to MIBL discretion, and would be deemed that all sufficient steps to achieve the best possible result for the Client with regards to best execution have been taken.

For fixed income sales and trading, where the client gives us specific instructions regarding the order they wish to place, then MIBL is permitted to follow these specific instructions and by doing so, we are deemed to have satisfied our best execution obligation in respect of the part or aspect of the order to which the client instructions

relate. Best execution requirements still apply to the aspects of the trade not covered by the specific instructions.

However, the client should be aware that specific order instructions may encumber MIBL's ability to obtain the best overall result.

### 7.3.2. Selection of counterparties

For fixed income sales and trading, the venues used by MIBL as at the date of this policy are:

- **Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (MIBL)** - When acting in a matched principal capacity MIBL itself is the venue, as the provider of liquidity;
- **Bloomberg Multi-Lateral Trading Facility (BMTF)** – At the instruction from a client, MIBL will execute the client order on BMTF e.g. for post-trade transparency purposes.

### 7.3.3. Trading outside a trading venue

We are required to obtain a client's prior express consent for the execution of orders outside a Regulated Market, MTF or OTF (collectively "trading venues"). We ask our clients to give their consent to this through our Client Documentation. When MIBL acts as matched principal, it is acting as a "venue" but, unlike the "trading venues" mentioned above, it is not obliged to maintain running bids and offers and so we consider that client consent is required as MIBL does not meet the definition of a "trading venue" for disclosure purposes.

Where we execute orders outside of trading venue, clients will be exposed to additional risks, including counterparty risk with us.

The consequences of trading outside a trading venue are explained in Client Documentation and Professional Clients are encouraged to request additional information they may require with regard to this additional risk. Any such requests for additional information will be escalated to the Head of Compliance, who will coordinate MIBL's response and ensure client's query is answered clearly and within reasonable timeframe.

## 8. Best Execution related to the securities lending and repurchase activities.

- a) The Agent has a legal obligation to take all sufficient steps to obtain, when executing Transactions and buying or selling Investments, the best possible result for its clients (including the Client) taking into account relevant execution factors for the nature of the Agency Services. These steps are summarised in this item 8 and form part of the Agent's order execution policy.
- b) Transactions are typically executed over-the-counter directly with an Approved Counterparty. It is possible that occasional trades will be executed under the rules of a multilateral system operated or managed by a market operator, investment firm or credit institution or an organised trading facility operated by a market operator, investment firm or credit institution (each a "**trading venue**" as more fully described in the FCA Rules) in which Approved Counterparties participate. In this item 8, Approved Counterparties and trading venues are "**execution venues**".
- c) In a separate document the Agent will obtain the Client's consent to executing orders outside a trading venue.
- d) Subject to the Investment Guidelines, the purchase and sale of Investments will be carried out over-the-counter or under the rules of a trading venue depending on the type of instrument concerned. Investments may include cash deposits on behalf of the Client but this item 8 does not apply to these. The execution of other types of Investment will be separately discussed or documented with the Client.
- e) An execution venue may be located outside the UK or EU and not subject to authorisation or supervision by UK or EU regulatory bodies. The execution venues used by the Agent will be listed from time to time and disclosed in durable format (or by a website) to the Client.
- f) The Agent will select execution venues (including counterparties) based on its understanding of the scale and nature of the venues' activities in the relevant markets and products. The Agent will take into account the creditworthiness, reliability, integrity and reputation of a venue and any published information regarding the quality of execution offered by, or received from, the venue. For over-the-counter Transactions the availability of an execution venue will depend on its willingness to enter into relevant agreements with the Agent. The Client may select from these the venues that will be included in the list of Approved Counterparties.

- g) The Agent will review the performance of possible execution venues and select the one that is likely to offer best execution for the Client's transaction or investment.
- h) A Loan Transaction is only possible where there is demand by one or more Approved Counterparties prepared to contract with the Client for the Available Securities and if the Loan Transaction would meet the Transaction Guidelines. A Reverse Transaction would only be made with an Approved Counterparty prepared to contract with the Client and that would meet the Transaction Guidelines. In deciding between Approved Counterparties (where there are two or more) and whether to use a trading venue (if available) for such a Loan Transaction or Reverse Transaction the Agent will take a number of execution factors into account including:
  - i. the fees, interest or other rates payable by the Counterparty and any interest or rates payable by the Client;
  - ii. availability of suitable Collateral;
  - iii. duration of the transaction, including the likelihood of the Counterparty seeking an early termination;
  - iv. ability of the Counterparty to deliver Equivalent Securities (at the end of a Loan Transaction) or buy Equivalent Securities (at the end of a Reverse Transaction).

Other factors that may be relevant are:

- i. size of the transaction;
- ii. market price of the Loan Security;
- iii. being able to meet settlement deadlines (both in the market and for custodians);
- iv. the legal agreement and trade structure required by the Approved Counterparty; and
- v. settlement mode.

The speed of execution is unlikely to be a significant factor in choosing between execution venues.

- i) The negotiation with a Counterparty about a transaction on behalf of the Client may be carried out concurrently (or in aggregation) with negotiations with the Counterparty for other clients about similar transactions. The Agent will not do so, however, if the Agent is of the opinion this is likely to be to the overall disadvantage of the Client. The effect of concurrent negotiation may, nonetheless, work to the Client's unforeseen disadvantage.
- j) Allocation of potential transactions to the Client is explained in the ASLRA in the clause with heading "Transaction opportunities". Where the Client and another client of the Agent is eligible to enter into a transaction the Agent will operate a system of allocation to ensure a fair distribution of transactions between the

Client and other clients and will keep a record of any decision to depart from that system.

- k) The Agent will monitor the effectiveness of its order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies and will review whether the execution venues provide for the best possible result for the Client.

## Appendices

### APPENDIX I – List of services provided

#### FX transaction services based on the following instruction types:

- Passive hedge agreement, where, based on the rules contractually agreed with Clients, MIBL monitors the Clients position as per pre-set limits and trades FX Forwards or FX Swaps accordingly when a trigger condition has been identified, at the frequency and within the agreed timeline;
- Standing instruction agreement, where, based on the rules contractually agreed with Clients; MIBL monitors particular events (as subscription, redemption, dividend payment...) and trades FX Forwards or FX Swaps accordingly when a trigger condition has been identified, at the frequency and within the agreed timeline; or
- Direct orders, where MIBL directly receives instructions from Clients, in the scope of pre-determined contractual terms, via the agreed means of communication.

When providing such services, MIBL will consider speed of execution, size and price as the most important factors for execution.

#### Reception and transmission of order:

The Services consists of the transmission by the Bank to the relevant Target Fund(s), the relevant Transfer Agent(s) and/or the relevant broker(s), of Orders received by the Bank from the Client, subject to the provisions of the Agreement entered into with the Client including the following financial instruments:

- Units in collective investment undertakings; and
- Options.

When providing such services, MIBL will consider price, and speed of execution as the most important factors for execution.



## Fixed Income Sales and Trading:

MIBL trades for its clients in Cash fixed income instruments, including convertibles (traded outright, not versus stock) and some structured notes in Bond format (not outright derivatives), collectively referred to in this policy as “fixed income securities”. MIBL trades in fixed income securities which may be of variable liquidity (which can be significantly affected by market conditions, even for liquid bonds) and which are not traded on recognised exchanges.

On this basis, MIBL’s approach to best execution is generally on the basis of the liquidity of the instrument traded, and the relative importance of the execution factors are considered according to the liquidity of the instrument in question and the characteristics of the client order.

MIBL considers the following execution factors to be of the most relative importance for obtaining the best possible result for the client:

### For liquid instruments (in order of importance)

- 1) Price
- 2) Availability in size required
- 3) Likelihood of execution and settlement
- 4) Speed

### For illiquid instruments (in order of importance)

- 1) Availability in size required
- 2) Likelihood of execution and settlement
- 3) Price
- 4) Speed

## Securities lending

MIBL performs securities lending, repurchase transactions and buy/sell back transactions as well as certain ancillary services as an agent on behalf of clients using those clients’ securities and the collateral received from borrowers.

MIBL may also be appointed as custodian for the securities, collateral and investments subject to securities lending and/or the repurchase or the buy/sell back transactions (“Securities Lending Custodian”).

## APPENDIX II - List of selected counterparties

For the back-to-back execution of orders in FX Forwards and Swaps, MIBL will deal with the following Execution venues:

- The Bank of Tokyo - Mitsubishi UFJ Ltd (London and Tokyo branches) \*
- Mitsubishi UFJ Trust and Banking Corporation (London and Tokyo branches) \*
- Standard Chartered Bank (London branch)
- Barclays Bank (London branch)

\* Transactions qualified as large will be executed in priority with these entities, subject to MIBL sole discretion and to MIBL's applicable rules and limits.

For indicative purpose, large transactions are defined, at the date of this Policy, as transactions with a notional amount higher than USD 250 Millions equivalent.

For fixed income sales and trading, the venues used by MIBL as at the date of this policy are:

- **Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.** (MIBL) - When acting in a matched principal capacity MIBL itself is the venue, as the provider of liquidity
- **Bloomberg Multi-Lateral Trading Facility (BMTF)** – At the instruction from a client, MIBL will execute the client order on BMTF e.g. for post-trade transparency purposes

