

BEST EXECUTION & BEST SELECTION

I. PURPOSE

This document defines the Best Execution and Best Selection Policy of KBL European Private Bankers S.A. ("the Bank"). The Bank shall take all sufficient steps to obtain the best possible result for its Clients as required by Directive 2014/65/EU of 15 May 2014 on markets in financial Instruments ("hereinafter MiFID II") when:

- executing Client orders;
- dealing on own account with Clients;
- transmitting Client orders to other entities (brokers) for execution (reception and transmission of Client orders); and
- making an investment decision within the framework of discretionary portfolio management and transmitting an order for execution to another entity (brokers).

For this purpose, the Bank shall draw up:

- A Best Execution Policy (for the execution of orders and dealing on own account with Clients) which includes execution venues where the Bank executes Client orders.
- A Best Selection Policy (for RTO and portfolio management) which includes entities (brokers) where the Bank places or transmits client orders for execution.

The Best Execution and Best Selection Policy is appended to the Bank's General Terms and Conditions and is available on the Bank's website (www.kbl.lu). Where a Client makes reasonable and proportionate requests for information about the Best Execution and Best Selection Policy and how it is reviewed, the Bank shall answer clearly and within a reasonable time.

II. SCOPE

a. CLIENTS TO WHICH THIS POLICY APPLIES

MiFID II distinguishes three categories of Clients:

- Private Clients (retail Clients);
- Professional Clients are persons who are considered to have the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur;
- Eligible counterparties which include regulated financial institutions (e.g. credit institutions, insurance companies, investment firms etc.), national governments, central banks and supranational organizations.

The Best Execution and Best Selection Policy applies to Private Clients (retail Clients) and professional Clients. It does not apply when an investment firm enters into transactions with eligible counterparties or receives and transmits orders on behalf of eligible counterparties.

b. FINANCIAL INSTRUMENTS TO WHICH THIS POLICY APPLIES

The best execution obligation applies to all financial instruments (including unlisted financial instruments or bespoke products) defined by MiFID II, irrespective of whether the trade has occurred on or outside a trading venue.

III. BEST EXECUTION OBLIGATION

The Bank acts honestly, fairly and professionally in accordance with the best interests of its Clients. In this framework, the Bank shall take all sufficient steps to obtain, when executing Client orders, the best possible result for its Clients.

a. EXECUTION FACTORS

In order to achieve the best possible result for its Clients, the Bank considers a range of execution factors when determining the best outcome. The execution factors that the Bank considers are the following:

- Price: the market price at which the order is executed;
- Costs: all expenses incurred by the client which are directly related to the execution of the order;
- Speed of execution: the time it takes to place a Client order in the market;
- Likelihood of execution and settlement: the likelihood of completing a Client transaction;
- Size of the order and market impact: depending on the market liquidity of a financial instrument, the order size (any large order compared with normal market size) might have an influence on the market price;
- Nature of the order: this is how the particular characteristics of a Client's order can affect how best execution is received ; and
- Any other consideration relevant to the execution of the order.

For private Clients, the Bank shall determine the best execution on the basis of the total consideration paid by the Client, unless otherwise specified. The total consideration represents the price of the financial instrument and the costs relating to execution, including all expenses incurred by the Client which are directly related to the execution of the order, execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

Other factors do not have priority on the total consideration for private clients, unless they are decisive for obtaining the best possible result for its clients.

The relative importance of each factor is based on :

- the characteristics of the Client;
- the characteristics of the Client order (including if the order involves a securities financing transaction);
- the characteristics of the financial instrument concerned by the order; and
- the characteristics of execution venues to which the order will be routed.

b. EXECUTION VENUES

The Bank shall choose execution venues which are considered to generally provide the best execution. Our best execution and best selection policy includes execution venues for each financial instrument in which we execute Client orders. The execution venues on which the Bank may execute orders are listed in the Appendix.

When a Client order is received by the Bank, it may be executed through:

- Trading platforms located in the European Union:
 - Regulated market (RM): A regulated multilateral system operated and/or managed by a market operator, which facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly.
 - Multilateral trading facility (MTF): A regulated multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract.
 - Organised trading facility (OTF): An organised multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products or derivatives are able to interact in the system in a way which results in a contract.
- Trading platforms located outside the European Union.
- Outside the trading platforms with:
 - A systematic internaliser (SI): An investment firm which, on an organised, frequent and systematic basis, deals on own account when executing client transactions outside a regulated market, MTF or an OTF (OTC transactions);
 - Other investment firms which are not a systematic internaliser (SI).

When a transaction is executed outside the trading platforms, counterparty risks may arise in the case of settlement default or counterparty insolvency. Additional information about the consequences of transactions outside the trading platforms may be provided upon Client request.

- Market makers or other liquidity providers.

For unlisted products, the Bank deals on own account (as principal). Prices given to private Clients are based on request for quotes on the interbank market with specialised investment banks. These operations are done "Over the Counter", a bilateral contract is entered into for every trade between the Client and the Bank. As soon as the deal is entered into, prices are verified on a daily basis with internal models.

Due to lack of liquidity or the specificity of each transaction, all orders will be executed on a best effort basis in terms of timely execution.

IV. TYPE OF ORDERS

- **Market Order:** Order to buy or sell without any price condition. This type of order is more likely to be exposed to the risk of execution at a price substantially different from the prevailing market price. If some trading platforms do not accept the market order, the Bank will then ask the Client to put a limit in the order.
- **Limit Order:** Order to buy or sell with price condition (maximum purchase price or minimum sell price). When the limit is away from the current market price, the order may not be executed immediately. Unless the client expressly instructs otherwise, the Bank will make public client limit orders on shares listed on an execution venue (RM or MTF) which are not immediately executed in order to facilitate execution. A Client limit order will be made public by submitting the order for execution to a regulated market or an MTF or by being published by a data reporting services provider.
- **Stop Loss Market Order:** Order to sell at market price if the stop price is reached or breached. The price of execution may be below or above the current market price.
- **Stop Loss Limit Order:** Order to sell with a minimum sell price if the stop price is reached or breached. Once the stop price is triggered, the order becomes visible in the market order book at its limit price. The price of execution may be below or above the current market price.
- **Algorithmic Order:** Order executed by strategy computer algorithm according to specific parameters or conditions. Computer algorithms are used for large orders to minimize their market impact. This type of order is used in order to minimize market impact or to respect specific Client instructions (for example, to execute at a percentage of volume or try to track the volume weighted average price).

V. SPECIFIC INSTRUCTIONS FROM CLIENTS

When there is a specific instruction from the Client, the Bank executes, places or transmits in accordance with that specific instruction. However, the best execution obligation will apply only for the parts of the order which are not covered by the specific instruction.

Specific instructions from a Client may prevent the Bank from taking the sufficient steps that it has designed and implemented in its Best Execution and Best Selection Policy to obtain the best possible result for the orders execution covered by those instructions.

VI. CLIENT ORDER HANDLING

The Bank shall ensure the prompt and fair execution of its Clients' orders. Client orders are immediately and accurately recorded and allocated. Client orders are executed in their order of arrival and immediately insofar as the nature of the order and market conditions allow it and the interests of the client do not require proceeding otherwise.

Private Clients will be informed immediately of any serious difficulties likely to affect the execution of their orders.

Clients must be aware of compliance, order coherence and order size filters set up in the Bank order management system.

Trading platforms and/or other brokers might also apply filters. The filters are applied in order to keep an orderly market and might result in orders being paused or delayed, potentially causing slippage from the expected arrival price. The Bank cannot be held responsible for missing execution when applying these controls.

VII. AGGREGATION AND SPLIT OF CLIENT ORDERS

The Client's orders may, at the discretion of the Bank, be aggregated with orders of other clients. Furthermore the Bank may split, as well as aggregate, the Client's orders before executing them.

If the Client consents to this execution policy, the Client gives the Bank its consent to aggregate its orders with those of other Clients or split them, with a view to executing them simultaneously.

Orders will only be aggregated or split where the Bank reasonably believes it to be unlikely that the aggregation or split will be detrimental to the Client.

Aggregation and split may on some occasion result in the client obtaining a less favourable price than if the orders had been executed separately or together, as appropriate.

Aggregated orders are allocated to Clients in accordance with a predetermined allocation defined by the Bank.

The Bank settles any partially filled orders on a pro rata basis.

VIII. CONSENT OF CLIENT TO THE EXECUTION POLICY

- Best Execution and Best Selection Policy consent

Upon asking the Bank to execute an order, the Client is deemed to repeat his consent to and his approval of this Best Execution and Best Selection Policy, which has already been approved by the Client through his approval of the General Terms and Conditions (as amended) of the Bank.

- Execution away from a Regulated Market, Multilateral Trading Facility or Organised Trading Facility

When the Bank executes Client orders outside a RM, MTF or an OTF, the Client's prior express consent is requested before executing their orders outside trading venues.

IX. INFORMATION ON THE TOP FIVE EXECUTION VENUES / BROKERS AND THE EXECUTION QUALITY OBTAINED

For the execution of orders, the Bank shall make public, on an annual basis, without any charge, for each class of financial instruments, the top five execution venues in terms of trading volumes where it executed Client orders in the preceding year and the execution quality obtained.

For reception and transmission of orders and portfolio management, the Bank shall make public, on an annual basis, without any charges, for each class of financial instruments the top five investment firms (brokers) in terms of trading volumes where it placed or transmitted Client orders in the preceding year and the execution quality obtained.

The Bank shall publish this information on its website (www.kbl.lu) in electronic format downloadable by the public, with unlimited access. This information shall be made public at the latest on 30 April following the end of period it relates to (30 April 2018 for Client orders executed in 2017) and will be kept for a minimum of two years.

X. MONITORING, REVIEW AND AMENDMENTS TO THE POLICY

The Bank shall monitor, on a regular basis, the effectiveness of the Best Execution and Best Selection Policy and, if appropriate, correct any deficiencies. In particular, the Bank shall assess execution venues included in the Best Execution and Best Selection Policy by taking account of execution data including data relating to the execution quality of transactions published by the execution venues.

The Bank may change execution venues or third-party brokers/counterparties in order to comply with its Best Execution Obligation.

The Bank shall review its Best Execution and Best Selection Policy on an annual basis and when a material change affects the Bank's ability to obtain the best possible result for its clients.

Further to this monitoring and review, the Bank may make changes and amendments to this Best Execution and Best Selection Policy under the terms and conditions laid down in Article 39.6 of the General Terms and Conditions.

Any material changes to the Best Execution and Best Selection Policy shall also be published on the Bank's internet site (www.kbl.lu).

XI. BEST EXECUTION FACTORS

a. DEBT INSTRUMENTS

- Scope: Bonds, money-market Instruments.
- Order types: Market order, Limit order (under certain circumstances)
- Execution factors for private Clients: Total consideration which includes price of the financial instrument and costs related to execution.
- Execution factors for professional Clients:
 - Price
 - Size of the transaction and market impact
 - Likelihood of execution and settlement
 - Costs
 - Speed
 - Other factors.
- Order handling:

Pricing and execution in bonds are characterized by a manual process and indicative prices which are available on the ALLQ pages on Bloomberg (operating as a Multilateral Trading Facility or MTF) provided that the Bank is authorized by third parties to trade on their prices.

When receiving a Client order, the Bank's dealing desk challenges the three best price providers through a request for a quote, using the TSOX functionality on Bloomberg.

Orders on more illiquid bonds or money-market instruments where no MTF price is available may be executed on the market they are listed on, if any. If the Bank is not in a position to execute the transaction on any market, it will turn to the lead manager in order to provide the Client with a price.

The Bank may trade as agent or as principal.

In the case of illiquid bonds, insufficient liquidity providers or volatile market conditions, the execution of orders may be delayed and the price may potentially suffer a slippage against the expected price. The Bank cannot be held responsible for this slippage.

The limit order is accepted for certain liquid bonds and with a limited validity. When limit orders are not immediately executable in Bloomberg, the Client order is placed on UBS PIN FI (a UBS electronic trading platform) or on a regulated market. The Client should be aware that not all bond limit orders can be placed on UBS PIN FI or on a regulated market.

b. EQUITIES, SHARES AND DEPOSITARY RECEIPTS

- Scope: Purchase and sale of cash equities and equity-like products.
- Order types: Market order, Limit order, Stop order, Stop limit order, Algorithmic order.
- Execution factors for private Clients: Total consideration which includes price of the financial instrument and costs related to execution.
- Execution factors for professional Clients:
 - Likelihood of execution and settlement
 - Price
 - Size of the transaction and market impact
 - Costs
 - Speed
 - Other factors.
- Order handling:

The Bank trades as agent. Prices are determined on the different venues to which orders may be routed by secured message (Swift or Fix).

The Bank has access through its brokers to different smart order routers that are able to check multiple venues when trying to execute an equity order, taking into consideration the selected market. Using smart order routers allows the Bank to access better prices, additional liquidity and a greater likelihood of execution.

Smart order routers automatically choose the best execution venue in terms of price. A Client order can be automatically split and executed on several venues. This process will have no additional cost for the Client.

As mentioned above, some filters may apply. For example, a filter may check the sufficient provision of the securities in client's account in the case of a sell order or the order limit if the limit is too far from the last known market price in the Bank's database (mainly the closing price of the previous trading day).

When no filter rule is applied, the order is sent electronically to the broker. When filter rules are applied, the Bank analyses the market and decides, in good faith, either to send the order electronically to the broker or to care the order to obtain a better price, taking into consideration the characteristics of the market, the instrument and the order.

The Bank decides to care the order at its discretion or using an algorithm to attempt to prevent market impact.

However, the Client should be aware that price volatility is one factor that can affect order execution and should be aware that caring an order may potentially cause a slippage from the expected arrival price. The Bank cannot be held responsible for missing execution when caring orders to minimize market impact.

When executing an Exchange Traded Fund (ETF), the Bank has access to different ETF Market makers through Tradeweb, a registered trademark electronic trading platform. This allows the Bank to access better prices, additional liquidity and a greater likelihood of execution.

c. LISTED DERIVATIVES

- Scope: Purchase and sale of exchange-traded options and futures for speculative and hedging purposes.
- Order types: Market order, Limit order, Stop order, Strategy order.
- Execution factors for private Clients: Total consideration which includes price of the financial instrument and costs related to execution.
- Execution factors for professional Clients:
 - Price
 - Size of the transaction and market impact
 - Likelihood of execution and settlement
 - Costs
 - Speed
 - Other factors.
- Order handling:

Orders on derivatives will be considered as "specific instructions" (orders for which the Client specifies all details for execution). The Client must sign the "Options and Futures Agreement" to be authorized to place orders in listed derivatives

The Bank has selected UBS as unique clearing broker. UBS is also the Bank's main executing broker, allowing the Bank to minimize the costs.

The Bank deals on behalf of Clients (as agent).

Execution of derivatives is characterized by its manual process. The orders are received manually (by phone) and placed through the SwisKey platform, a UBS registered trademark electronic platform, or via EMSX Bloomberg, a Bloomberg execution management system functionality.

The order is placed on the relevant market and executed according to the rules of this relevant market. The Bank does not physically deliver the underlying security on expiry of a future.

d. UNITS IN UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)

- Scope: subscription, redemption, switch of units in Undertaking for Collective investment.
- Order handling:

Subscription and redemption orders are transmitted to the transfer agent (directly or indirectly through an order collector or a third party) chosen by the promoter.

The net asset value (NAV) is applied to the Client, as long as the order arrives within a reasonable time, making it possible to transmit it to the transfer agent before cut-off time to have the current net asset value. If it arrives later, the next NAV will be applied.

The Client should be aware that some fund placements are considered as complex taking into consideration the documentation required by the transfer agent, the prepayment required by the transfer agent or the way of placing the order. The Client should be aware that for such funds, the placing of an order may be delayed and then the order may be executed at the next available NAV. The Bank cannot be held responsible for this slippage.

The acceptance of subscription, redemption and switch orders is subject to acceptance by the transfer agent or fund.

If a UCI is also listed on a trading platform, the Client may ask to purchase it on the exchange in question. Otherwise, the order will be transmitted to the transfer agent.

e. STRUCTURED PRODUCTS

- Scope: purchase and sale of structured products.
- Order handling:

The Bank deals on own account (as principal) on behalf of Clients in structured products sponsored or issued by the Bank.

The Bank deals on behalf of clients (as agent) in a structured product which is not sponsored or issued by the Bank.

- Execution factors:

Trading place: On a priority basis, all structured products which could be traded on a stock exchange will be executed through these trading platforms (cases where the issuer is assuming a market making activity). If not, structured products will be traded over the counter, on the interbank market, with the original issuer of the product.

Timely execution: Due to the lack of liquidity in this kind of product, all orders will be executed on a best effort basis in terms of timely execution.

f. FOREIGN EXCHANGE FORWARD CONTRACTS

- Scope: purchase and sale of foreign exchange forward contracts.
- Order handling:

Foreign exchange forward prices are based on the spot price for the relevant currency pair and a spot/forward swap price.

The spot component of a foreign exchange forward contract is priced in accordance with the current market price for a standard amount of the relevant currency pair, adjusted to the size of Client orders.

The forward swap component of the price is based on the spot rate at the time the deal is executed, with an adjustment for forward points (differential between the interest rates for the two currencies for the relevant forward value date).

As such, the price offered by the Bank at any given time is considered as the best price at the time of the trade for the size of the Client order.

g. FOREIGN EXCHANGE OPTIONS

- Scope: purchase and sale of foreign exchange options.
- Order handling:

The Bank provides prices for foreign exchange options on request. Pricing and execution in foreign exchange options are characterized by an interbank market. The foreign exchange options market is not dedicated for individual small orders.

The option price is calculated on a number of factors, the most significant being the spot price of the underlying and the implied volatility of the relevant currency pair.

XII. BEST SELECTION FACTORS

As the Bank may transmit Client orders for execution to a third-party broker or counterparty, the Bank takes all sufficient steps to select third-party brokers or counterparties that allow the Bank to meet its best execution obligation.

a. KBL EUROPEAN PRIVATE BANKERS CLASSIFICATION

The Bank has chosen to consider itself as “professional client” and asks brokers to classify it as such.

This imposes a “best execution” obligation on them with regards to the Bank.

b. CRITERIA FOR SELECTING THE BEST FINANCIAL COUNTERPARTIES FOR ORDER EXECUTION

For private Clients, the Bank uses the total consideration in its best selection procedure to assess and select third-party brokers or counterparties that allow the Bank to meet its best execution obligation.

For professional Clients, the Bank uses the following criteria to assess and select third-party brokers or counterparties that allow the Bank to meet its best execution obligation.

- Qualitative aspects:
 - Access to execution venues;
 - Quality of execution (in terms of price, costs, speed of execution, likelihood of execution and settlement);
 - Connectivity;
 - Quality of Middle- and Back-Office support (confirmation, settlement);
 - Quality of relationship and the service offered (including algorithm offer);
 - Coherence between the Bank's execution policy and the execution policy adopted by the broker.
- Quantitative aspects: Brokerage fees level.

Under specific circumstances (such as particular market conditions or a provisory failure of a broker etc.), the Bank may transmit the Client order to an entity that has not been selected by the Bank in order to act in the best interests of Clients.

c. PROCEDURES FOR AND FREQUENCY OF BROKER SELECTION – GROUP BROKER COMMITTEE RESPONSIBILITIES

Every year, the Bank reviews the selected brokers based on the criteria listed above.

The Bank's Group Broker Committee is therefore responsible for

- Definition and validation of the selection process of Execution Brokers;
- Selecting new brokers;
- Rating brokers based on the criteria listed above;
- Definition and validation of the selection process of trading platforms;
- Definition and validation of processes to assess the quality of execution obtained;
- Definition and validation of processes to assess the quality of execution algorithms;
- Disbundling of broker research fees from brokerage fees according to the order execution.