

**Best execution policy**

**Document history**

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## 1. Introduction

### 1.1. BLI - Banque de Luxembourg Investments

BLI - Banque de Luxembourg Investments ("**BLI**") is a public limited company incorporated under the laws of Luxembourg and wholly owned by Banque de Luxembourg, Luxembourg ("**BDL**"), itself part of the French financial group Crédit Mutuel Alliance Fédérale ("**CM AF**").

BLI is authorized as a management company in accordance with the provisions of Chapter 15 of the Luxembourg law of December 17, 2010 relating to undertakings for collective investment as amended (the "**UCITS Law**") and as an alternative investment fund manager in accordance with the provisions of the Luxembourg law of July 12, 2013 relating to alternative investment fund managers as amended (the "**AIFM Law**").

In addition to its authorizations to manage collective investment schemes under the UCITS Law and/or the AIFM Law, BLI is also authorized to provide discretionary portfolio management and investment advisory services within the meaning of the aforementioned law.

Within the framework of its approvals and authorizations under the UCITS Law and the AIFM Law, BLI offers its services to investment funds (whether initiated by BDL, by other entities of the CM AF Group or by third-party entities) as well as to institutional or professional clients other than investment funds.

For the majority of the investment funds initiated by BDL or other entities of the CM AF Group, BLI performs the portfolio management. For the majority of investment funds initiated by third-party entities, BLI delegates the portfolio management to duly authorized entities proposed by the investment funds or their initiators.

### 1.2. Purpose and scope of the Policy

The present best execution policy (the "**Policy**") is designed to ensure compliance with applicable key regulations listed under Appendix 1 of the Policy (the "**Regulation**"), which require investment fund managers to act in the best interest of the investment funds (and of their investors) they manage when:

- executing investment decisions on behalf of the investment funds,
- placing orders with third parties for execution.

From a general perspective and based on the principle of fair treatment of investors, investment fund managers must take all sufficient steps to obtain the best possible result for the investment funds they manage 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. The relative importance of such factors shall be determined by reference to the following criteria:

- the objectives, investment policy and risks specific to the investment fund,
- the characteristics of the order,
- the characteristics of the financial instrument that is the subject of the order,
- the characteristics of the execution venues to which the order can be directed.

This obligation is commonly known as the duty of "best execution".

In response to its regulatory obligations resulting from the above-mentioned framework, BLI has adopted the following set of policies and procedures:

- the due diligence ("**DD**") procedure and monitoring of delegates and other counterparties, such as brokers,
- this Policy.

The Policy applies to all investment funds and other discretionary portfolio mandates managed by the Company (the "**Funds**").

## 2. Orders execution policy

### 2.1. BLI having delegated the portfolio management

The performance of the delegated functions by the portfolio manager (the “**Delegate**”) consists in the proper day-to-day management of the Fund’s investments in order to implement and comply with the Fund’s investment rules and restrictions as efficiently and as successfully as possible.

In the performance of its duties, the Delegate shares with the Company the duty to act in the best interests of the Fund and its investors.

#### General set-up

Orders are transmitted to the **brokers selected by the Delegate** for execution.

In general, the Delegate **does not execute itself orders in the market** resulting from investment decisions relating to the portfolios under management.

#### Monitoring of the Delegate

In the context of the performance of the oversight of delegated functions, BLI analyses the best execution policy of the Delegate for orders applicable to the Fund and checks if the Delegate has taken all reasonable measures to select entities that will deliver the best possible result for the Fund and its investors.

The Delegate shall transmit to the Company a list of the brokers that have been selected for each type of instrument.

As part of its due diligence process, BLI requires the Delegate to confirm that the selected brokers comply with its satisfactory criteria according to the best execution requirements.

Accordingly, the Company will also be entitled to request and obtain relevant information and evidence from the Delegate on the application of the best execution policy.

### 2.2. BLI acting as portfolio manager

The Company does not execute itself orders in the market resulting from investment decisions relating to the portfolios under management. BLI’s orders are executed on the markets by intermediaries to whom the Company transmits its orders (the “**Brokers**”). BLI has requested its Brokers to be classified as a “professional client”. Consequently, its selected brokers are required to offer the best execution when executing orders transmitted by the Company.

BLI’s obligations therefore do not lead to duplicating the Brokers’ efforts but rather to organizing a cascading liability regime. Therefore, the selection procedure of the Company focuses on the following elements:

- the selection criteria, for each category of instrument of the intermediary(s) to which its orders will be transmitted,
- the definition of control framework of the effectiveness of the best execution policy of the Broker(s),
- the annual and ad-hoc review of the Policy resulting from the means of controls implemented, and
- the communication to the Funds and other clients of information on the processes put in place to ensure the best execution of orders transmitted by BLI.

The Company has an obligation of means and cannot guarantee that each individual order will be executed under the best possible conditions.

### 3. Brokers selection process

#### 3.1. Selection criteria

When BLI acts as portfolio manager (cf. section 2.2. of the Policy), the following criteria must be taken into account when selecting a Broker:

- brokerage fees and quoted prices relative to market benchmarks,
- quality of trading information and related tools,
- quality of execution - access to the places of registration and other places of execution
  - available algorithms,
- quality of business relationships and market information provided,
- quality of transactions' settlement / delivery, and
- timing of "advice of execution" receipt.

The Brokers for which a connection is envisaged are preselected according to their reputation, their credit quality, their human and technical resources, their relevance in the intended market (volumes traded), their access to the different markets, their experience and the absence of major sanction on the activity.

#### 3.2. Entry into a business relationship with a Broker

As per the DD procedure, the entry into a business relationship with a Broker has to be validated by BLI's Business Acceptance Committee (the "BAC").

BLI's Oversight team shall perform an initial DD on this Broker and present its observations and conclusions to the BAC. BLI's decision will be materialized in the BAC minutes.

According to BLI's DD multi-year dashboard, periodic due diligences are performed on authorized Brokers.

Authorized Brokers are listed under Appendix 2 of the Policy. The best execution principles applied by the latter are published on the website of the respective Brokers in accordance with Commission Delegated Regulation (EU) 2017/576.

### 4. Control framework

According to the Regulation, BLI must be able to demonstrate that the orders it has placed on behalf of the Funds and other mandates have been made in accordance with its best selection policy. In this context, BLI monitors, through its compliance monitoring plan, the effectiveness of its orders execution arrangements and, in particular, regularly controls that order execution systems enable it to obtain the best possible result for the Funds and other mandates.

A proper reporting thereof to the management bodies of the Company is performed by the compliance function, including through its annual summary report.

### 5. Publication and communication

The Policy and any significant amendment thereof are made available on the BLI website: [www.bli.lu](http://www.bli.lu). These publications constitute notification by BLI of its clients and Funds' investors.

BLI may provide information on its best selection procedure and/or the processes for executing a particular order, upon a justified request from a client.

## 6. Update of the Policy

The Policy will be updated in order to reflect changes in business, laws and regulations as well as whenever a material change occurs that affects the Company's ability to continue to obtain the best possible result for the Funds and other clients.

The review process of the Policy is also triggered by any major changes in the Brokers' offer and, in particular, in case of:

- material change in the fee schedule applied,
- significant degradation of the execution system (for example in case of a restriction of the perimeter of the instruments traded),
- withdrawal of access to a market, or
- restructuring likely to entail significant operational risks.

The review of the Policy is performed at least on an annual basis.

## Appendix 1: Applicable key regulatory references

- CSSF regulation No 10-4 of 22 December 2010 transposing Commission directive 2010/43/EU of 1st July 2010 implementing directive 2009/65/EC of the European Parliament and of the Council as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of the Directive
- CSSF circular 18/698 of 23 August 2018 regarding authorization and organization of Luxembourg investment fund managers

## Appendix 2: List of authorized Brokers

Category of financial instruments	Sub-category of financial instruments	Category of clients	Brokers <sup>1</sup>	
Equities and assimilated instruments	Levels no listing / liquidity 5 and 6 (more than 2000 transactions per day)	Professional	Banque de Luxembourg, Luxembourg	
	Levels no listing / liquidity 3 and 4 (from 80 to 1999 transactions per day)			
	Levels no listing / liquidity 1 and 2 (from 0 to 79 transactions per day)			
Debt instruments	Bonds		Banque et Caisse d'Epargne de l'Etat, Luxembourg	
	Money market instruments			
Derivatives on interest rate	Futures and options admitted to trading on a trading platform		CACEIS Bank, Luxembourg Branch	
	Swaps, forwards and other derivatives on interest rate			
Credit derivatives	Futures and options admitted to trading on a trading platform			
	Other credit derivatives			
Derivatives on currency	Futures and options admitted to trading on a trading platform			Belfius Banque S.A., Belgium
	Swaps, forwards and other derivatives on currency			
Structured financial instruments	n/a			
Derivatives on equities	Futures and options admitted to trading on a trading platform			
	Swaps and other derivatives on equities			
Securitized derivatives	Warrants and derivatives on preferential certificates			
	Other securitized derivatives			
Derivatives on commodities and on emission allowances	Futures and options admitted to trading on a trading platform			
	Other derivatives on commodities and on emission allowances			
Contract for difference (CFD)	n/a			
Exchange traded products (ETP), exchange traded funds (ETF), exchange traded notes (ETN) and exchange traded commodities (ETC)	n/a			
Emission allowances	n/a			
Other instruments	n/a			

<sup>1</sup> Best execution policy of the authorized brokers is available on their respective websites (i.e. [www.banquedeluxembourg.com](http://www.banquedeluxembourg.com), [www.spuerkeess.lu](http://www.spuerkeess.lu), [www.caceis.com](http://www.caceis.com) and [www.belfius.be](http://www.belfius.be))