

Jointly Establishing Principles for the Execution of Orders for Financial Instruments



HAUCK
AUFHÄUSER
FUND SERVICES

Best Execution Policy

1. Introduction

In accordance with the legal and regulatory obligations provided for in the UCITS IV Directive 2009/65/EC and its regulations, the AIFM Directive 2011/61/EU and its regulations, the Luxembourg Act of 17 December 2010 relating to Undertakings for Collective Investment (hereinafter the “UCI Act”), the Luxembourg Act of 12 July 2013 relating to Alternative Investment Fund Managers (hereinafter the “AIFM Act”), the Luxembourg Act of 13 February 2007 relating to Specialised Investment Funds (hereinafter the “SIF Act”), Directive 2004/39/EC of the European Parliament and of the European Council of 21 July 2004 relating to financial service markets and the relevant CSSF circulars, as amended, Hauck & Aufhäuser Fund Services SA, in its respective capacity as a Management Company, Alternative Investment Fund Manager (“AIFM”) or Portfolio Manager have established the following rules for the fairest execution of trading decisions regarding the undertakings for collective investment in transferable securities (“UCITS”), undertakings for collective investment (“UCI”) and alternative investment funds (“AIF”), that they manage or administer. In principle, Hauck & Aufhäuser Fund Services S.A. does not execute trading orders directly on trading markets, but through intermediary trading partners (brokers, banks, other trading partners, etc.). If Hauck & Aufhäuser Fund Services S.A. is designated as management company, it is possible that the management of the portfolio is subcontracted.

2. Scope of Application

The Execution Policy of Hauck & Aufhäuser Fund Services S.A. applies to trading decisions relating to financial instruments, which Hauck & Aufhäuser Fund Services S.A. executes for those UCITS/UCIs/AIFs managed by it or administrated by it. In particular, the following financial instruments issued in the form of a UCITS/UCI/AIF are covered by this Execution Policy:

- securities,
- money market instruments,
- fund shares,
- exchange-traded derivatives,
- OTC derivatives.

3. Best Execution Policy Criteria

To ensure the most favourable execution, the following considerations must be taken into account on a regular basis with regard to the selection of the trading partner relevant for a trade order, the trading venue and the type of execution:

- 1) Price of the financial instrument,
- 2) Costs of order execution,
- 3) Promptness and probability of execution and settlement of the trade order,
- 4) Scope and nature of the trading order and
- 5) other matters relevant for the execution of the order.

As a rule, these aspects are given the following weighting: 1) = double weighting; 2) – 4) = single weighting. In specific cases, it can be necessary to apply a different weighting taking into account the following criteria:

- objectives, investment policy and specific risks of the UCITS/UCI/AIF,
- characteristics of the order,
- characteristics of the financial instruments underlying the order in question, and
- characteristics of the trading venues where the order can be forwarded.

In each individual case, the weighting and, as a consequence, the decision regarding the trading partner, the trading venue and the execution type is the responsibility of the respective portfolio manager of Hauck & Aufhäuser Fund Services S.A. So as to achieve the best possible result, whilst taking into account all relevant costs associated with a trading order, the decision regarding the forwarding of the order considers, above all, trading partners, who guarantee a consistent execution of trading orders whilst observing the aspects for the execution. In particular circumstances, the choice of trading partners can be affected by other important aspects within the meaning of Clause 5) – for example, market relevance regarding the trading order, security of settlement, access to stock exchanges (organised markets) of the trading partner, reputation, access to Multilateral Trading Facilities (MTF) or access to other liquidity pools. Hauck & Aufhäuser Fund Services S.A. undertakes to only select those

trading partners and trading venues, whose trading model and execution methods enable Hauck & Aufhäuser Fund Services S.A. to achieve the optimum result for investors in the respective UCITS/UCI/AIF. In the event of more than one possible trading partner, the partner providing the best conditions for the transaction in question will be selected so that trading is in the best interests of the managed UCITS/UCI/AIF or the investors of the UCITS/UCI/AIF. In doing so, it is ensured that the trading partners adhere to execution principles, which are compatible with those of Hauck & Aufhäuser Fund Services S.A. Hauck & Aufhäuser Fund Services S.A. establishes and updates a list of suitable trading partners and trading venues. Hauck & Aufhäuser Fund Services S.A. regularly reviews the performance of trading orders by trading partners in compliance with the Execution Policy and, if necessary, will update its list of suitable trading partners.

4. Broker Selection

Hauck & Aufhäuser Fund Services S.A. undertakes to only select those trading partners and trading venues, whose trading model and execution methods enable Hauck & Aufhäuser Fund Services S.A. to achieve the optimum result for the transferred orders for the respective UCITS/UCI/AIF. Hauck & Aufhäuser Fund Services S.A. will take all reasonable precautions regarding the selection of trading partners and trading venues, providing the best possible prospects for achieving the most favourable outcome.

Hauck & Aufhäuser Privatbankiers AG (Germany) is the standard trading partner of Hauck & Aufhäuser Fund Services S.A. The selection of Hauck Aufhäuser Lampe Privatbank AG (Germany) as the executing order desk is based on the exceptional service and performance relationships within the Hauck Aufhäuser Lampe Group. After careful consideration, Hauck & Aufhäuser Fund Services S.A. is of the opinion that Hauck Aufhäuser Lampe Privatbank AG ensures the best possible execution for UCITS/UCI/AIF. The order execution conducted by Hauck Aufhäuser Lampe Privatbank AG ensures an effective and cost-efficient execution, settlement and accounting of securities transactions by providing standardised services specifically adjusted to Hauck & Aufhäuser Fund Services S.A. and also taking into account the special requirements of Hauck & Aufhäuser Fund Services S.A.

It is also permissible to make use of external brokers. The appointment of external brokers requires the respective fund manager to carry out an initial and follow-up review on a regular basis. With respect to this review, Hauck & Aufhäuser Fund Services S.A. reserves the right to regularly perform a validation check and, if necessary, to request appropriate documentation. Hauck & Aufhäuser Fund Services S.A. will review the quality of execution by the selected service providers as part of such a process.

5. Assignment of Responsibilities in the Event of Outsourced Portfolio Management

In the event that Hauck & Aufhäuser Fund Services S.A. has been appointed as management company and delegated the portfolio management, it is the duty of Hauck & Aufhäuser Fund Services S.A. to exercise effective control and supervision over the portfolio manager. Hauck & Aufhäuser Fund Services S.A. therefore ensures that the portfolio manager has implemented a Best Execution Policy, compatible with that of Hauck & Aufhäuser Fund Services S.A., and only uses trading partners offering their clients the best possible execution.

6. Regular Review of the Execution Policy/Trading Partners

Hauck & Aufhäuser Fund Services S.A. is obliged to review this Execution Policy on a regular basis, but at least once a year. Hauck & Aufhäuser Fund Services S.A. will meet its obligation to ensure the best possible execution by carefully selecting and monitoring trading partners when placing trading orders for execution by trading partners. Hauck & Aufhäuser Fund Services S.A. will regularly review if the trading partners take adequate precautions to ensure the best possible execution of the trading orders.

7. Exeptions

Instructions issued by the client will take precedence over the order execution of trading orders in accordance with this Execution Policy. However, as the latter may not comply with this Execution Policy, Hauck & Aufhäuser Fund Services S.A. is not able to guarantee the best possible execution of the trading order in such an event.

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