

Center of Excellence Policy

Best Execution and Order Handling

General information

Scope of application	Vontobel: <input type="checkbox"/> Legal Entities: Client Units / Centers of Excellence / Additional Units: <input type="checkbox"/> AM <input type="checkbox"/> DI <input type="checkbox"/> WM <input type="checkbox"/> FR <input type="checkbox"/> HR <input checked="" type="checkbox"/> IN <input type="checkbox"/> LC <input type="checkbox"/> MA <input type="checkbox"/> SST <input type="checkbox"/> TS <input type="checkbox"/> CD <input type="checkbox"/> IA <input type="checkbox"/> IR
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Content information

This Best Execution Policy (the "policy") sets forth information relating to how Vontobel Investments (hereinafter "**Vontobel IN**") seeks to provide best execution in the acquisition or disposal of financial instruments or the acceptance and transmission of clients, as required by the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and the Financial Services Act (FinSA).

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
1 March 2022	LC/AMINV	Small Revision	New layout, formal implementation of new Meta policy, new chapter on internal control system (ICS) and exception to policy (EtP) and addition necessary FIDLEG wording and terminology; plus reflecting Global Execution Desk.

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1. Purpose and Scope

1.1 Purpose

This Best Execution Policy (this “policy”) sets out information relating to how Vontobel Investments (“hereinafter **Vontobel IN**”) seeks to provide best execution as required by applicable legislation as set out below when executing or placing orders in financial instruments (listed in section 5 of this policy) resulting from decisions Vontobel IN have made as the appointed portfolio manager on behalf of its clients.

1.2 This policy shall always be read in conjunction with the Legal Entity policy 143 (“Best Execution and Order Handling”) and VAMSA branch specific Legal Entity policy 735 “Best Execution” Scope

This policy covers trading by the following Vontobel IN entities acting as the appointed portfolio manager of collective investment schemes or managed portfolios of clients :

- Vontobel Asset Management AG, Zurich («VAMAG»);
- Vontobel Asset Management S.A., Munich branch (“VAMSAMunich”);
- Vontobel Asset Management S.A., Milan branch (“VAMSA Milan”);

This policy describes Vontobel IN’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 IN 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 IN entities may delegate the execution of orders to specialized Vontobel IN execution desks (“Vontobel IN Execution Desks”) based in New York (“VAMUS”), Munich (“VAMSA Munich”) and Hong-Kong (“VAMAP”), subject to adherence to this policy.

2. Applicable legislation

The following regulations and their implementing decrees (national decrees where applicable) and technical standards, apply:

- VAMSA DE: Markets in Financial Instruments Directive 2014/65/EU (MiFID II); Commission Delegated Regulation (EU) 2017/565; and German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)
- VAMSA IT: Markets in Financial Instruments Directive 2014/65/EU (MiFID II); Commission Delegated Regulation (EU) 2017/565; and Consob Regulation on Intermediaries n° 20307/2018.
- VAMAG: Collective Investment Schemes Act (CISA); Swiss Collective Investment Schemes Ordinance (CISO); Financial Services Act (FinSA); Swiss Financial Services Ordinance (FinSO); Asset Management Association Switzerland’s Code of Conduct (“AMAS Code of Conduct”) (as soon as in force), and implementing ordinances.

3. Definitions

3.1 Best Execution

“Best Execution” is the term used to denote the duty Vontobel IN 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.

4. Tasks and Responsibilities

4.1 Client Instructions

If an explicit instruction has been received from a client in relation to an order or a type of financial instrument, Vontobel IN will follow that instruction as far as reasonably possible when executing that trade. By following a specific client instruction, Vontobel IN’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 IN 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.

4.2 Selection of Brokers and Counterparties

The Vontobel IN companies covered by this 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 CU/CoE policy, 289 “External Counterparties in Asset Management” 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.

4.3 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 IN to execute or place 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.

4.4 Relative Importance of Factors for Best Execution

Vontobel IN 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 e.g. 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 IN 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.

4.5 Equities

Orders are generally sent via a trading facility 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

4.6 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

4.7 Money Market / Money Market Instruments

For time deposits and fixed-term deposits, 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

4.8 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

4.9 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

4.10 Over-The-Counter Derivatives

Over-the-counter (“OTC”) derivatives such as commodities, interest rates, credit default swaps and forward foreign exchange transactions and fx options 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

4.11 FX Spots

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

5. Aggregation and Allocation of Client Orders

When Vontobel IN 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 IN 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 CU/coE 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.

5.1 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 IN 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 IN 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 IN continues to manage client assets, Vontobel IN will treat the client as having provided consent to trade outside a Regulated Market, MTF or OTF, as Vontobel IN believes it is in the best interests of clients to do so.

5.2 Client Information

Vontobel IN is required to provide clients with details on this policy in good time prior the provision of the service. This information includes the following:

- an account of the relative importance Vontobel IN assigns to the execution factors according to section 4.3;
- a list of the execution venues;
- a list of factors used to select an execution venue;
- how the execution factors according to section 4.3 are considered as part of all sufficient steps to obtain the best possible result for the client;
- information that Vontobel IN executes orders outside a trading venue and the consequences;
- a clear and prominent warning that any specific instructions from a client may prevent Vontobel IN from obtaining the best possible result for the execution of those orders.

Where a client makes reasonable and proportionate requests for information about this policy and how it is reviewed, the relationship managers shall answer that request within a reasonable time.

5.3 Prohibited Practices

With respect to the selection of brokers, the following practices are prohibited:

- Trades may not be directed in return for gifts and/or entertainment or the provision of broker proprietary research;
- Trades may not be directed in return for error correction by the broker;
- Trades may not be directed in return for suggested preferential treatment in IPOs or placement;
- Trades may not be directed in return for the provision of investment ideas where Vontobel IN is unable to meet its best execution obligations
- Traders must not be influenced by any personal conflicts of interest, such as a family relationship with an employee. The existence of any such conflicts must be disclosed to the Global Head of Investment Services and to AM Compliance.
- To cross trades directly between a client portfolio and any personal account, regardless of whether the bargain is put through an independent broker without AM Compliance approval.

6. Internal Control System (ICS)

6.1 Responsibilities and Competencies

Vontobel IN monitors, on an on-going basis, the execution quality obtained and the effectiveness of this policy and the execution arrangements in place.

The controls are performed on an ex-post basis to identify circumstances under which changes may be appropriate and, where necessary, correct any deficiencies.

6.1.1 Vontobel Execution Desks

The day-to-day fulfilment of best execution lies with the Vontobel IN execution staff, which apply Vontobel wide execution

standards and procedures for all trading and related activities. All authorized execution staff evaluate and where possible measure their trading performance and quality of execution using analytics such as third-party trade cost analysis (TCA) services or internally developed methods including votes and an evaluation of the execution factors previously described in this policy.

6.1.2 AM Compliance

AM Compliance performs an independent review of execution venues and quality of execution (sample checks) as part of the compliance monitoring program and ensure that all exceptions are reported, approved, and resolved.

6.2 Processes and Key Controls

The key controls are defined and documented in process, risk and control database. The controls are reviewed for adequacy and effectiveness at least annually as part of the Risk and Control Self-Assessment (RCSA) process by the respective risk and process owners.

6.3 Review of this Policy

These best execution principles are reviewed by Vontobel IN on an ad hoc basis, but at least once a year, and approved by the Legal and Compliance Meeting AM/IN.

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 IN 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 IN 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).

7. Exception to Policy (EtP)

Deviations of this policy must be in accordance with the Legal Entity policy 143 "Best Execution and Order Handling".

Any exceptions to this policy require approval from the Global Head of Investment Services or, in its absence, its designee.

8. Entry into Force

This revised policy enters into force on 1 March 2022.