

Best Execution in Asset Management

BU 2.2-342

Version 1.0 (valid version)

General information

Scope of application	Entire Vontobel Group: <input type="checkbox"/> All Group ¹ employees: <input checked="" type="checkbox"/> AM <input type="checkbox"/> IB <input type="checkbox"/> WM
Originally issued	January 1, 2018
Current version valid from	January 1, 2018
Policy owner	LCT
Replaces	---
Reference	<i>Regulations</i> ----- <i>Group Policies</i> ----- <i>Subsidiary Policies</i> -----
Languages	EN
Office responsible	Risk & Compliance Meeting AM, Boards of relevant subsidiaries

Summary

Scope of application	The current policy applies to all employees of Vontobel Asset Management companies (hereinafter „Vontobel AM“), to the extent they are involved in portfolio management activities, except for Vontobel Asset Management Inc. To the extent required by applicable laws and regulations, other companies within Vontobel Asset Management do have their own best execution policies.
Subject matter of the Policy	This policy contains a summary of the approaches, procedures and principles of best execution, as applied throughout Vontobel AM, when instructing transactions via Bank Vontobel Ltd. as the main broker of Vontobel Asset Management Ltd., Zurich, or any third party broker.
Purpose of the Policy	The purpose of this policy is to safeguard the reputation of Vontobel AM as an Investment Manager / Fund Manager always acting in the best interest of its clients, to ensure that regulatory requirements regarding best execution are met and to define minimal standards throughout Vontobel AM for best execution.
Changes	(new Policy)

¹ Where the masculine form is used, this shall also be understood to include the feminine and plural forms

Table of contents

1	Purpose and scope of this policy	3
1.1	Purpose	3
1.2	Scope	3
2	Exceptions from respectively limitations to the Best Execution obligations	3
3	Client information	3
4	Criteria of Best Execution	3
5	Procedures to ensure Best Execution	4
5.1	Tasks of the first line of defense	4
5.2	Responsibilities of the second line of defence	4
6	Effective date	4

1 Purpose and scope of this policy

1.1 Purpose

This policy sets the principles and procedures to be complied with within Vontobel AM in order to ensure best execution of all transactions initiated by Vontobel AM on behalf of its clients. As such, the policy intends to protect the reputation of Vontobel AM as an Investment Manager focused on and prioritizing the interest of its clients.

The policy ensures compliance with applicable regulations governing trade execution, most importantly MiFID II, KAG as well as Vontobel Group policies implementing applicable regulations.

The policy defines procedures how portfolio managers at Vontobel AM will select brokers and counterparties with whom they execute trades, the requirements they must fulfil, and where local policies can set differing rules or procedures under local applicable regulation to ensure best execution.

1.2 Scope

This policy applies to all Vontobel AM Group companies who have a fiduciary duty to ensure best execution towards their clients, either as investment manager resp. investment advisor, or as fund management company. Fund management companies may define their supervisory duties, especially with regard to delegated asset managers, in separate policies.

To the extent required by applicable laws and regulations, other companies within Vontobel Asset Management will have their own best execution policies, which complement this policy.

This policy does not apply to Vontobel AM companies that do not have an obligation to ensure best execution (companies respectively branches with client relationship management responsibilities only).

2 Exceptions from respectively limitations to the Best Execution obligations

Vontobel AM does not owe an obligation to ensure best execution when:

- the client has given instructions to Vontobel AM as the Investment Manager to execute a certain investment or sale at a defined price;
- the client has given instructions to use a defined counterparty or venue for certain transactions;
- When a client enters into a transaction with the relevant Vontobel AM company at an agreed price, i.e. when Vontobel AM does not act as investment Manager.

Vontobel AM's best execution obligation is limited insofar as:

- the client has by contract or instruction limited the counterparties or venues to be used for certain transactions: in this case Vontobel AM's best execution obligation is limited to an obligation to obtain best execution within the limits of the client's instruction;

- A specific, client-agreed risk mitigation set-up respectively client-imposed legal or operational set-up limits the available options of the respective portfolio manager.

3 Client information

Vontobel AM will make this Best Execution policy available on the Vontobel web-site, together with other MiFID II relevant documents.

Vontobel AM will moreover publish the list of the top 5 brokers used per class of financial instruments updated on an annual basis, together with other MiFID II relevant information published by Vontobel.

Vontobel AM will disclose to its clients any inducements collected/received as per Vontobel's Conflict of Interests Policy and allocate any monetary benefits to the relevant client/mandate. Requests for information from clients will be answered transparently and without undue delays.

4 Criteria of Best Execution

As an investment manager/advisor committed to best execution, Vontobel AM will require its brokers to obtain the best possible results for its clients or investors, considering the following elements:

- Price, in terms of the executed price of the transaction;
- Costs, in terms of explicit costs including fees, commissions and implicit costs;
- Likelihood of execution, in terms of the single case ability to execute the order;
- Likelihood of settlement, in terms of the likelihood of the completion of the transaction;
- Size and nature of the order, in terms of volume and structure of the order concretely affecting the execution price;
- Speed, in terms of the time taken to execute an order;
- any other factors relevant to the execution of an order.

Vontobel AM is only responsible to ensure that a broker or other third party financial institution does have policies and procedures in place to ensure best execution. This particularly applies to Bank Vontobel AG as Vontobel AM's main broker, who has published its own Best Execution Policy which is available on Vontobel's web-site. For those transactions, the best execution policy of the respective broker/financial institution will apply.

When evaluating a counterparty for e.g. OTC transactions, Vontobel AM will consider the same elements, to the extent relevant, as well as the counterparty risk assumed by a transaction on behalf of its client.

Where relevant, Vontobel AM will take into consideration the regulatory defined categories of the client when assessing the importance of the different best execution criteria.

To the extent orders are aggregated over several clients, such aggregation must not result in a transaction not meeting the (over-all) best execution criteria for any of the affected clients; it may, however, result in single best execution pa-

rameters that are less advantageous for an individual client than what would have been obtained otherwise. If aggregated orders are only partially executed, best execution requires a proportional allocation in principle, subject to a requirement of merchantable sized lots; the Portfolio Manager will in addition take into consideration the different strategies and options of the portfolios when deciding on allocations.

5 Procedures to ensure Best Execution

Vontobel AM will only enter into Transactions with Counterparties or mandate Brokers that have been authorized for such business after going through an initial due diligence procedure, and have been included in the relevant List of Brokers/Counterparties.

Vontobel AM keeps lists of authorized brokers and counterparties that are reviewed and re-approved annually. Details are set forth in the BU policy 2.2.-289 External counterparties in Asset Management. AM Risk Management is responsible for the policy, its up-dating and keeping of relevant lists.

Vontobel AM companies may keep separate lists, according to their business needs.

5.1 Tasks of the first line of defense

The first line of defense will be responsible for:

- defining and performing initial due diligence procedures (as per BU directives 2.2.-289 External Counterparties in Asset Management);

defining and performing ongoing due diligence procedures at least on an annual basis (as per BU directives 2.2.-289 External Counterparties in Asset Management);

- keeping list of authorized brokers and other counterparties current;
- defining and ensuring approval procedures for new or confirmed counterparties, on a Vontobel AM level as well as on the respective corporate level;
- ensuring that new brokers/counterparties are only used after proper procedures as defined above and authorization by the competent bodies;
- ensuring that counterparty risks assumed on behalf of its clients are monitored and reasonably diversified;
- ensuring that when Vontobel AM enters into transactions with authorized counterparties, the prices/rates obtained are checked against prevailing market prices and best execution is documented in a way that facilitates reliable controls;
- defining market rates for fees and charges and proce-

dures to ensure transactions stay within those limits;

- initiate extraordinary review of the policy if material changes (of external or internal character) are reported by either the portfolio management teams or identified by Risk Management AM that mandate a modification of the policy or procedures mentioned herein.

5.2 Responsibilities of the second line of defence

The second line of defence reviews compliance with this policy and the above criteria as well as the performance of the above mentioned procedures at least annually.

Controls must include:

- Acting according to the defined procedures for authorization of new counterparties and brokers
- No use of not (not yet) authorized counterparties and brokers
- Sound and reviewable documentation of best execution when Vontobel AM enters into transactions with Counterparties
- Review of the fees / charges paid
- Control that first line monitoring setup process is in place and works properly

The second line of defence documents the results of its controls.

6 Effective date

This policy enters into force on 3 January 2018.

It will be reviewed and re-approved periodically.