



## POLICIES/ PROCEDURES

**Subject: Best execution and order execution policy**

Owner: Operations

Initial version: v1

Date: 06/2017

Last version: v3

Date: 04/2020

**Approved by: Board of Directors**

**Date: 25/05/2020**

### Introduction

Alma Capital Investment Management S.A. (hereafter “ACIM” or “the Company”) is a Luxembourg-based management company, authorised and regulated by the CSSF, subject to Chapter 15 of the UCI Law of 17 December 2010, and to chapter 2 of the AIFM Law of 12 July 2013 as amended. ACIM is the management company for UCITS and alternative investment funds or sub-funds.

Under the freedom of establishment and freedom to provide services in another Member State of the European Union, ACIM has established a branch in the United Kingdom, Alma Capital Investment Management, UK branch (the “UK Branch”), authorised by the Financial Conduct Authority (“FCA”) to manage UCITS funds. This Policy applies to ACIM, including its UK branch.

Portfolio management of most of the UCITS funds managed by ACIM is delegated to external investment managers. The UK Branch, however, has some UCITS investment portfolios where portfolio management is performed internally.

### Objectives

ACIM has implemented this Policy relating to the best execution of orders to:

- protect the interests of investors when transmitting orders to third-parties for execution, as well as its reputation and ongoing business operations ;
- promote the actual delivery of best execution of orders ;
- obtain the best possible value when transmitting orders ;
- develop its relationship with third-parties that can support trade execution on a consistent basis ;
- review and assess market places and opportunities that are appropriate for executing orders ;
- address the potential conflict(s) of interest that may arise in the context of best execution.

The purpose of this Policy is to ensure that orders are processed in a prompt and fair manner, in accordance with the applicable law and regulations, and specifically with the Markets in Financial Instruments Directive 2004/39/EC (“MiFID”), as subsequently amended by Directive 2014/65/EU (“MiFID II”) that came into force on 3 January 2018. Other FCA rules and guidance have been taken into account in designing this Policy, as have ESMA guidance where appropriate.

This Policy applies only to the execution or transmission of orders in financial instruments, as defined in MiFID II, except where noted otherwise.

### **The Best Execution obligation**

ACIM must treat investors with honesty, fairness and professionalism, acting in their best interests at all times. In particular, the Company has to ensure that investors’ orders are executed on terms that are most favourable to that investor, which is referred to as the “best execution obligation”.

MiFID II has further enhanced this standard, by requiring that firms take ‘all sufficient steps’ to obtain the best possible result for its clients on a consistent basis when executing orders.

For the purposes of this Policy and in relation to the best execution rules more generally, the term “investor order” should be understood to mean all orders in financial instruments, whether they are executed directly in the market or transmitted to another firm to execute on the Company’s behalf, which are carried out on behalf of an investor. This includes orders that arise in relation to fund management activities, and therefore originate within the Company rather than with the investor. In this situation, the Company still has a best execution obligation in relation to the execution of this order. Indeed, the obligation is widened in this situation as it applies both to the trader, in executing the trade order, and also to the portfolio manager when giving instructions to the trader (where these roles are separated). The portfolio manager must therefore also consider his best execution obligation when giving instructions to the trader on how the order is to be executed.

### **Delegation of portfolio management**

When delegating portfolio management, ACIM ensures its delegated investment managers always act in the best interest of the Company’s investors when choosing a broker for the purpose of executing financial transactions on behalf of the Company.

ACIM, acting in its capacity as Management Company, has to verify that an appropriate broker selection and order execution policies is implemented and followed by the various investment managers to which it delegates the portfolio management of funds falling under its responsibility and supervision which ensures transactions , initiated by the investment managers are correctly placed with the market and in the best interest of the investors.

### Direct portfolio management by the UK Branch

ACIM, via its UK Branch, also carries out investment management for some UCITS funds where portfolio management is performed internally.

The Company will be involved in the transmission or execution of transactions of financial instruments. When determining the approach to achieving best execution, ACIM must decide to which broker orders will be transmitted for execution. The decision is made with reference to execution factors and execution criteria.

#### *Execution factors*

When managing portfolios, executing or transmitting orders to third-parties for execution, ACIM has to obtain the best possible result for investors. The Company takes into account execution factors, which constitute the consideration and relative importance to be given to each transaction in the trading process. Execution factors may include but are not limited to the:

- price of the financial instrument ;
- broker's relevant expertise related to specific instruments traded ;
- speed of execution ;
- transaction costs, including fees and commissions ;
- likelihood of execution and settlement ;
- size of the order ;
- nature of the order ;
- market impact ; and
- other consideration relevant to the order.

The relative importance of each of the above helps to establish best execution. Although other execution factors may, in certain circumstances, be more important than price in obtaining best execution, it is generally assumed that price is the first priority.

In absence of any specific instruction, it may also be necessary to consider additional execution factors such as the:

- need for timely execution ;
- potential for price improvement ;
- potential price impact of an order ;
- liquidity of the market, which may make it difficult to execute an order ;
- nature of the transaction, including whether or not this transaction can be executed on a regulated market or not ;
- quality and cost effectiveness of any available clearing and settlement facilities ; and
- need for counterparty diversification.

### *Execution criteria*

When executing an order, ACIM must take into account the following execution criteria for determining the relative importance of the execution factors. These may include, but are not limited to the:

- characteristics of the investors, including their MiFID categorisation ;
- characteristics of the financial instruments that are the subject of the order ;
- characteristics of the order, including where the order involves a securities financing transaction ;
- characteristics of the execution venues or counterparties to which the order can be directed ;
- market impact of the order ;
- execution arrangements for the order ; and
- any specific instruction applicable.

Through the careful application of these criteria, in each instance the priority of each execution factor will be determined.

### *Broker's selection: general considerations*

For each of the instruments listed in the appendices below, once the decision to deal has been taken, the choice is made as to which broker is used to execute the transaction. This decision is unique to the instrument and is based upon the relative importance of the execution factors and execution criteria.

The circumstances of the transaction will determine the priority given to these execution factors. Generally execution price should be treated as the highest priority, with costs as the next factor, to differentiate between brokers. However, where it is considered that there is any reduction in the likelihood of successful execution or settlement through a particular broker, ACIM avoids trading through such an entity. Furthermore, in circumstances where price movement is rapid and any delay considered likely to be disadvantageous to investors, speed is treated as the priority factor, over and above considerations of price and cost.

### *Broker's expertise*

In the circumstances where the nature of the security in question presents challenges to successful execution due to obscurity, temporary rally or illiquidity, this Policy is to engage a broker for such a transaction. In selecting the appropriate broker the priority factor is their expertise in relation to the security in question on the grounds that this will result in the best overall execution in terms of achievement of execution and price, albeit that cost – especially the broker's commission – may not be the most competitive.

### *Commission rates*

Regarding commissions, ACIM's aim is to select the broker with the lowest rate. However, as mentioned elsewhere in this Policy, cost of transaction is usually not the highest priority and in some circumstances is a low-priority factor, but where there is a direct choice of broker with other factors being equal, the lower commission-rated broker is employed.

By direct extension, where commission can appropriately, without investors' disadvantage, be avoided altogether, it should be the Company's policy to deal in that way.

### *Large transactions*

Where a transaction is large in comparison to the normal market size for that security, a broker is preferably used to manage the execution of the transaction, exercising his discretion and expertise. In these circumstances, the priority factor is normally either the broker's ability to complete the transaction successfully or price. Consequently, the costs of transaction in terms of broker's commission will be attributed a relatively low-priority, reflecting the importance of selecting a broker known to be expert at achieving execution.

### *Speed of transaction*

When the price of the contemplated security is moving quickly, either as a result of news relating specifically to that company or because of wider market movement, speed of execution is usually the priority factor. Speedy execution is achieved through a large broker known to be capable of achieving fast execution in the circumstances. Second to speed is successful execution, followed by the question of cost. In this context, the price factor is inevitably de-prioritised.

### *Speed of settlement*

In the comparatively unusual situation where speed of settlement is of material importance, that factor will be prioritised above costs of transaction and price, although it does not imply that cost and price are irrelevant, but merely of lower priority. As a mean of procuring speedy settlement, it is normally necessary to negotiate with a broker for special settlement terms. Usually this latter results in the selection of a substantial and well-capitalised broker capable of providing such a service, notwithstanding that they might not be the most cost-competitive.

### *Broker's details*

The selection of a broker results from the prioritisation of the execution factors as appropriate for an individual transaction. Appendices A and B set out ACIM's view of the various aspects of each broker that are ordinarily authorised for use.

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It is acceptable in some circumstances, as explained above, for price and/or cost not to be the highest factors. However where the decision is taken that other factors have higher priority in the context of an individual transaction, a record is to be made, as part of the transaction record, of that decision and the rationale for it. Usually price and cost are the highest priorities for ACIM, subject of course to the fundamental capacity of that broker to facilitate the transaction.

### *Investor's consent*

ACIM may instruct brokers to execute orders outside of MiFID trading venues, such as regulated markets or multilateral trading facilities, when deemed appropriate to do so to achieve best execution of an order.

In certain jurisdictions, investors must provide prior express consent to the execution of an order outside a regulated market or multilateral trading facility, when the order is about a financial instrument that is tradable on a regulated market or multilateral trading facility.

### *Oversight and controls*

To ensure best execution:

- ACIM only use counterparties or market makers directly that have been authorised by the Board of Directors of the Company. ACIM will not enter into agreements with or direct business with counterparties or market makers that are not in line with our best execution obligations. The performance of each authorised counterparty is subject to ongoing review to assess whether the quality of the execution, the initial authorisation criteria and the operational performance remain in line with expectations and contractual commitments. The level of activity of each approved counterparty or market maker is also reviewed. A counterparty or market maker that has not executed any orders during a set interval of time is reviewed to confirm if it should remain authorised.
- Orders to trade a particular security in the same direction may be aggregated by the brokers for concurrent execution as though they were one order, provided they are comparable and there are no conflicting constraints applicable to the orders. Orders with portfolio manager comments and/ or instructions must be assessed for conflicting constraints prior to aggregation.
- Trade allocation where there is more than one fund with the same investment manager should be performed using automated tools wherever possible, and involve the Compliance function in decisions to adopt or upgrade these tools, including reviewing the associated allocation algorithms.
- In compliance with MiFID rules on inducements, ACIM should not pay or accept from any third-party, or person acting on behalf of a third-party (other than investors or a person on behalf of its investors) any fees, commissions, or any monetary or non-monetary benefits in connection with the provision of investment services to its investors, except when:
  - It is designed to enhance the quality of the relevant service to the investor and does not impair compliance with ACIM duty to act honestly, fairly and professionally in the best interests of its investors ;
  - It is an acceptable minor non-monetary benefit as per local rules and regulation ;

- It relates to externally produced investment research that is not considered an inducement in the jurisdiction where the entity benefiting from it is based.

**Review by the Company and the Board of Directors**

This Policy is reviewed whenever needed to reflect any material changes in practice or of the applicable regulatory requirements.

- In addition, ACIM reviews at least on an annual basis, or upon need for directly managed funds where the trading is done by the ACIM: the list of available trading venues, to confirm that these venues continue to be appropriate to achieve the best execution of orders ;
- the list of authorised brokers used by ACIM, to confirm that these brokers continue to provide access to the markets on appropriate terms and quality standards.

Finally, the Board of Directors will review, at least annually the list of Counterparties and the list of authorised brokers used by its delegated investment managers.

**Availability of the Policy**

The Policy is available to all relevant staff.

This Policy – or a brief of it – is disclosed on the Company’s website and is freely available at ACIM registered office upon investor’s request.

Luxembourg, on 30 April 2020

**Appendix A** – Table of brokers used by ACIM for managing the Alma Capital Investment Funds – Alma Eikoh Japan Large Cap Equity sub-fund.

Name of Broker	Location	Commission charged	Speciality	Undertaken to provide Best Execution?	Other cost implications?(*)
Bank of America	UK	5bps	N/A	N/A	No
Daiwa	UK	5bps	N/A	N/A	No
Instinet	UK	5bps	N/A	N/A	No
Mizuho	UK	5bps	N/A	N/A	No
SMBC	UK	5bps	N/A	N/A	No

(\* ) Costs as of Feb 2020 – These costs can change from time to time.

**Appendix B** – Table of venues used by ACIM for managing the Alma Capital Investment Funds – Alma Eikoh Japan Large Cap Equity sub-fund.

Venue	Location	Instruments	Specialisation	Regulator
Japan's Stock Exchanges	Japan	Equities of companies domiciled in Japan	Equities	Japan's Financial Services Agency

**Appendix C** – TCA reporting from Bloomberg Transaction Cost Analysis tool (BTCA) function for ACIM for managing the Alma Capital Investment Funds – Alma Eikoh Japan Large Cap Equity sub-fund.

Reporting is produced daily (T+1) automatically by BTCA and compared to the applicable Broker’s TCA reporting giving:

- Daily monitoring of executions vs the benchmark (VWAP :placement arrival to last fill)
- Execution venue participation

Bloomberg													
	Tkr	NumPl	TotalValuePct	Size	Value	Fill Ratio	Avg ExePx	ADV	SameDayVol	IC/PIArr bp	IC/PIInt VWAP bp	IC/PIDay Cl bp	Exch
<b>Total</b>	MULTI	2	100.00	225,000	299,171,625	100	N.A.		10,065,028.57	7,270,900	-28.80	14.66	47.10 JP
SecName													
KUBOTA CORP	6326	1	84.65	200,000	253,263,075	100	N.A.		3,907,342.86	2,506,000	-34.19	10.40	36.86 JP
MITSUI FUDOSAN CO LTD	8801	1	15.35	25,000	45,908,550	100	N.A.		6,157,685.71	4,764,900	0.86	38.08	103.25 JP
Executed Venue													
SBJJ	6326	1	0.13	200,000	379,800	100	N.A.		3,907,342.86	2,506,000	-31.70	12.89	39.34 JP
XTK1	MULTI	2	9.77	225,000	29,223,525	100	N.A.		10,065,028.57	7,270,900	-6.02	34.32	82.95 JP
XTKS	MULTI	2	90.10	225,000	269,568,300	100	N.A.		10,065,028.57	7,270,900	-31.27	12.53	43.21 JP

Luxembourg, on 25 May 2020