
Kroll (Luxembourg) Management Company, S.a.r.l. (KLMC)

Best Execution Policy

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1. Introduction

Kroll (Luxembourg) Management Company S.a.r.l (Luxembourg) (further as “**KLMC**”), is a management company (further as “**ManCo**”) pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments and is also an alternative investment fund manager (further as “**AIFM**”) pursuant to Chapter 2 of the Law dated 12 July 2013 relating to AIFMs.

This Best Execution Policy (the “**Policy**”) describes the arrangements within KLMC to comply with the applicable EU and Luxembourg laws and regulations such as:

- The Law of 17 December 2010 relating to undertakings for collective investment;
- The Law of 12 July 2013 on alternative investment fund managers;
- The Circular CSSF 18/698 relating to the authorisation and organisation of investment fund managers incorporated under Luxembourg law and specially the organization of the portfolio management function;
- The CSSF Regulation 10-4 transposing Commission Directive 2010/43/EU of 1 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;
- The 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.

2. Definition of best execution

“Best execution” is a determination of facts and circumstances that Companies take all sufficient steps to obtain the best possible result in the execution of an order for a client that depends, among other things, on the nature of the transaction, the price and availability of the investment instrument, the speed of execution, the size of the order, the terms of the order, the market in which the transaction is effected, and the extent to which it is possible to select from among multiple broker-dealers capable of effecting the transaction.

3. Scope

The Best Execution policy applies to the following instruments:

- Securities (such as equities or fixed income products)
- Foreign exchange
- Money market instruments
- Structured financial instruments
- Unit of Collective Investment Schemes
- Alternative assets (if these are included as eligible assets in accordance with the legislation)
- Derivatives instruments exchanged on a stock exchange
- OTC Derivatives relating to eligible assets.

The best execution and order handling obligations will not apply where there has been an extensive negotiation of the terms of a particular investment such as

- In real estate;
- For partnership interests or;
- Non-listed companies and instruments (in respect of order handling obligations).

The current regulatory framework applicable in Luxembourg specifies that execution venues that may be used include:

- Regulated markets;
- Multi-lateral trading facilities ("MTF");
- Organised trading facilities ("OTF");
- Systematic internalisers (i.e., a firm which, on an organized, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF);
- Market makers or other liquidity providers (which includes non-European economic entities that perform a similar function to the other execution venues listed above); and
- By matching orders internally through a crossing network or through a third-party crossing network.

4. Execution factors

The execution factors are the issues that the Delegates must consider when undertaking to deliver Best Execution. They constitute the differing considerations that can be given precedence in the trading process, dependent on the individual situation. The Delegates should set out the process for determining the relative importance of each of the execution factors in relation to each trade.

The factors to be considered are:

- Price
- Broker/counterparty's relevant expertise related to specific instruments traded
- Speed of execution
- Transaction costs, including fees and commissions (neither the investment fund nor its Investors are charged undue costs)
- Likelihood of execution and settlement
- Size of the order
- Nature of the order
- Market impact and
- Other considerations relevant to the order.

The relative importance of each of the above will help to establish Best Execution. Although other execution factors may, in certain circumstances, be more important than price in obtaining Best Execution:

- The objectives, investment policy/strategy and risks specific to the investment fund
- Type of order
- Type of financial instrument
- Type of place of execution
- Market conditions, market liquidity.

5. Role and responsibilities

As per the current regulatory framework in place in Luxembourg, KLMC – in its capacity of Management Company/AIFM – or the appointed Investment Managers (the "Delegates") must:

1. Take all reasonable steps to obtain the best possible result for the investment funds or its investors when:
 - a. Executing portfolio management decisions; or
 - b. Placing orders with third parties for execution;
2. Put in place a best execution policy, to be reviewed annually and whenever there are material changes affecting best execution;

3. Monitoring on a regular basis the effectiveness of the internal arrangements with regards to the best execution;
4. Be able to demonstrate that they have acted in accordance with their best execution policy;
5. Make appropriate information on its best execution policy (and changes to it) available to the investment funds' investors.

More generally, if they are dealing with the execution of orders for a client on listed investment products and instruments, KLMC or its Delegates must:

- Put in place procedures for the prompt, fair and expeditious execution of orders, which should ensure that:
 - Orders are executed promptly and are accurately recorded and allocated;
 - Otherwise comparable orders are executed sequentially and promptly unless this:
 - Is impracticable because of the characteristics of the order or prevailing market conditions; or
 - Is not in the best interests of the investment fund or its investors.
- Ensure assets received on settlement of a trade are promptly and correctly delivered to the investment fund or its investors registered in its account;
- Not misuse information relating to pending orders, e.g. by front-running and must take all reasonable steps to prevent others from doing so;
- Only aggregate orders with orders for another investment fund or client if:
 - It is reasonably expected that aggregation will not work to the overall disadvantage of any investment fund or other client whose order is to be aggregated;
 - The Delegate has implemented a policy for the fair allocation of aggregated orders (including how the volume and price of orders determine allocation, and how partial executions are treated); and
 - Partially executed orders are allocated in accordance with the Company's order allocation policy; and
- Only aggregate orders for investment funds or other clients with the Delegate's own orders if:
 - The resulting trades are not allocated in a way that is detrimental to the investment funds or other clients; and
 - Partially executed orders are allocated to the investment funds or other clients in priority over those for the Company's own account (unless the Company can demonstrate that aggregation was necessary for the transactions to be carried out on such advantageous terms, or at all - in which case, they may be allocated proportionally).

6. Monitoring of the best execution policy

In its capacity of Management Company/Alternative Investment Fund Manager, KLMC may act as Investment Manager on can delegate the portfolio management to its Delegates.

Where the KLMC undertakes the portfolio management activity itself, it shall comply with the requirements set out in this Policy.

Where the KLMC appoints a Delegated to undertake the portfolio management activity, KLMC must ensure that best execution is achieved by the Delegates and that the handling of orders is undertaken in a prompt, fair and expeditious manner in compliance with the applicable regulatory framework.

6.1 KLMC acting as Investment Manager

KLMC does not perform itself neither the transmission nor the execution of the orders on the markets. The transmission and execution of the orders have been delegated to external Investment Managers.

For non-listed products (including bespoke products), when Kroll executes client orders or takes the decision to deal (portfolio management), the Company must verify the fairness of the price proposed to the client:

- By gathering market data for the price assessment on this financial instrument; and
- Where possible, by comparing with similar or comparable products.

Hence, KLMC has set up particular valuation arrangements, procedures and systems.

6.2 Delegate acting as Investment Manager

When the activity is delegated to external Investment Manager, and as part of the due diligence and ongoing monitoring processes, KLMC ensures that the Delegates implemented an effective Best Execution policy and procedures which is in line with the Luxembourg regulations. Furthermore, KLMC requires its Delegates to submit to periodic reports (“KPIs”), which includes indicators of execution oversight to ensure compliance with their Policy.

6.3 Execution venues and process

KLMC, and/or its Delegates, must ensure the best possible order execution for the investment funds or its investors by selecting what the Company believes is the most suitable means of execution, taking into account the execution factors and criteria set out below:

- Equities: orders would be generally executed via a trading intermediary on regulated markets, an organized trading facility or a systematic internaliser.
- Bonds: orders would be generally placed on an over-the-counter (“OTC”) markets. Quoted prices on are not generally made available by the counterparties.
- Derivatives: orders would be generally executed via a trading intermediary on regulated markets, an organized trading facility or a systematic internaliser.
- OTC derivatives: orders would be principally traded on a bilateral basis with the respective broker subject to a standard contractual agreement.

Wherever orders are executed for equity, derivatives or bonds via trading intermediaries, KLMC, and/or its Delegates shall consider whether appropriate best execution frameworks at the intermediaries are in place. The Delegates may have direct access to several trading venues. The venue will be selected from this list based on the Delegates assessment of the execution criterion in relation to the order, and in accordance with its prioritization of the execution factors. This will typically lead to the venue being selected that is expected to provide the most favorable price at which to execute the order. However, where there is only one venue available for execution of the order, the Delegates will only use that single venue to fill the order.

Due to system failures or extraordinary market conditions it may be necessary to execute an order in a manner deviating from the principles set out above. Nevertheless, even in such cases KLMC, and/or its Delegates shall aim to achieve the best possible result for the investment funds or its investors.

KLMC, and/or its Delegates, implemented procedures and arrangements to:

- Ensure that orders executed on behalf of an investment fund or an investor are promptly and accurately recorded and allocated.

- Ensure orders are executed sequentially unless prevailing market conditions make this impracticable or the interests of an investment fund or an investor require otherwise.
- Ensure financial instruments/sums of money received in settlement of the executed orders shall be promptly and correctly delivered to the appropriate account.
- Ensure that there will not be a misuse of information relating to pending orders and take all reasonable steps to prevent the misuse of information.

7. Review

The Best Execution policy is reviewed at least annually and validated by the Board of Director.