AVEGA Capital Management S.A.

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Best Execution Policy

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Purpose and applicability

The Best Execution Policy (the "Policy") describes the arrangements which AVEGA Capital Management S.A. has in place to ensure that the best execution and best selection set out in the provisions of the

- **European Union – Directive:** DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 ("AIFMD"),
- **European Union – Regulation**: 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 ("AIFMR" or "Regulation")
- **Grand Duchy of Luxembourg – Law**: Law of 12 July 2013 on alternative investment fund managers
- **Grand Duchy of Luxembourg – Circular & Regulation:**
    - Circular CSSF 07/307 as amended by Circulars CSSF 13/560, 13/568 and 14/585, together "the Regulations" are followed.
    - Circular CSSF 18/698 on Authorisation and organisation of investment fund managers incorporated under Luxembourg law; Specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent

Version history and approval

Date prepared	Prepared by	Approved by	Date approved
24 August 2020	Jens Holzhäuser	Board of Directors	24 August 2020
09 December 2022	Jens Holzhäuser	Board of Directors	13 December 2022
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Glossary

Term	Description
Avega or ACM	AVEGA Capital Management S.A.
AIFM Law	Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended
AIFM	AVEGA Capital Management S.A. acting in its capacity as the alternative investment fund manager according to the AIFM Law
AIF or Fund	Alternative investment fund according to the AIFM Law
AIFMD, or "Directive"	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 as amended von time to time
AIFMR, or "Regulation"	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
Board of Directors	Board of directors or managers of the Funds
CSSF	*Commission de Surveillance du Secteur Financier*, Luxembourg financial supervisory authority
Financial Instrument	A financial instrument is an asset or evidence of the ownership of an asset, or a contractual agreement between two parties to receive or deliver another financial instrument. Financial instruments are usually traded on public markets or OTC.
Fund Documentation or Fund Documents	Rules (management regulations) or instruments of incorporation of the AIF (including, but not limited to, as the case may be, the latest applicable LPA, together with the PPM and side letter with investors)
Investment	Each investment made or proposed to be made, directly or indirectly, by the Fund
Investment Advisor	Any determined entity mandated to support the AIFM in implementing the Fund's investment strategy
Portfolio Manager or Portfolio Management	Function referred to in point 1(a) or (b) of Annex I of the AIFMD translated into the AIFM Law and performed by ACM
PPM	Depending on the fund type: private placement memorandum, or prospectus, including relevant supplements thereto, altogether forming part of the Fund Documentation
SPV	Special Purpose Vehicle

Objectives

The provision under the AIFMD require ACM to:

1. Take all reasonable steps to obtain the best possible result for the Funds or on its investors behalf when:
    a. executing portfolio management decisions for the Fund; 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. monitor the effectiveness of their best execution arrangements on a regular basis;
4. be able to demonstrate that they have acted in accordance with their best execution policy; and
5. make appropriate information on its best execution policy (and changes to it) available to the Funds' investors on the website.

ACM provides, amongst others, Portfolio Management services. The Portfolio Management service can either be performed by ACM or be delegated to external Portfolio Managers. In this function, ACM or the delegated Portfolio Manager will execute orders on behalf of the Funds by investing or disinvesting Funds' money via different asset classes. For a detailed description of the various asset classes and whether best execution applies can be found in Appendix 1. It is worth mentioning that classic trading desk activities are always performed by external brokers and banks whereas alternative investment activities are mostly but not exclusively performed by ACM

More generally and taking into account the different execution factors as far as they apply to the asset class, ACM and/or the delegate must:

- put in place procedures for the prompt, fair and expeditious execution of orders for the Funds, 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 Fund or its investors;
- ensure assets received on settlement of a trade are promptly and correctly delivered to the Fund or registered in its account;
- not misuse information relating to pending Fund orders, e.g. by front-running, (and must take all reasonable steps to prevent others from doing so);
- only aggregate Fund orders with orders for another Fund if:
    - it is reasonably expected that aggregation will not work to the overall disadvantage of any AIF whose order is to be aggregated;
    - ACM 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 ACM's order allocation policy; and
- only aggregate orders for AIFs with ACM's own orders if:
    - the resulting trades are not allocated in a way that is detrimental to the AIF; and
    - partially executed orders are allocated to the AIF, in priority over those for ACM's own account (unless ACM 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).

Recitals in the Regulations clarify that best execution and order handling obligations will not apply where there has been an extensive negotiation of the terms of a particular investment (e.g. in real estate, partnership interests or (in respect of order handling obligations) non-listed companies). More details can be found under appendix 1.

The Regulations specify that execution venues that may be used include:

- regulated markets;
- multi-lateral trading facilities ("MTF");
- systematic internalizes (i.e., a firm which, on an organized, frequent and systematic basis, deals on own account by executing Fund 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.

Also, it is not prohibited to select only one execution venue to execute Fund orders.

Best execution criteria and Policy

In specifics, the following criteria should be taken into account (depending of asset type) for determining the relative importance of the execution factors:

- Specific objectives, investment policies and risks of the administered AIFs (as detailed in their respective PPM);
- Characteristics/nature of the order;
- Characteristics of the financial instrument underlying the order;
- Characteristics of the execution venue to which the order can be directed;
- The price;
- The transaction costs;
- The speed at which can be traded;
- The likelihood of execution and settlement;
- The size of an order;
- Liquidity of the market .

Since, at this point in time, ACM has delegated the asset allocation and investment decisions for classic trading desk activities (shares, fixed income etc.) and currency overlay to external Portfolio Managers, the latter are required to take account of the above mentioned criteria and obtain prior consent from the Board of Directors of the administered Funds.

If the Portfolio Manager has its own best execution policy, ACM controls the appropriate application of this policy.

It is worth noting that ensuring Best Execution does not mean that Portfolio Managers have to obtain the best possible result for each individual order; but that they must be in a position to prove, upon request, that orders have been executed in compliance with its execution policy, which aims to obtaining on a consistent basis the best possible result for the Funds.

For financial instruments being defined as AIF, the best execution principle is not mandatory, but the AIFMD promotes best execution and extends this concept to these structures as well.

Therefore, the AIFM wants to prepare, where possible and feasible, all its administered Funds to adhere to the best execution principle. Where it is not feasible, e.g. real estate investments or investments in partnership interests, private equity, and where regulated market trading in the underlying instruments is not available, the principle cannot be implemented on the same basis. For a detailed description of the various asset classes and whether or to what extend best execution applies can be found in Appendix 1.

Nevertheless, the Portfolio Manager should be implementing the trades on the basis of these guiding principles.

The Board of Directors of the administered Funds shall ensure best execution obligations through a periodical review. Such review will take place on a yearly basis and whenever a material changes occur that affects the individual AIFs ability to continue to obtain the best possible result for the AIF itself.

Moreover, the Board of Directors of the administered AIF, shall ensure through a periodical review that the Portfolio Manager's best execution policy is effective and in compliance.

In case the fund outsources the Portfolio Management function to an entity which is not subject to a Luxembourg equivalent regulation a specific mention of respecting Best Execution rules equivalent to Luxembourg regulation will have to be contractually agreed in writing by the respective parties, if any are missing.

It is the administered AIFs responsibility to ensure appropriate information to investors on the Best Execution policy and all material changes to such policy. Nevertheless, the Portfolio Managers' application of the best execution policy will be supervised by ACM.

Broker Due Diligence

A Due Diligence check is performed on every broker that ACM or delegated Portfolio Managers are working with for the managed AIFs. The following tasks are performed:

- ACM asks at the beginning of the relationship and every year an updated broker list from the custodian. In addition, for each new broker a copy or a statement regarding the performed eligibility checks by the custodians are requested. The actual situation needs to be documented.
- Any material changes of the actual broker lists will be noticed in the next Board of Directors' Meetings of the Funds. This shall document that all Board Members are aware of the actual brokers of the Funds.

Best Transmission policy

The ACM's and respective Board of Directors' Members should ensure that the administered AIFs complies with Best Execution obligations even in the case where the Portfolio Manager instructs investment orders on behalf of the Fund via other entities (the brokers).

In such a case the Portfolio Manager is not bound to Best Execution obligations, rather to Best Transmission obligations.

Such obligations mean that the Portfolio Manager should approve a Best Transmission policy, which binds the Portfolio Manager to act in the best interest of the managed Fund when placing orders on behalf of the Fund with other entities.

In particular, the Portfolio Manager should take all reasonable steps to obtain the best possible result for the Fund taking into account price, costs, speed, likelihood of execution and settlement, size, nature and all other consideration relevant to the execution of the order. In practice, the Portfolio Manager – following the above elements – should define, for each instrument category type, the name of the authorized brokers the orders should be passed through.

Such authorized broker list, to be reviewed on a yearly basis, is part of the Best Transmission policy of the Portfolio Manager and is submitted to periodical review of ACM or the Board of Directors.

Order Handling rule

All Portfolio Managers, currency overlay managers as well as broker shall adopt procedures in order to execute Fund's orders (shares, fixed income, (OTC) Derivatives exchange traded funds), where applicable, fairly and in due time. ACM does not perform this task by itself, please refer to appendix 1.

Procedures should ensure that orders must be filled as soon as reasonably practicable and with a chronological method, "First in – first out". This does not preclude postponing execution where this would be in the best interest of the Fund.

Financial instruments and cash amounts received following a transaction on behalf of the Fund should be duly and promptly transferred to the Fund's accounts.

The Portfolio Managers should ensure that information concerning order execution on behalf of the Fund is not unlawfully exploited ("insider trading").

Moreover, the Portfolio Manager should prevent aggregation of orders among different Funds unless the following criteria are met:

- It must be unlikely that the aggregation of the orders will work to the disadvantage of the individual Fund;
- A specific repartition policy (detailing, in particular, how price and volume are calculated and how pending orders are treated) has been approved and consistently applied by the Portfolio Manager, in case of partial orders, on a proportional basis;
- In case of partial execution where the Portfolio Manager has executed an order on its behalf, the Portfolio Manager must give priority to the individual Fund's orders over its own, unless he can reasonably prove that without its participation it would not have been able to deal either at all or on such favorable terms. In such a case, the Portfolio Manager can proportionally split partial executed orders among the parties including himself.

Appendix 1 – Asset Classes

- **Fund Investments (Interest in Partnerships/Alternative Investment Funds, etc.)**

Funds may trade via either the Primary Market or the Secondary Market.

In the primary market, potential investors will directly contact the Fund. No classic purchase takes place since such transaction is commitment based, hence no price exist nor a trading venue etc. More important in this context are the costs associated with the investment, such as legal fees etc. Those fees will be made available upfront an investment decision in order to assess its fairness.

In the secondary market actual buyer and seller of a e.g. partnership interest exist. The price is usually negotiated between the parties. The price is mostly linked to the fair value of the Fund/Partnership, also possible with a discount or premium depending on the marked conditions. These transactions are bilateral ones and usually it is a single opportunity i.e. no other opportunities are available in order to make a comparison in terms of best execution.

In both cases following a Portfolio Management decision, the transaction and/or subscriptions agreements are executed rapidly after in order to prevent execution slippage or latency.

Fund investments (commitment based) belong to the core assets of ACM's clients and the related investment decision is mostly but not exclusively performed by ACM. Such Portfolio Management decisions are not in scope of the classic best execution under MiFID.

- **Direct Investments (Private Equity, Debt, Infrastructure, Venture Capital)**

In case an investor/a fund invests directly, the dealing terms will be dictated by the price available at the time of the trade. The price is usually negotiated between the counterparties and is not comparable i.e. there is only one price available. Accordingly, it is the timing of the trade that is relevant for best execution purposes. following a Portfolio Management decision, the transaction- and legal documents or purchase agreements are executed as soon as possible after in order to prevent execution slippage or latency.

Direct investments belong to the core assets of ACM's clients and the related investment decision is mostly but not exclusively performed by ACM. Such Portfolio Management decisions are not in scope of the classic best execution under MiFID.

- **Real estate**

Direct property transactions are carried out either "on market" or "off market"

On market is where the relevant property is widely or publicly marketed. From a best execution point, the sale price in such case will have been tested through the various offers the seller has received.

Off market is where the buyer and seller agree terms without going through a public marketing process. Transactions may be achieved at a lower cost and more quickly. These transactions are usually bilateral ones. Accordingly, it is again the timing of the trade that is relevant for best execution purposes. Also the transaction/legal documents are executed as soon as possible after a Portfolio Management decision took place in order to prevent execution slippage or latency.

Real estate assets belong to the core assets of ACM's clients and the related investment decision is mostly but not exclusively performed by ACM. Such Portfolio Management decisions are not in scope of the classic best execution under MiFID.

- **Shares**

Transactions in shares are in principle executed on regulated markets (such as Euronext, BME, Xetra, etc.). The portfolio manager always instructs share trades via a broker/bank that has gone through ACM's due diligence process. Its best execution policy has been reviewed prior to the trade. Usually these banks/brokers have access to a number of stock exchanges through different services providers. Using those providers the Bank/Broker gets also access to MTF's (multilateral trading facility) and execution venues around the world.

- **Fixed-income securities**

A large proportion of the transactions take place outside of the regulated markets, between professional parties. The portfolio manager always instructs Fixed Income trades via a broker/bank. For each order, the broker/bank determines whether the best price can be achieved on a regulated market or via a professional counterparty selected and accepted by the mandated bank. Both the bank (usually the depositary bank) or the broker have gone through ACM's due diligence process and its best execution policy has been reviewed prior to the trade.

- **Exchange traded Derivatives**

Currently only Future Derivatives are part of some clients strategy/portfolio. Such Future transactions are executed on regulated markets. The mandated bank/broker gets direct access to a wide variety of derivative products through their intermediaries and has its best execution policy in place. This policy again has been reviewed and the mandated broker/bank have gone through ACM's due diligence process prior to starting with trading activities on the client's behalf.

- **Complex Products**

These are products without a stock exchange listing, currently only FX forwards for the purpose of currency overlay management are part of the portfolios. The terms are set out in the agreement of the product concerned. FX forward transactions take place outside of the regulated markets (OTC), between professional parties. These transactions are bilateral ones. Accordingly, it is again the timing of the trade that is relevant for best execution purposes. Currency Overlay Managers as well as the counterparty/brokers have gone through ACM's due diligence process and their best execution policy have been reviewed prior to the trading activities.

- **Investment Funds/Money Market Funds**

Closed-end investment funds with a stock exchange listing are executed on a regulated market or platform. If possible, the mandated Bank (usually the depositary) will settle open-end investment funds, directly or through the intervention of a service provider that will contact directly the transfer agent of the investment fund concerned. The transfer agent normally offers the opportunity to trade at the net asset value. Frequency of NAV calculations for subscriptions and redemptions is set on the fund's prospectus. The mandated Bank that has gone through ACM's due diligence process and its best execution policy has been reviewed prior to the trade.