



AVEGA Capital Management S.A.

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**Best Execution
Policy
PM03_V2**

AVEGA Capital Management S.A.

1. 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

EU Regulation:

- 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”),
- 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”)
- **Markets in Financial Instruments Directive (MiFID II, 2014/65/EU)** – relevant only for transactions in liquid assets (shares, bonds, ETFs, listed funds) subject to regulated markets.

Luxembourg Law and CSSF Circulars:

- **Law of 12 July 2013** on alternative investment fund managers
- **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

Cross-Border Compliance:

- For the avoidance of doubt, with the establishment of the German Branch, the policy shall also ensure that the branch is able to fulfil its obligations arising from the above as well as to comply with obligations arising from local law and regulation of the host member state.

2. Version history and approval

Date prepared/Version	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
30 November 2023	Diane Mohr	Board of Directors	18 December 2023
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4. Glossary

Term	Description
AIF or Fund	Alternative investment fund according to the AIFM Law
AIFM	AVEGA Capital Management S.A. acting in its capacity as the alternative investment fund manager 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
AIFM Law	Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended
AIFMR, “Regulation”	or 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
Avega or ACM	Avega Capital Management together with Avega Capital Management S.A. – Niederlassung Frankfurt (“German Branch”) (together referred to as “ACM “)
Best Execution	The obligation to take all reasonable steps to obtain the best possible result for the Fund, considering factors such as price, costs, speed, likelihood of execution and settlement, size, and liquidity, depending on the asset class. For illiquid assets, this includes qualitative factors, contractual terms, and timing.
Best Execution Policy or Policy	The document describing the arrangements, procedures, and responsibilities implemented by the AIFM to ensure that transactions and investment decisions are executed to achieve the best possible result for the Fund and its investors.
Best Transmission Policy	The policy applicable when orders are transmitted via brokers or other third parties. The Portfolio Manager must act in the best interest of the Fund when placing orders.
Board of Directors	Board of directors or managers of the Funds
Conflict of Interest („COI“)	A situation where personal, professional, or financial interests may conflict with the Fund’s interest, requiring identification, documentation, and mitigation.
CSSF	<i>Commission de Surveillance du Secteur Financier</i> , Luxembourg financial supervisory authority
Custodian or Depositary	Entity responsible for the safekeeping of the Fund’s assets and monitoring transactions and brokers.

Delegated Portfolio Manager or External Portfolio Manager	An entity to which the AIFM delegates the Portfolio Management function, responsible for executing orders according to the Best Execution or Best Transmission Policy.
Execution Venue	Platforms or venues where financial instruments can be executed, including Regulated Markets, MTFs, Systematic Internalizers, Market Makers, or Crossing Networks.
Financial Instrument	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
Liquidity / Illiquid Assets	Liquidity refers to the ability to buy or sell an asset quickly at market price. Illiquid assets include private equity, direct investments, real estate, and other non-public instruments.
NAV (Net Asset Value)	The value per share/unit of a Fund, calculated according to the Fund's prospectus and accounting rules.
Order or Transaction or Trade	An instruction or act of buying, selling, or otherwise dealing in a financial instrument or asset on behalf of a Fund.
OTC (Over-the-Counter)	A bilateral, non-exchange-traded transaction between professional parties, applicable for Fixed Income, FX forwards, and Complex Products.
Portfolio Manager or Portfolio Management	Function of the AIFMD translated into the AIFM Law and performed by ACM
PPM	Private placement memorandum, or prospectus, including relevant supplements thereto, altogether forming part of the Fund Documentation
SPV	Special Purpose Vehicle

5. Objectives

This policy applies to:

- Transactions: Acquisitions, disposals or other transactions relating to illiquid assets, including real estate, private equity, infrastructure projects and similar asset classes as well as liquid assets. Transactions in liquid assets are limited due to ACMs focusing on private markets.
- Parties involved: The AIFM and external service providers involved in the execution of such transactions.

The provision under the AIFMD requires ACM to:

1. Take all reasonable steps to obtain the best possible result for the Funds or on their 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.

Clarification:

- For **illiquid assets** (Private Equity, Real Estate, Direct Investments, Partnership Interests), best execution focuses on achieving the best overall economic and contractual terms for the Fund, rather than price competition or traditional trading metrics.
- For **liquid assets** (Shares, Fixed Income, ETFs, Exchange-Traded Derivatives, Investment Funds/Money Market Funds), classical best execution rules (price, cost, speed, likelihood of execution, settlement) apply.

Portfolio Management Responsibilities:

ACM provides, amongst others, Portfolio Management services which can be delegated to external Portfolio Managers. The AIFM remains fully responsible for oversight, including:

- Initial due diligence of delegates;
- Ongoing monitoring and review of their execution arrangements;
- Documentation of all steps and decisions;
- Escalation in case of material non-compliance.

6. Best execution criteria and Policy

6.1 Criteria by Asset Class

- **Illiquid Assets** (Private Equity, Direct Investments, Real Estate, Partnership Interests, OTC Complex Products)

Execution Factors for Best Execution include:

- Quality and fairness of contractual terms (e.g., covenants, governance, control rights);
- Counterparty quality and reputation;
- Costs including legal fees, transaction costs, and other expenses;
- Timing and certainty of execution to avoid delays/slippage;
- Overall economic terms compared with available market information;
- Any other factor relevant to achieving the best economic outcome for the Fund.

Note: For these assets, classical MiFID execution factors such as execution venue, bid-ask spread, or order sequencing are **not applicable**.

- **Liquid Assets** (Shares, Fixed Income, ETFs, Exchange-Traded Derivatives, Listed Investment Funds / Money Market Funds)

Execution factors include:

- Price;
- Costs;
- Speed;
- Likelihood of execution and settlement;
- Size of an order;
- Liquidity of the market;
- Characteristics of the financial instrument and the execution venue.

6.2 Delegation and Oversight

- Delegated Portfolio Managers must follow the above execution criteria.
- The AIFM reviews the Delegated Portfolio Manager's Best Execution/Best Transmission Policy during onboarding and via ongoing due diligence.
- Delegated Portfolio Managers must document all steps and demonstrate compliance on a consistent basis, not for each individual transaction.

6.3 Board Oversight

- The Board of Directors oversees the AIFM's adherence to its Best Execution Policy through periodic reporting.
- The Board is not directly responsible for executing transactions but reviews effectiveness and material changes annually or when needed.

6.4 Best Transmission Policy

- When Portfolio Managers instruct orders via brokers or other entities, Best Transmission rules apply.

- Portfolio Managers must ensure the Fund's interest is prioritized and document the approved list of brokers, reviewed at least annually.

6.5 Order Handling Rules

- For illiquid assets, transactions are bilateral; timing, contractual documentation, and fairness of terms are the key execution measures.
- Portfolio Managers must ensure that transaction information is not misused (e.g., insider trading).

7. Broker Due Diligence

- A Due Diligence check is performed on every broker or delegated Portfolio Managers involved in **liquid asset transactions**.
- Checks are performed at onboarding and on an ongoing basis, including:
 - Eligibility, financial standing, regulatory compliance;
 - Verification of their Best Execution policies;
 - Documentation in the AIFM records.
- At the beginning of the relationship and going forward on a yearly basis, ACM collects and puts together an updated broker list for the managed AIFs, where applicable. In addition, whenever custodians use an external broker to place orders a statement regarding the performed eligibility checks by the custodians is 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.

8. Conflict Management

- Potential COI of a transaction must be detected, minimized or mitigated prior to taking the investment decision.
- Any employee of the AIFM, external service providers or board member who are exposed to potential COIs must be excluded from the decision-making process.
- For each transaction the potential COIs are obtained or detected by the AIFM and documented.
- While performing the Know-Your-Asset ("KYA") checks on potential investments all potential COI of each Counterparty (Investment Manager of such Asset, the General Partner, the Buyer or Seller etc.) are being requested and analyzed by the AIFM.
- COIs of each AIF are documented in the respective COI table in the according Mandate Folder under the subfolder "Compliance".
- Material COIs are escalated to Compliance and, where relevant, the Board.

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.
- **Primary Market:** Potential investments are recommended by the Investment advisor, the delegated Portfolio Manager or the Advisory Committee. No classic purchase takes place since such transactions are commitment based; hence no price exists nor a trading venue. More important are the costs associated with the investment, such as legal fees which will be made available upfront to an investment decision in order to assess its fairness.
- **Secondary Market:** An actual buyer and seller of an e.g. partnership interest exists. The price is usually negotiated between the parties. Typically linked to the fair value of the Fund/Partnership and may include a discount or premium depending on market conditions. These are usually single bilateral transactions.
- Following a Portfolio Management decision, subscriptions or transaction agreements are executed rapidly to prevent execution slippage or latency.
- **MiFID Best Execution is not applicable;** focus is on qualitative factors, costs, timing, and fairness.

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

- **Direct investments** are negotiated between the counterparties; the timing of execution and contractual terms are critical.
- Qualitative factors include governance, covenants, counterparty quality, risk mitigation and execution certainty.
- Transactions are executed promptly following a Portfolio Management decision, to avoid delays or adverse changes
- **MiFID Best Execution is not applicable.**

Real estate

- Transactions are carried out either “on market” (publicly marketed) or “off market” (direct negotiation).
- **On market:** Sale price validated through competing offers.
- **Off market:** Negotiated for speed or cost efficiency.
- Timing and execution of transaction/legal documents are essential to prevent execution slippage.
- **MiFID Best Execution is not applicable;** qualitative assessment and cost fairness are emphasized.

Shares

- Trades are executed via regulated markets (e.g., Euronext, BME, Xetra) through brokers who have undergone due diligence and whose Best Execution policies have been reviewed.

- Brokers may access multiple exchanges and MTFs globally.

Fixed-income securities

- Many transactions occur at OTC between professional parties; brokers select the best venue or counterparty.
- Brokers undergo due diligence and policy review by the AIFM.

Exchange traded Derivatives

- Futures are executed on **regulated markets**.
- Brokers/intermediaries provide access to multiple products.
- Best Execution policies of brokers are reviewed prior to trading.

Complex Products

- Transactions occur bilaterally at OTC; timing, costs, and counterparty quality are key.
- Currency overlay managers and counterparties undergo **due diligence** and have reviewed Best Execution policies.
- **MiFID Best Execution is not applied.**

Investment Funds/Money Market Funds

- **Closed-end listed funds:** traded on regulated markets.
- **Open-end funds:** may be settled via transfer agents at NAV.
- Frequency of NAV calculation and settlement is per fund prospectus.
- Brokers/depositaries involved have undergone due diligence and policy review.