



MEDIOBANCA
MANAGEMENT COMPANY SA

MEDIOBANCA MANAGEMENT COMPANY S.A.

BEST EXECUTION POLICY

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1 Objective & Scope

The Best Execution Policy adopted by Mediobanca Management Company S.A. (hereafter "the Company") is designed to ensure that the Company takes all reasonable measures to achieve the best possible outcome for shareholders in the funds for the execution and placement of orders relating to portfolio transactions in managed funds.

"Execution of portfolio transactions" and similar expressions in this policy refers to the Company executing a portfolio transaction itself.

"Placement of orders" and similar expressions refers to the Company handling a portfolio transaction by handing an order to another company for execution.

"Execution Venue" means regulated market, an MTF, a systematic internaliser, a market maker or other liquidity provider.

The Policy is applicable to all the funds of the Company, for which the Company is appointed as Investment Manager. In particular, this Policy is applicable when the Company receives and transmits orders for execution through an external broker or it directly executes orders.

In case the Investment Management activities are delegated by the Company to external entities being or not being part of Mediobanca Group, the Company is in charge of monitoring that these delegated activities are performed in accordance with the present Best Execution policy (please refer to monitoring procedures covering delegated activities for further information).

Where a client gives a specific instruction for the execution of an order, the Company shall inform the client about the possibility that the order could be performed non in compliance with this Best Execution Policy, in order to be able to duly satisfy the specific request made by the client.

In such circumstances, the Company will be treated as having satisfied its best execution obligation in respect of the part or aspect of the order to which the instructions relate.

The obligation of best execution is applicable for all financial instruments.

2 Regulatory background

This policy has been drafted and implemented to comply with the provisions of the Par. 7 "Conditions for authorisation to delegate" of the CSSF Circular 12/546.

In addition, this policy has been drafted in accordance with the following MiFID regulation used as guidelines:

- ◆ Law of 13 July 2007 ("the MiFID law");
- ◆ Grand-ducal Regulation of 13 July 2007 ("the Grand ducal MiFID Regulation");
- ◆ CSSF Circular 07/307 as amended by Circular CSSF 13/560 MiFID conduct of business in the financial sector.



3 General Principles

In accordance to its obligation to act fairly and professionally, the Company takes all reasonable steps in order to obtain the best possible result for shareholders.

The “best execution” principle applies to all retail and professional customers, but does not apply to those classed as eligible counterparties.

To achieve this objective, the Company takes into account a number of execution factors (unless otherwise instructed by the client) when choosing the execution route, including:

- ◆ The price of the instruments and its related liquidity;
- ◆ The cost of execution (e.g. fees charged for executing an order on a particular venue, clearing and settlement);
- ◆ The speed of execution on the market;
- ◆ The likelihood of execution and settlement;
- ◆ The size and the nature of the orders or any other consideration relevant to the execution of the orders.

The relative importance of the factors listed above depends on, among others:

- ◆ The characteristics of the order (i.e. size, type, price);
- ◆ The characteristics of the financial instruments traded (i.e. liquidity, volatility, complexity);
- ◆ The characteristics of the execution venue(s) to which the order can be directed;
- ◆ The characteristics of the client or the investment policy of the sub-fund.

The best execution obligation as defined by the MiFID law is an obligation of means and not of results: the Company is responsible to take all reasonable steps in order to obtain the best possible result for its clients on a consistent basis and the obligation of best result cannot be seen as an obligation applicable for each individual order. However, the Company must be able to demonstrate, on client request, that the orders have been executed according to this Best Execution policy, which enables the Company to obtain the best possible results in most cases.

The Company gives the greatest importance to the price and cost of execution (so called “total consideration”) that can be obtained for a particular portfolio transaction. In some cases, such as for larger transactions, transactions in illiquid financial instruments or transactions associated with unusual conditions, the Company may, however, come to pay greater respect to other factors such as the probability that portfolio transactions are executed and settled as quickly as the portfolio transactions can be actually performed.

4 Methods of execution of portfolio transactions

The Company primarily conducts portfolio transactions by placing orders with other companies that have direct access to the relevant marketplaces. Furthermore, the Company may



occasionally perform portfolio transactions by direct execution with the counterparty (buyer/seller/issuer) in the transaction (e.g. in case the order is directly executed by the Company with the relevant counterparty).

5 Financial instruments that are primarily traded on an exchange

Portfolio transactions in the following types of financial instruments are primarily carried out by placing orders with companies that have direct access to the relevant marketplaces:

- ◆ Transferable securities: e.g. stocks, bonds, warrants, convertible securities and depositary receipts in respect of such instruments;
- ◆ Money market instruments: e.g. treasury bills, bank certificates and other financial instruments traded in the money market;
- ◆ Derivatives: e.g. options, futures and swaps, and similar financial instruments;
- ◆ Fund units listed for trading on marketplaces, Exchange Traded Funds (ETFs).

The Company may also perform portfolio transactions relating to the above instruments directly with the counterparty in the transaction if the Company has received, among others, warrants or other specific acquisition offers directly addressed to the Company, or otherwise, if such conduct is deemed to be in the of interest shareholders.

6 Mutual fund units and other financial instruments that are not primarily traded on an exchange

The company carries out orders in fund units that are not quoted on a stock exchange by either sending order forms directly to the relevant fund companies for execution or by placing the order with an execution agent, if such has been agreed with the relevant fund. In both cases all orders must be executed according to the conditions of the relevant fund regulations.

Portfolio transactions relating to other financial instruments that are not primarily traded on a marketplace are handled either by placing orders with other companies for execution or by the Company executing the transaction directly against the buyer/seller/issuer.

7 Selection and monitoring of counterparties for placement of orders relating to portfolio transactions

The Company shall, in placing orders, always take into account the approved counterparties that are subject to ongoing evaluation. Upon approval and evaluation of counterparties, the Company must at least consider the following factors:

- ◆ The counterparty's result of past transactions is satisfactory, with particular attention to the price of completed transactions and the ability to manage transaction volumes;
- ◆ The counterparty has the ability to efficiently settle transactions;



- ◆ The counterparty reasonable commission rates and other charges;
- ◆ The counterparty is aware about the general rules of the market, has an ability to manage transaction flows and an ability to provide information about placed orders, and otherwise manage the business relationship with the Company;
- ◆ The counterparty has adopted internal rules for best execution or, if the counterparty is not domiciled in the European Economic Area (EEA), has other acceptable procedures to achieve the best possible results. The due diligence performed is then in line with the one described in the counterparty selection process procedure adopted by the Company;
- ◆ The counterparty has good financial standing and adequate procedures for compliance and risk management.

In order for the shareholders to get a favorable price on portfolio transactions, the Company shall seek to negotiate with the counterparties for lower commissions and other fees whenever possible.

The Company shall maintain a list of counterparties used in the placement of orders relating to various types of financial instruments and without cost to make it available to shareholders on request. Please also refer to the Asset Eligibility policy for further information.

8 Management, aggregation and allocation of portfolio transactions

The Company shall implement, document and allocate portfolio transactions quickly, efficiently and fairly. Comparable transactions are carried out promptly and in correct time order unless this is made impossible by the transaction properties, current market conditions or if something else is required due to the interests of the fund in question.

The Company may only merge portfolio transactions for different funds if it is unlikely that such consolidation could generally lead to the detriment of any of the funds involved. If it has only been possible to execute an aggregated portfolio transaction partially, this is allocated pro rata among the involved funds. An aggregated portfolio transaction is always allocated at the average price.

The Company shall not carry out transactions for its own account even by taking into account that aggregations of portfolio transactions with transactions for own accounts are not allowed.

9 Market disruptions

In case of market failures or disruptions in the Company's own systems, for example due to a temporary interruption or unavailability of electronic systems, it may, in the opinion of the Company, be impossible or inappropriate to manage a portfolio transaction in any of the ways specified in these rules. The Company shall then take all reasonable steps to otherwise achieve the best possible outcome for shareholders.



The Company shall not misuse information relating to not yet completed portfolio transactions and shall take all reasonable steps to prevent the Company's relevant persons from misusing such information.

10 Internal control

The Company shall ensure that an internal control functions (i.e. Risk & Compliance department and the Internal Audit) regularly verifies that portfolio transactions are handled in accordance with the internal rules and that any conflicts of interest related to the execution of portfolio transactions are subject to proper handling. The results of this inspection shall be reported, at least on an annual basis, to the Company's conducting officers and to the Board of Directors which, if deviations occur, shall adopt the measures necessary for the Company to comply with the rules.

11 External information

This Policy is published on the Company's website:
www.mediobancamanagementcompany.com.

Further information about the contents of these internal rules and the significant changes herein are available to shareholders on request.

12 Review, Monitoring and Changes

The Risk and Compliance function is in charge of monitoring the effectiveness of this Policy and the measures taken to comply with it.

This Policy is reviewed at least on an annual basis or when required by major changes in the organization (internal governance framework) and operational processes of the Company.

Any amendment to this policy is formally reviewed and pre-approved during the Management Committee and formally approved by the Board of Directors, as stated in the relevant minutes.

The Risk and Compliance function reviews on an annual basis the orders execution quality of the entities identified in the Policy and, where appropriate, takes the appropriate remediation activities.

The Risk and Compliance function reviews annually the execution arrangements and this Policy on the basis of the outcome of its monitoring process.

Any changes in the execution factors that affect the quality of the execution or the choice of an execution venue are accordingly reflected in this Policy (e.g. updating the list of brokers used by the Company).



13 Record Keeping

The following documents should be archived by the Company and kept during at least 5 years in order to allow the "Commission de surveillance du secteur financier" to monitor whether they comply with their obligations under the MiFID, and in particular their obligations towards their clients:

- ◆ Any controls performed by the Risk and Compliance function;
- ◆ Best Execution Policy and any documentation received from the counterparty or broker;
- ◆ Any amendment to this Policy.