

PRINCIPLES FOR THE EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS



HAUCK
AUFHÄUSER
FUND SERVICES

CUSTOMER INFORMATION

EXECUTION PRINCIPLES / BEST EXECUTION POLICY

1. Introduction

In accordance with the legal and regulatory requirements of the UCITS IV Directive 2009/65/EC and its regulations, the AIFM Directive 2011/61/EU and its regulations, the Luxembourg law of December 17, 2010 on undertakings for collective investment (hereinafter the "**UCI Law**"), the Luxembourg law of July 12, 2013 on alternative investment fund managers (hereinafter the "**AIFM Law**"), the Luxembourg law of February 13, 2007 on specialized investment funds (hereinafter the "**SIF Law**"), the Directive 2014/61/EU and its regulations, the July 2013 on Alternative Investment Fund Managers (hereinafter the "**AIFM Law**"), the Luxembourg Law of 13 February 2007 on Specialized Investment Funds (hereinafter the "**SIF Law**"), Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID) and its regulations, May 2014 on markets in financial instruments (MiFID II) and the relevant CSSF circulars, as amended, Hauck & Aufhäuser Fund Services S.A. ("**HAFS**"), in its respective capacity as management company, Alternative Investment Fund Manager ("**AIFM**") and portfolio manager, Hauck & Aufhäuser Fund Services S.A. ("**HAFS**") has established the following rules for the best **execution** of trading decisions for the undertakings for collective investment in transferable securities ("**UCITS**"), undertakings for collective investment ("**UCI**") and alternative investment funds ("**AIF**") managed or administered by it. As a rule, Hauck & Aufhäuser Fund Services S.A. does not route trading orders directly to trading venues, but executes them through trading partners (brokers, banks, other trading partners, etc.). Even if Hauck & Aufhäuser Fund Services S.A. has been appointed as the management company/AIFM, portfolio management may be outsourced to third parties.

2. Scope of application

The Execution Policy of HAFS applies to trading decisions on financial instruments that HAFS executes for the UCITS/UCIs/AIFs it manages or administers. The financial instruments of a UCITS/UCI/AIF covered by these execution principles include in particular

- Securities,
- Money market instruments,
- Units of target funds,
- Exchange-traded derivatives,
- OTC derivatives.

3. Criteria for the best possible execution

In order to ensure the best possible execution, the following aspects must regularly be taken into account when selecting the relevant trading partner for a trading order, the execution venue and the type of execution:

- 1) Price of the financial instrument,
- 2) Costs of executing the order,
- 3) Speed and probability of execution and settlement of the order,
- 4) Scope and nature of the trading order and
- 5) other aspects relevant to the execution of the order.

These aspects are generally weighted as follows: 1) = double weighting; 2) - 4) = single weighting. In individual cases, a different weighting may be appropriate, taking into account the following criteria:

- Objectives, investment policy and specific risks of the UCITS / UCI / AIF,
- Characteristics of the order,
- Characteristics of the financial instruments that are the subject of the order in question, and
- Characteristics of the execution venues to which the order can be forwarded.

The delegated portfolio manager or HAFS itself (in its function as portfolio manager) is responsible for the weighting and thus the decision on trading partner, trading venue and execution type in individual cases. In order to meet the objective of achieving the best possible result, taking into account all costs associated with a trading order, trading partners that guarantee consistent execution of trading orders, taking into account the execution aspects, are primarily taken into account when deciding on forwarding. In special cases, the selection of trading partners may be influenced by other relevant aspects within the meaning of section 5) – for example, market influence of the trading order, security of settlement, exchange access (organized markets) of the trading partner, reputation, access to multilateral trading facilities (MTF1) or access to other liquidity pools. HAFS undertakes to select only those trading partners and trading venues whose trading model and execution behavior enable it to achieve the best possible result for the investors of the respective UCITS/UCI/AIF. Among several possible trading partners, the one that offers the best conditions for the respective transaction is selected so that trading takes place in the best interests of the managed UCITS/UCI/AIF and its investors. It is ensured that the trading partner pursues execution principles that are compatible with those of HAFS. In this context HAFS draws up and maintains a list of suitable trading partners and trading venues. It will regularly review the execution of trading orders by a trading partner on the basis of the execution principles and update the list of suitable trading partners it maintains as necessary.

4. Broker selection

HAFS is obliged to select only those trading partners and trading venues whose trading model and execution behavior enable HAFS to achieve the best possible result for the orders transmitted on behalf of the UCITS/UCI/AIF. HAFS will take appropriate measures when selecting trading partners and trading venues in order to achieve the best possible results.

Hauck Aufhäuser Lampe Privatbank AG (Germany) is a standard trading partner of HAFS. The execution of orders via Hauck Aufhäuser Lampe Privatbank AG (Germany) enables effective and cost-effective execution, settlement and clearing of securities transactions by providing standardized processes tailored to HAFS and also takes into account the special requirements of HAFS.

The use of external brokers is also possible. The admission of external brokers requires an initial and subsequent regular review by the respective portfolio manager. HAFS reserves the right to check the plausibility of this review at regular intervals and to request appropriate documentation if necessary. In this context, HAFS reviews the quality of the execution of orders by the selected service providers.

5. Tasks for outsourcing portfolio management

Insofar as HAFS acts as a management company/AIFM with the involvement of a delegated portfolio manager, it is responsible for monitoring and supervising the portfolio manager. HAFS ensures that the portfolio manager has implemented a best execution policy that is compatible with the best execution policy of HAFS and only uses trading partners that offer their clients the best possible execution.

6. Regular review of the execution principles/trading partners

HAFS undertakes to review these execution principles regularly, but at least once a year. With regard to the forwarding of trading orders to trading partners, HAFS shall fulfill its obligation of best execution by carefully selecting and monitoring its trading partners. It will regularly review whether the trading partners take appropriate precautions to ensure the best possible execution of trading orders.

¹ multilateral trading facility

7. Regular review of the execution principles/trading partners

In accordance with this execution policy, client instructions take precedence over the execution of trading orders. As these may not be in accordance with these execution principles, HAFS cannot guarantee the best possible execution of the trading order in such cases.

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