

Best Execution and Order Handling Policy

OR Taxonomy: Client-related Business Conduct

Owner/Issuer: Head Global Trading and Order Generation

Why do we have this policy?

This policy will set a standard of investor protection within Asset Management and will promote both market efficiency and the best execution for our clients.

Applicability

Business Division	Asset Management
Location	Global
Legal Entity	All
Business Area / Function	All
Roles	All

Summary of Key Requirements

Asset Management must establish and implement effective arrangements for complying with its obligation to seek to obtain best execution when executing orders on behalf of clients.

Key Principles/Controls:

This execution and order handling policy sets out the course of actions that need to be followed when handling and executing orders for our clients.

Infringements of this policy may result in disciplinary action up to and including dismissal.

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1. Purpose

UBS Asset Management (AM) has a fiduciary obligation to take all sufficient or reasonable steps, as applicable, to seek to obtain the best possible result for its clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and / or any other relevant order execution considerations, where AM is executing orders on behalf of clients or placing orders with, or passing orders to, others for execution. The requirement to obtain the best possible result for clients is referred to, in this document, as our obligation of best execution.

2. Scope

2.1 Application

This policy applies to:

- All orders in financial instruments / products placed, transmitted or executed by AM globally on behalf of all portfolios, except as discussed in Section 5 "Specific Client instructions";
- All client accounts managed by AM. A reference to "client" here includes pooled fund and separate account mandates of third-party clients as well as to those of AM and its affiliates. Such accounts will be referred to herein as "client" or "portfolio"; and
- All AM staff who execute orders on financial instruments / products for client accounts such as Portfolio Managers or any employees assigned to AM execution desks (collectively called "Traders").

Direct investments not negotiable on the capital markets are out of scope of this policy, as these are not classified as a financial instrument. Direct Investments are governed by separate governance arrangements.

2.2 Local Procedure

This policy is intended to provide high level global principles for AM's best execution obligations and other order handling procedures referenced herein. AM recognizes that there may be regional/local differences due to a variety of factors, including different laws and regulations. Local offices and trading desks are responsible for adopting any procedures and controls as are necessary to comply with this policy, regional/local laws and regulations in consultation with Legal and Compliance and Operational Risk Control (C&ORC).

3. Governance

AM has established a Best Execution Committee which provides oversight of ongoing adherence to the Best Execution and Order Handling Policy. The Best Execution Committee membership consists of senior trading and investment representatives. Representatives from C&ORC, legal and operations also participate as invited guests.

This committee generally meets on a quarterly basis and considers the findings of monitoring activities by the trading desks and C&ORC. Among other things, the Best Execution Committee is responsible for (i) reviewing the execution framework and approving relevant practices, policies and procedures, (ii) reviewing key process controls and (iii) addressing organizational and business issues related to global trading processes.

4. Best execution

Whenever AM executes, places or transmits orders for its clients, it will take all sufficient steps to obtain the best possible results, taking into consideration execution criteria, execution factors, execution venues and where applicable counterparty selection in addition to any other relevant matters.

AM uses its judgment, experience and any information available at the time to determine the relative importance of the relevant execution criteria and factors.

In the course of executing client transactions, when in the best interests of our clients, we may utilize the execution services of a counterparty (including a related person) rather than trading directly with a market-maker for certain financial instruments. These approaches bear different costs that we take into consideration as part of our execution strategy in the best interest of our clients.

The execution criteria and factors listed below are considered the most important which can impact the execution of a trade. By taking these into account, AM considers that it takes all sufficient steps to obtain the best possible result for its clients.

Traders should seek to determine and understand all criteria, factors, venues and any other relevant information or matters that may impact AM's duty to seek best execution. Traders should use their judgment, experience and any information available at the time to determine the relative importance of the relevant criteria, factors and venues.

4.1 Best execution criteria

Execution criteria considered include, but without limitation:

- The characteristics of the portfolio, including portfolio investment guidelines / restrictions and regulations that may affect how orders are placed for the client;
- The characteristics of the order;
- The characteristics of the financial instruments that are the subject of that order; and
- The characteristics of the counterparty selected to execute the order.

4.2 Best execution factors

Execution factors considered include, but without limitation:

- Price of execution and depth of quote;
- Costs associated with execution (e.g. expenses incurred by the client including execution, clearing and settlement fees and any other fees paid to a counterparty or third party involved in the execution of the order);
- Speed of execution;
- Size;
- Nature of the order;
- The likelihood of execution;
- The likelihood of settlement;
- Liquidity profile;
- Any other consideration relevant to the execution of an order

4.3 Principles for the selection execution venues / counterparties

AM regularly assesses execution venues and counterparties to identify those that will enable AM, on a consistent basis, to seek to obtain the best possible result when executing client orders.

The process of selection of a new venue or counterparty is overseen by a robust internal framework where Senior Management, Credit Risk, and C&ORC assess the merits of the execution venues or counterparties against a list of criteria.

4.3.1 Execution venues selection criteria

When selecting an execution venue the following criteria should be considered, but without limitation:

- Operational risk factors;
- Efficiency factors e.g. offers STP;
- Regulatory direction e.g. directed by the regulator;
- Cost factors;
- Information leakage;
- Clearing capabilities; and
- Product coverage

4.3.2 Counterparty selection criteria

When selecting a counterparty the following criteria should be considered, but without limitation:

- Counterparty's ability to execute and settle the trade in a prompt, orderly and satisfactory manner;
- Counterparty's willingness to commit capital;
- Counterparty's confidentiality;
- Counterparty's financial status and credit worthiness, e.g. responsibility and solvency as required by our internal credit risk framework;
- Counterparty's execution capabilities and any related risks when trading a block of securities (e.g. anonymity);
- Counterparty's regulatory status;
- Counterparty's reputation;
- Counterparty's broad market coverage and knowledge;
- Counterparty's consistent quality of service; and
- Counterparty's treatment of AM as a professional client.

4.3.3 Execution venues and counterparties review

AM interacts with the following types of venues or counterparties:

- Regulated Markets;
- Multilateral Trading Facilities;
- Organized Trading Facilities;
- Swap Execution Facilities;
- Other exchanges that are not regulated markets; and
- Brokers (including Systematic Internalisers and non-Systematic Internalisers).

AM maintains a comprehensive list of approved counterparties and venues. This list is subject to review and may change as market structure evolves. Execution quality is regularly assessed using transaction cost analysis and investment team feedback, with performance reviewed in the Best Execution Committee.

AM manages its conflicts of interest in such a way that does not discriminate unfairly between execution venues.

4.4 Multiple quotes

Where appropriate (e.g. fixed income or OTC trading), AM will seek to obtain multiple quotes for orders executed outside an exchange. Where multiple quotes are not available, the Trader may use other valuation methodologies to establish the market level for the asset. The appropriate methodology depends on the asset and includes but is not limited to relative value assessment (e.g. spread to governments, spread to swaps, market movements since last trade, trace data or broker dealer runs, etc.).

To ensure the fairness of price proposed by the counterparty, traders check, where available, price against multiple quotes, market levels and valuation methodologies. These trades are subject to internal controls.

Examples of order types and scenarios in which multiple quotes may not be available include but are not

limited to:

- New issues / IPOs where price is the same for all participants;
- Broker inventory / order size factors, e.g. only certain brokers can support odd lots, order size (both large and small) or netting/blocking which may result in only one counterparty being able to quote;
- Distressed or illiquid financial instruments / products;
- Exchange traded securities consistent with industry practices;
- Market disruptive events including periods of stressed liquidity;
- Reduced counterparty list due to client restrictions or limited counterparty approvals, or directed execution (e.g. to custodian);
- Stop loss orders with pre-determined levels; or
- Fast markets, where is not always possible to get multiple executable simultaneous quotes electronically

5. Specific client instructions

Where a client provides specific instructions on how or with whom an order should be executed, the order will be executed in accordance with those instructions, subject to compliance with local regulation. This may prevent us from taking steps designed and implemented in our policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

Where the client's instruction relates to only part of the order, AM will continue to apply its order execution policy to those aspects of the order not covered by the specific instructions.

Client directed instructions as well as any particular account restrictions and/or limitations which restrict AM ability to achieve best execution should be documented and reviewed by the AM Best Execution Committee.

6. Order handling and execution strategy

6.1 General terms of order handling

When executing orders AM must provide fair and equitable treatment to all clients. To achieve this goal, AM will, wherever possible:

- Treat orders, whether aggregated or not (see section 6.2), in a non-preferential manner regardless of size or complexity; i.e. no single portfolio may be systematically favoured over another;
- Promptly and accurately record orders on a recognized system unless the characteristics of the order or prevailing market circumstances make it impracticable;
- Aggregate comparable orders where possible to benefit from efficiencies and cost-effective delivery of services (see section 6.2 below). Aggregated orders and orders that cannot be aggregated will be worked independently and executed in a non-preferential manner in the sequence they were originated, unless market conditions or AM client's interests require otherwise; and
- Where applicable, under local laws and regulations, execute client directed limit orders at the earliest possible time by immediately making public the limit order in a manner which is easily accessible to other market participants unless the client expressly instructs otherwise or the orders are large in scale compared with normal market size.

6.2 Aggregation of orders

When aggregating orders AM must provide fair and equitable treatment to all clients and no single account may be systematically favoured over another. AM aggregates orders to give its clients the benefits of efficient and cost-effective delivery of AM services, by aggregating orders AM may obtain more favourable execution and lower broker commissions.

Aggregation of orders will be managed according to the following principles and should be:

- Consistent with AM's duty to seek best execution for all client accounts;
- Advantageous (or unlikely to be disadvantageous) to all clients whose orders are to be aggregated;
- Executed in such a way as to ensure all AM's local regulatory obligations are met; and
- Where applicable, disclosed to the client.

Traders will use judgment, experience and any prevailing market information to determine when orders should be aggregated. If in doubt traders and portfolio managers will consult with their local C&ORC teams with respect to the foregoing principles.

6.3 Allocation of orders

All portfolios must be treated in a non-preferential manner such that no single portfolio may be systematically favoured over another. The allocation of orders cannot be based upon the client's account size, identity, performance, fee structure, and / or the Portfolio Manager.

Where applicable, each portfolio participating in an aggregated order should participate at the average execution price, with appropriate transaction costs being shared pro-rata based on the participation. The execution price should be calculated to the number of decimal places common to each market, or at prices mathematically closest to the average price.

If an order is fully filled the order should be allocated among portfolios based on a set allocation methodology, as defined in our internal procedures, unless the interests of the clients require otherwise. If an order is partially filled, the order should be allocated among portfolios on a pro-rata basis in the same proportions as the set allocation methodology, unless the interests of the clients require otherwise.

All orders should be fairly allocated across all portfolios that are eligible to receive a portion of the order. If for any reason an order requires a non-standard allocation there needs to be a sound business rationale that is consistent with AM's fiduciary responsibilities.

A 'non-standard' or 'non pro-rata' allocation can be defined as any allocation that does not follow the set allocation process as recorded in our internal procedures for the portfolios in question.

The factors which may support a non-standard allocation include, but without limitation:

- Availability of cash;
- Liquidity needs;
- Exposure to the security, sector, industry;
- Odd lot positions;
- Account guidelines;
- Specialized strategies; and
- Minimum tradable amounts.

Generally, trade allocations must be communicated to the broker or custodian by close of business on the day of execution (local time). If orders are executed overnight or confirmed allocations provided after local market close, the allocations can be communicated by close of business the following trading day (local time).

6.4 Cross transactions or inter-fund transfers

Regulatory standards require AM to maintain strict controls on the use of cross transactions (where buy and sell orders for the same security or instrument are executed between AM managed portfolios). Depending on local regulation and other internal procedures, cross transactions can either be executed across the market or off it. Cross transactions must never put the interests of one portfolio above the interests of another; e.g. a cross should never be executed for the sole purpose of allowing portfolio 'A' to provide

liquidity support to portfolio 'B'.

Execution of a cross transaction will be managed according to the following principles and should be:

- In the best interests of both portfolios to the trade;
- In compliance with the investment objectives and guidelines of both portfolios (as determined by the PM);
- Consistent with AM's duty to seek best execution for all client accounts;
- In compliance with any client restrictions;
- Executed at arm's length in terms of a fair price with de-minimis or no cost to either portfolio;
- Where applicable, identifiable for compliance monitoring;
- Executed in such a way as to ensure all AM's regulatory obligations are met; and
- Where applicable, disclosed to the client.

Senior trading personal or line managers have knowledge and oversight of the cross transaction process and C&ORC performs independent reviews of cross trading.

It should be noted that some jurisdictions have restrictions on Cross transactions or there may be limited application for executing cross transactions. Local offices are responsible to comply with local laws and regulations. If in doubt traders and portfolio managers will consult with their local C&ORC teams with respect to the foregoing principles.

6.5 Order executed outside a trading venue

When carrying out a client order, AM may be required to execute a trade outside of a trading venue to achieve the best possible result. This may increase the risk faced, including, but not limited to counterparty risk. Orders executed outside a trading venue are subject to internal controls.

Where applicable under local law, AM must obtain and document client consent when executing or placing client orders outside a trading venue.

6.6 Misuse of information

AM must not misuse information relating to pending client orders. PMs and Traders should take all reasonable steps to prevent the misuse of such information by any AM staff and ensure compliance with UBS AG Market Conduct policy and procedures.

7. Inducements / execution commissions / incentives

UBS AM takes into consideration the different execution commissions, when selecting an execution strategy and when selecting counterparties or venues.

Counterparty and venue charges are monitored and challenged periodically, where possible, via the Best Execution Committee. Where there are competing executions venues for a given order, AM will not unfairly discriminate between venues.

No inducements are received from venues and counterparties, excluding minor, non-monetary benefits that comply with our internal Inducements policy. The definition of inducements and minor, non-monetary benefits may differ between different jurisdictions and are defined in AM local internal policies.

8. Monitoring and Record keeping

8.1 Responsibility for monitoring best execution and order handling

The PMs and Traders, as the first line of defense, monitor the quality and effectiveness of their order execution arrangements to identify and, where appropriate, correct deficiencies. PMs and Traders must be aware of the

alternative execution methods available to them and the impact the various methods may have upon the orders being processed. In particular, PMs and Traders should assess, on a regular basis, whether the execution venues offer the best possible result for the client or whether changes to execution arrangements should be made.

Where applicable, under local laws or regulations, the PMs and Traders should hold regular meetings for the discussion of relevant trading and execution issues, these issues should include but are not be limited to commissions, brokerage relationships and execution capabilities. In addition, trading activities of each Trader should be reviewed periodically for purposes of monitoring the overall trading volumes with particular venues or broker-dealers.

C&ORC as the second line of defense carries out a monitoring program in line with the UBS' monitoring control standards that cover best execution, order handling and inducements / commissions / incentives.

8.2 Record Keeping

Trade tickets, evidence of trade confirmations, allocation records and other documentation required under this Policy are retained in accordance with the Group Policy on Records Management.

9. Updates to this policy

AM's Best Execution Committee will review the Best Execution and Order Handling Policy at least annually, and whenever a material change occurs that affects AM's ability to continue to obtain the best possible result for its clients. Where applicable, under local law, AM will reflect these changes to the client facing documents.

10. Client information and consent

AM must provide appropriate information to its clients and potential clients on its Best Execution and Order Handling Policy in accordance with local laws and regulation. Each region or office is responsible for developing its own procedures for making such information available to its clients.

AM should, where applicable under local laws and regulations, notify clients of any material changes to their order execution arrangements or execution policy.

Clients who have been provided with this published document will be deemed to have accepted the arrangements put in place under this policy when they next place an order for execution with AM, or where they appoint AM to provide discretionary services.

Should clients require further information about AM's Best Execution and Order Handling Principles, please raise them with your AM contact.

11. External reporting (MiFID firms only)

This section is only applicable for AM MiFID entities.

AM will, in accordance with MiFID II regulation, publish on an annual basis the following information for each class of financial instruments:

- The top five execution venues and top five counterparties (where orders were placed or transmitted) by volume; and
- Summary of the analysis and conclusions drawn from AM's detailed monitoring of execution quality obtained on the execution venues and counterparties used during the previous year.

These reports will be available on AM's website in electronic format and available to download by all clients.

Appendix A – Execution factors prioritization (Only applicable to AM MiFID entities)

AM would typically follow the below prioritisation of execution factors per asset class when executing orders, but subject to the specific order and prevailing market conditions may vary the approach in order to ensure best execution to its clients.

1.1 Equities

Product type	Typical execution factors
Equity	<ul style="list-style-type: none"> • Price and depth of quote • Nature of order • Liquidity profile • Likelihood of execution • Speed of execution • Costs associated with execution • Likelihood of settlement
ETFs	<ul style="list-style-type: none"> • Price and depth of quote • Nature of order • Liquidity profile • Likelihood of execution • Speed of execution • Costs associated with execution • Likelihood of settlement
Convertible Bonds	<ul style="list-style-type: none"> • Price and depth of quote • Nature of order • Liquidity profile • Likelihood of execution • Speed of execution • Costs associated with execution • Likelihood of settlement

1.2 Fixed Income

Product type	Typical execution factors
Bonds	<ul style="list-style-type: none"> • Price and depth of quote • Liquidity profile • Market impact – i.e. size and nature of the order • Likelihood of execution • Speed of execution • Venue factors such as efficiency and product availability e.g. Offers STP or trades specific instruments
Money Markets	<ul style="list-style-type: none"> • Price and depth of quote • Likelihood of execution • Speed of execution • Market impact – i.e. size and nature of the order • Liquidity profile

1.3 Foreign Exchange (FX)

Product type	Typical execution factors
FX derivatives traded on venue	<ul style="list-style-type: none"> • Price and depth of quote • Costs associated with execution • Speed of execution • Market impact – i.e. size and nature of the order • Liquidity profile
FX derivative not traded on venue	<ul style="list-style-type: none"> • Price and depth of quote • Costs associated with execution • Speed of execution • Market Impact – i.e. size and nature of the order • Liquidity profile
FX Options	<ul style="list-style-type: none"> • Price and depth of quote • Speed of execution • Market impact – i.e. size and nature of the order

1.4 Derivatives

Product type	Typical execution factors
ETD	<ul style="list-style-type: none"> • Price and depth of quote • Market impact – i.e. size and nature of the order • Costs associated with execution • Likelihood of execution
OTC Derivatives	<ul style="list-style-type: none"> • Price and depth of quote • Liquidity profile • Market impact – i.e. size and nature of the order • Likelihood of settlement • Likelihood of execution • Speed of execution • Costs associated with execution (e.g. expenses incurred by the client including execution, clearing and settlement fees plus any other fees paid to a counterparty or third parties involved in the execution of the order)

1.5 Securities Financing Transactions

AM may enter on behalf of its clients in securities financing transactions on an agency basis. Given the bilateral nature of these transactions AM considers the following execution factors when executing these transactions

Product type	Typical execution factors
Repos	<ul style="list-style-type: none"> • Any other consideration relevant to the order as: <ul style="list-style-type: none"> ○ Securities lending fees, cash rebate or repo rate as applicable ○ Settlement costs ○ Counterparty and collateral risk ○ Duration of the loan • Costs associated with execution • Speed of execution • Likelihood of settlement
Securities lending / borrowing	
Buy sell back	
Sell buy back	