Appendices: A- Order Handling Procedures - Cash Equities

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(I) PURPOSE

This order handling procedures manual provides information on when, where and how Pictet Asset Management (PAM) delivers best execution when it executes or places equity orders (including contracts for difference, depositary receipts, rights and warrants) on behalf of Professional Client.

This manual should be read as a supplement to the PAM Best Execution Policy, which is available from your usual contact, on request.

(II) ORDER GENERATION AND CAPTURE

The best execution process for equity orders starts with the Portfolio Manager selecting the order type, which most closely reflects their objective and urgency for the trade. The order type along with any additional order instructions provided by the Portfolio Manager informs the trader as to the Portfolio Manager's intentions for the trade.

This information enables the trader to select the most appropriate trade implementation strategy for the order ensuring best execution is provided.

On receipt by Trading orders are good to execute in accordance with the order instructions

(III) ORDER HANDLING

The order will arrive in the inbox of the PAM EMS (Execution Management System) via the PAM OMS (Order Management System). When the order is received in the PAM EMS inbox, it will either be:

a. claimed by a trader (**Trader Managed Orders**), who is then responsible for assessing the pre-trade execution factors to determine the most appropriate method of execution and trade implementation strategy; or
b. the order can be claimed and auto-routed into our systematic trading tool (Systematic Traded Orders) in accordance with pre-determined quantitative metrics, and executed in line with an optimal strategy determined by the tool, which is monitored on a real-time basis by the trader.

(a) Pre- Trade Analysis

PAM believe that keeping the direct costs of trading low (such as commissions and fees) is only part of the best execution process and that making good pre-trade decisions on how to minimise the implicit costs (such as market impact and opportunity cost) are of equal or greater importance.

For **Trader Managed Orders**, in addition to the execution factors set out in section 4 of the PAM Best Execution Policy, the trader will also take into account various pre-trade execution factors that influence the execution method and the trading strategy selected. These include:

› The liquidity profile of the instrument;
› The urgency of the order;
› The investment style of the fund or account to which the order relates.

In addition, the trader may take into account the following pre-trade execution factors as these may also influence the execution method and trading strategy selected. These include:

- Market Capitalisation (e.g. Small, Mid, Large, Mega)
- Market Classification (e.g. Developed, Emerging, Frontier)
- Stock/Sector/Market Momentum
- Stock/Sector/Market News-flow
- Stock/Sector/market Characteristics (e.g. HFT flows, free-floats, State holdings/influence)
- Market rules e.g. ID markets, Tied Swaps, Shorting Bans etc.

The traders also have at their disposal various tools, such as those available in FlexTrade, Bloomberg and broker offered analysis platforms, which can be used to augment their understanding of the pre-trade execution factors and help them make better-informed trading decisions.

The relative importance of each execution factor is particular to the circumstances surrounding each order. The trader will make their assessment of the pre-trade execution factors with the objective of optimising the method of execution.

Ordinarily, price and costs together will merit high relative importance in obtaining best execution, but this may be tempered, for example, where the size of the trade is large compared to the liquidity available, or where speed of execution is paramount.

For **Systematic Traded Orders**, the pre-trade process stems from quantitative analysis of historic trade data on a fund-by-fund basis. The confidence and liquidity analysis identifies which segments of flow will be suitable for systematic trading and then calculates the optimal aggregate participation rate range and duration for that segment. The trade will also pass through three layers of risk management checks before being exposed to the market.

(b) Setting the Trading Strategy

Before **Trader Managed Orders** are executed or placed, the trader will consider the various execution methods available to determine the most appropriate trade implementation strategy.

This decision will be based primarily on the characteristics of the order and the relative importance of the execution factors (see above)

As a general rule, the trader will usually try to identify execution venues, which are sources of natural liquidity before entering the order into the market. PAM has access to various institutional trading networks as well as a wide network of broker-dealer counterparties, whose indications of interest (IOIs) can be explored for natural contras. Finding a natural contra (ie: matching buyer or seller) eliminates half of the spread cost between bid and offer prices, and helps to avoid slippage versus price on arrival.

If there are no natural contras, the trader has a variety of other alternative execution methods they can examine including:

- Placing a worked order (ie: Care Order) with a broker-dealer
- Placing the order via a broker-dealer offered algorithm (Electronic Trading)

› Executing the order through a request for quote (RFQ)

› Executing the order with a principal trade (Risk Trade)

For worked orders, the trader will use market information and their experience to select a broker's cash desk for working all or part of the order on an agency basis, being careful not to expose too much of the order to the market in order to avoid market impact costs. This is a general strategy adopted when speed is a less important factor than price or the ability to retain anonymity.

Typically, the trader will use an algorithmic trading strategy (ie: Electronic Trading) for orders that do not require a 'high-touch' (ie: Care Order) execution service from our brokers. In this instance, the broker's smart order router (SOR) will define the optimum amount to trade at the best price and on which execution venue, subject to the parameters the trader has adopted within the algorithmic strategy chosen.

Access to broker trading algorithms are organised by strategy (on a regional basis). Each trader selects the counterparts whose algorithms then sit behind each of these strategies (typically 2-5 counterparts per strategy). The relative performance of the counterpart algorithm behind each strategy is reviewed by the Head of Equities Trading on a per trader basis twice yearly. Additions, deletions and amendments to our algorithmic trading strategies are made according to the results of our review.

Where the provision of on-screen liquidity is not sufficient to allow for an order to be placed:

A. The trader will typically use request for quote (RFQ). The trader usually transmits RFQs via an MTF or directly to selected counterparties based on market data and the trader's experience; or

B. If the trader decides to execute a principal trade (ie: risk trade), they will usually negotiate the terms of the trade directly with the counterparty. The choice of the counterparty will be heavily influenced by the likelihood of the counterparty executing part or all of the order, at a price as close to the prevailing bid-offer spread as possible.

Where the trader receives a large single stock equity order to execute, particularly in a size that is greater than the average daily volume, they will typically try to find a block-sized match with a natural counter trade. Traders may seek blocks via high touch counterparties, capital-market departments, dark pools, MTFs and in certain markets there are also large in scale solutions and intra-day auctions designed to facilitate trading in larger blocks, which the trader may use to help reduce the potential for price slippage. For large single stock orders the likelihood of executing the entire order is often the primary influencing factor.

When the trader receives an order that requires immediate execution, the relative importance of speed may be higher than price or costs. In this situation if there is no obvious material / natural contra, the trader would weigh the merits of using broker's capital in the form of a principal risk trade, where the guarantee of completion outweighs the cost of discount or premium attached to that risk. However, this may mean that a price is paid away from prevailing top of book in order to maximise the likelihood of executing the full order and minimising overall price slippage. In this situation, the quality of execution is less easily measured for this type of trade, as the negotiated price becomes more subjective and depends on the level of risk the broker is prepared to accept.

Traders may also use program trading strategies, for example, when investing new money for clients, dealing with outflows or implementing asset allocation changes. Our experience shows that when trading in multiple securities for one client at the same time, a program trade may be the more efficient and cost effective way of transacting. The savings result primarily from lower overall cost.

Where underlying mandates allow, the trader may also seek to cross two contra orders if it is in the best interest of both underlying clients to do so. These trades are crossed at mid-market prices via an independent broker in the market, usually at a reduced commission rate.

For **Systematic Traded Orders**, the trading strategy is based on the fund-segment's optimal participation rate and duration as identified by the historic quantitative analysis. The systematic trading tool then efficiently executes these strategies by sending child slices of the parent orders to broker algorithms or directly to venue. The systematic trading tool may access both lit and dark liquidity solutions.

The trader has access at all times to the state of every systematic traded order, including alerts and visual representations. There are also notifications of exceptions that might require trader intervention and limit-triggered breaks.

The performance data of systematic traded orders is continuously analysed by the equity-trading desk, and this analysis is used to inform and refine the trading strategy.

(c) Execution Venue Selection

Once the trader decides on the most appropriate trading implementation strategy, they can choose to either execute the order directly on an execution venue or, if a natural counterparty does not exist for the order, they may choose to place all or part of the order with an approved counterparty.

Execution Venues

The trader may use one or more of the following execution venue types:

- Regulated markets;
- Multilateral trading facilities;
- Organised trading facilities;
- Systematic internalisers; and
- Third party investment firms acting as market makers or other liquidity providers.

The trader will assess which execution venue is most likely to provide the best possible result for clients on a transaction-by-transaction basis taking into consideration price, cost of executing, liquidity available on the platform, the speed of execution, reliability, continuity of trading, creditworthiness of the venue and quality of clearing and settlement facilities.

The execution venues PAM route the majority of its equity orders through are listed within Annex A of the PAM Best Execution Policy.

Brokers and Counterparties

Our policy is to take sufficient steps to determine that when placing orders with a broker or other entity to execute, the entity has adequate arrangements that will enable PAM to comply with its best execution obligations.

If the broker or other entity is subject to the MiFID requirements, the equity-trading desk will look to obtain and review appropriate information on their order execution policy and execution arrangements and ensure that PAM is treated as a Professional Client of that entity.

If the broker or other entity is not subject to MiFID, the equity-trading desk will take sufficient steps to satisfy themselves that the entity has execution arrangements that allow PAM to comply with its overarching best execution obligations. In any event, where the desk cannot satisfy themselves of the above matters, they will not use that entity.

PAM has a wide network of approved brokers and other counterparties, which the trader can use to place orders. The trader will select the most appropriate broker or counterparty based on their access to the relevant execution venues, their expertise and their understanding of PAM's trading objectives, as well as their ability to minimise market impact, commit their capital to our trades, access liquidity/natural order flow and manage the explicit and implicit cost of trading. Brokers will also be selected based on the quality of service they provide and their reputation in the industry, including their regulatory status and history.

All equity orders are sent to approved brokers or routed directly to the execution venue from FlexTrade via FIX protocol. There are in-built checks and limits within the routing mechanism to reduce operational risk and prevent over-trading. There are also alerts in FlexTrade to inform the trader on the status of the order, for instance to highlight material price moves, inactivity, child order completion, etc.

Execution fill data is received electronically back into FlexTrade without any need for re-keying of data, where venue distribution, last liquidity and last capacity data can be analysed.

(IV) MONITORING TRADING EFFICIENCY

(a) Real-time monitoring of orders

The traders conduct real-time monitoring of each order throughout its lifecycle using a variety of order and market monitoring tools, including our order management system (CRD) and execution management system (FlexTrade).

Within FlexTrade, the traders have access to various transaction cost analysis metrics, which allow them to monitor their performance, e.g. versus price on arrival or interval volume weighted average price (VWAP).

Traders also have access to real-time market data, which can be used to determine the estimated difficulty of the order, which enables them to set the most appropriate trade implementation strategy. FlexTrade also provides traders with alerts when a child order has been completed or when parent and child order deviate from prescribed limits.

(b) Post-Trade monitoring

All orders are subject to post-trade monitoring. This monitoring comprises of transaction cost analysis (TCA) reports as well as various order handling exception reports. Trade executions that fall outside of designed tolerances are highlighted and investigated initially by the equity trading team, as the first line of control, and also by the compliance department, as the second line of control, to ensure the efficacy of the monitoring process.

The guiding metric of PAM's Best Execution Policy for equities is implementation shortfall, however, a number of other data points are utilised to inform PAM's trading policy, including: reversion, opportunity cost, addition-removal of liquidity, momentum, timing, interval VWAP, relative performance, peer comparisons and expected cost. Trade performance is also analysed against alternative participation rates to determine potential future savings.

Executed Orders

Our independent external TCA supplier carries out quantitative and model analysis on our trade/order data to establish an optimal pattern of trading relevant to the fund or account. The results of this analysis help inform the execution strategy the trader selects. Fund and account data is formally analysed and reviewed on a regular basis by the equity-trading desk with the appropriate Portfolio Manager(s). These reviews attempt to address all the influences on execution quality including portfolio manager market timing, longer-dated reversion and appropriate use of order types. Improvements to the approach and recommendations are documented and reviewed.

Trader execution data is also analysed to identify possible improvements to the execution process.

Placed or Transmitted Orders

Regular quantitative and qualitative reviews are performed with our key counterparties by the equity-trading desk. Various metrics are used to assess the performance and execution quality provided by our brokers and other counterparties including: implementation shortfall, fill rates, reversion, opportunity cost of non-completion, interval VWAP and expected cost.

In addition, the broker's selection and performance on execution venues is also analysed. The subsequent weighted broker performance is then ranked against their peers.

When analysing the performance of individual algorithms, the weighting of factors will vary according to the trading strategy and urgency associated with the order.

Sanctions may be used against under-performing brokers ranging from temporary bans or market restrictions to removal from the approved counterparty list.

PAM Equity Trade Execution Committee

The purpose of the PAM Equity Trade Execution Committee is to oversee PAM's trade management Policies and Procedures. The committee also assesses and evaluates the trading strategies adopted by PAM traders and brokers to ensure that the explicit and implicit costs of trading are being managed / controlled effectively across the desk.

The Committee, which comprises of senior representatives from the Investment Management, Business Risk, Compliance and Trading departments meet on a quarterly basis to review and discuss, the quarterly transaction cost analysis (TCA). On an ad hoc basis the committee may invite members of other business units when required.

Our independent external TCA supplier also provide consultancy in the meetings to identify trading patterns and potential areas of improvement on a fund, portfolio manager, trader, trading desk, regional or organisational basis. They also provide peer context, counterparty evaluation and are available to answer any questions the Committee might have related to the analysis.

In addition to our own execution venue analysis, we evaluate the published data provided by the execution venues we interact with in order to make comparisons and decisions around preferred routing logic. Similarly, we also compare broker rankings from our own TCA with broker published data, but given the market structures we face, our own trading experience and TCA will usually be the prime driver of counterparty selection.

VERSION CONTROL

VERSION NUMBER	DATE	RATIONALE FOR CHANGE	UPDATED BY
1	Jan 2018	Introduction of Policy	Simon Greaves
2	Jan 2019	Annual Review	Simon Greaves
3	Jan 2020	Annual Review	Simon Greaves