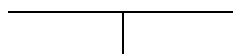


## Appendices: B- Order Handling Procedures - Bonds

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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 all bond order types on behalf of Professional Clients.

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 bond 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 trading strategy for the order to achieve best execution.

## (III) ORDER HANDLING

The order will be sent to the PAM OMS (Order Management System). When the order is received in the PAM OMS trading blotter, it will be claimed by a trader, who is then responsible for assessing the pre-trade execution factors and determine the most appropriate method of execution and trading strategy.

### (a) Pre- Trade Analysis

PAM believes that Fixed Income Instruments (Bonds) should be assessed for best execution throughout the whole process and all execution factors, as set out in section 4 of the PAM Best Execution Policy, will take equal or greater importance dependent on conditions.

In addition to the execution factors set out in section 4 of the PAM Best Execution Policy, the trader will take into account various pre-trade execution factors that influence the execution method and the trading strategy selected. These include but are not limited to:

- › The liquidity profile of the instrument (including size of order);
- › The urgency of the order;
- › The investment style of the fund or account to which the order relates; and
- › Any other execution factors deemed relevant by the traders.

The traders have at their disposal various tools, such as those available in PAM OMS, including the Best Execution Dashboard and Bloomberg, which can be used to augment their understanding of the pre-trade execution factors and help them make better-informed trading decisions. The Best Execution Dashboard is a data base that contains historical trading data, which acts as a useful guide for the traders to help them prepare their trading strategy. The traders can dynamically search with whom they have executed, in what size and what side (buy or sell) for a specific bond. This dashboard helps traders to quickly ascertain particular trading flows and patterns with PAM counterparts on an historical basis. In addition, the traders can search hit and miss ratios of specific counterparts on specific bonds, which can guide the trader to the optimum trading strategy.



Using the tools available and their skills and experience, traders will use a multi RFQ or a single RFQ as deemed required for various reason which will include; size of order, relative liquidity of the instrument; order type. It is likely that the less liquid and/or larger in size will lead a dealer to do a single RFQ, as this will create less of a footprint in the market.

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

Ordinarily, price 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.

### **(b) Setting the Trading Strategy**

Before 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 sources of natural liquidity before entering the order into the market. PAM has a wide network of broker-dealer counterparties which share with us their liquidity.

The trader has a variety of alternative execution methods they can examine including but not limited to:

- › Placing a worked order with a broker-dealer
- › Executing the order through a multi-requests for quote (RFQ)
- › Executing the order through a single RFQ
- › Utilising various trading platforms, such as electronic crossing network or matching venues.

For worked orders, the trader will use market information and their experience to select a counterparty for working all or part of the order on an agency basis, ensuring minimal market impact costs.

Requests for quotes:

- A.** The trader may transmit multiple RFQs via an MTF or directly to selected counterparties based on market data and the trader's experience; or
- B.** The trader may transmit a single RFQ via an MTF or directly to selected counterparties based on market data, the Best Execution Dashboard and the trader's experience when deemed appropriate.

When the trader receives an order that requires immediate execution, the relative importance of speed may be higher than price or costs. However, this may mean that a price is paid away from prevailing prices in order to maximise the likelihood of executing the full order and minimising overall price slippage.



### (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 various types of execution venues such as:

- › 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 that PAM route the majority of its bond 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, 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 fixed income 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 Fixed Income 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.

All bond orders are sent to approved brokers or routed directly to the execution venue from the PAM OMS. Where possible orders are routed electronically, using FIX. Generally, PAM favours to route orders electronically.

Execution fill data is received electronically back into PAM OMS without any need for re-keying of data.



## (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 the PAM OMS.

Traders also have access to real-time market data that can be used to determine the estimated difficulty of the order, which enables them to set the most appropriate trading strategy.

### (b) Post-Trade Monitoring

Orders are subject to post-trade monitoring, which comprises order handling exception reports. An example of an exception report would be if a trader having asked for 3 quotes in the market did not trade with the best price. Trade exceptions are highlighted and investigated initially by the Fixed Income trading team. Additional controls are performed by the Operations and by Compliance Departments to assess the effectiveness of the monitoring process.

Following implementation of MIFID2, we expect in the future the scope and quality of data to be enhanced. Although currently difficult to predict, we will follow the data availability as it progress and take those into account where possible.

### PAM Fixed Income Trade Execution Committee

The purpose of the PAM Fixed Income Trade Execution Committee is to oversee PAM's trade management Policies and Procedures for fixed income. 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 meets on a quarterly basis.

## VERSION CONTROL

VERSION NUMBER	DATE	RATIONALE FOR CHANGE	PERSON RESPONSIBLE
1	January 2018	Simon Greaves	Introduction of Policy
2	January 2019	Simon Greaves	Annual review
3	January 2020	Simon Greaves	Annual Review