

Pictet Asset Management: Best Execution Policy

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1. INTRODUCTION

The EU Markets in Financial Instruments Directive (“MiFID 2”) requires all investment firms when executing or placing orders on behalf of clients to take all sufficient steps to obtain the best possible result (“best execution”), on a consistent basis. To meet our obligations, Pictet Asset Management Limited, Pictet Asset Management S.A., Pictet Asset Management (Europe) S.A., Pictet Asset Management (Japan) Limited, Pictet Asset Management (Singapore) Pte Limited, and Pictet Asset Management (Hong Kong) Limited (collectively “PAM”) have established and implemented this Best Execution Policy (“Policy”), which is supplemented by separate Order Handling Procedures manuals by asset class that set out our business practices concerning the execution and placement of orders on behalf of our clients.

PAM primarily provides portfolio management services to our clients, which involves the exercise of our discretion to execute or place orders resulting from decisions we have made to deal on the behalf of our clients. When we have made such a decision to deal, our primary objective is to provide the highest quality execution reasonably applicable under the circumstances and within the context of markets, sometimes balancing factors that may conflict at the time. Through this process PAM is committed to providing our clients with the best possible result on a consistent basis.

2. SCOPE

This policy applies to the **Professional Clients** of PAM and to the execution and placement of all orders initiated by PAM on behalf of its clients in the following **Financial Instruments**:

- › **Equities**
- › **Bonds**
- › **Money Market Instruments**
- › **Exchange Traded Derivatives**
- › **Equity & Fixed Income OTC (Over the Counter) Derivatives**
- › **Forward Foreign Exchange / Non-Deliverable Foreign Exchange (NDF)**
- › **Collective Investment Schemes**
- › **Foreign Exchange (Spot)**

PAM will only execute or place **Client Orders** as agent on behalf of our clients.

PAM may execute its decisions to deal on behalf of our clients directly with or on an Execution Venue (Direct Responsibility for Best Execution) or may choose to place **Client Orders** with one of its approved counterparties to execute on behalf of our clients (Indirect Responsibility for Best Execution).

Direct Responsibility for Best Execution

Responsibility for best execution applies to PAM when we are deemed to be executing client orders. This will generally be the case when we deal:



1. In equity markets, where we request a broker or other liquidity provider to use their own capital in providing liquidity for a trade by dealing as principal;
2. In dealer markets, where we request a price quotation from a broker or other counterparty (this includes bond trades, over the counter derivatives and some types of foreign exchange transactions); and
3. Directly in the market as a participant in a Multi-Lateral Trading Facility or Organised Trading Facility

Indirect Responsibility for Best Execution

When PAM places or transmits orders for our clients (rather than execute them ourselves), PAM will place reliance on its brokers to execute orders on behalf of our clients on an agency basis. The broker is then responsible for achieving best execution. This includes orders placed via algorithmic trading. In this instance, PAM is responsible for the oversight and monitoring of the execution quality achieved by the broker.

PAM will determine the capacity in which it will execute **Client Orders** on an order by order basis taking into account the best interests of all clients, the characteristics of the order and the prevailing market conditions at the time.

3. ORDER EXECUTION

When providing portfolio management services to our clients, PAM will act in the best interests of our clients at all times. This applies when executing **Client Orders**; or placing **Client Orders** with, or passing orders to, others for execution, which result from PAM investment decisions on behalf of our clients. In these circumstances, PAM will take all sufficient steps to obtain the best possible result (“best execution”), on a consistent basis, for our clients taking into account the best execution factors and best execution criteria set out below, subject to any specific instruction given by our client (see section 8).

4. EXECUTION FACTORS

The **execution factors** to be taken into account when executing Client Orders are the following: -

- › **Price**
- › **Costs (implicit and explicit)**
- › **Speed**
- › **Likelihood of execution**
- › **Likelihood of settlement**
- › **Size of the trade**
- › **Nature of the trade**
- › **Any other consideration relevant to the execution of the order**

Ordinarily, price and costs will merit high relative importance in obtaining the best possible result. However, in some circumstances and for some clients, orders, financial instruments or markets, PAM



may appropriately determine that other Execution Factors are as or even more important than price and costs in obtaining the best possible execution result for the client.

The relevant importance of these factors will be determined by considering the characteristics of the order, the financial instrument, the counterparty and the execution venue.

Examples of other considerations relevant to the execution may include:

- › The character of the market for the relevant **Financial Instrument** (e.g. price volatility or relative liquidity)
- › The number of **Execution Venues** that can provide a quote
- › The market impact of an order
- › The execution capability and responsiveness of an **Execution Venue**

5. EXECUTION CRITERIA

The criteria PAM will use in determining the relative importance of the execution factors listed above (see section 4) include:

- › **The characteristics of the Client (including its categorisation, mandate and restrictions)**
- › **The characteristics of the Client Order including the size of the trade relative to other trades in the instrument, and the need to minimise possible market impact**
- › **The characteristics of the Financial Instruments which are the subject of the Client Order**
- › **The characteristics of the Execution Venues to which the Client Order can be directed (please see section 7 for further details)**

Each client order that is transacted by PAM traders is inherently unique in its characteristics and market conditions are never constant. Consequently, the relative importance of the execution factors may vary depending of the specific characteristics of the order. Notwithstanding, PAM generally expects price and costs to be the most important execution factors for the majority of **Client Orders** that it executes.

However, there will be trades where price and costs are not the most important factors when executing a trade. Examples of this are shown below:

1. In the case of smaller capitalised equities and more illiquid securities (equity and fixed income), the likelihood and speed of execution may be more important than price.
2. When raising cash for client redemptions, especially in a regulated fund where redemptions have to be paid within a short time period, speed and likelihood of execution may be more important.
3. When executing a large **Client Order**, the ability to transact the larger part of the order at a less favourable price may be more important than executing a smaller part of the order at the best available price at that time.
4. In some markets, the level of price volatility may mean that speed of trade execution is the priority.



5. When executing certain instruments (for example OTC derivatives) our choice of Execution Venue may be limited, even to the extent that there may be only one venue on which PAM can execute a **Client Order**.

NB: This list is not exhaustive and is designed simply to provide examples of where price and costs may not be considered to be the most important execution factors.

6. EXECUTION VENUES

The list of the type of **Execution Venues** on which PAM may execute or place a **Client Order** is set out Annex A, but it is not exhaustive. It includes those Execution Venues and Counterparties on which PAM places significant reliance in its aim to obtain on a consistent basis the best possible result for the execution of **Client Orders**. PAM reserves the right to use other execution venues where PAM deems it appropriate in accordance with our Best Execution Policy and may add or remove any Execution Venues from the list without prior notification.

PAM regularly assesses the Execution Venues and Counterparties available in respect of the financial instruments that it trades to identify those that will enable PAM, on a consistent basis, to obtain the best possible result when executing or placing client orders. The list of Execution Venues (Annex A) will then be updated, where necessary, following such assessment. Clients should refer to the list of Execution Venues at www.am.pictet/en/globalwebsite/global-articles/2017/pictet-asset-management/compliance-policies from time to time to ensure they are up to date on the current list.

PAM is required to notify clients of any material changes which may affect our ability to continue to obtain the best possible result for our clients (which includes a significant change to the **Execution Venues** that PAM uses under this policy). Therefore, as the detailed list of the **Execution Venues** and PAM execution arrangements may change from time to time, PAM will notify clients of any material changes to our execution arrangements and policy in a timely manner by posting our Best Execution Policy and Order Handling Procedures manuals on our website at

www.am.pictet/en/globalwebsite/global-articles/2017/pictet-asset-management/compliance-policies

7. EXECUTION VENUE SELECTION

PAM is not permitted to deal with a broker unless it has been approved by the Pictet Group Counterparty Risk Committee (CRC) under the delegated authority of the Group Treasury Committee.

The Pictet Group Correspondent and Network Management team (“CBNM”) is responsible for the coordination, analysis, and monitoring of broker and over the counter (OTC) counterparty relationships; it takes a holistic approach to the risk assessment, considering quantitative and qualitative factors, to assess and evaluate the financial strength of each counterparty based on various evaluation criteria according to the market and nature of future transactions.

Subject to any specific client instructions (see section 8 below), the selection of an **Execution Venue** for the execution of an order will generally be based on the **Execution Criteria** and **Execution Factors** referred to above and in the relevant Order Handling Procedures manual.

Notwithstanding, PAM reserves the right to execute a **Client Order** using a method or venue other than the methods or venues that it has indicated in this policy or in the relevant Order Handling Procedures



manual, where it considers this to be in the best interests of the Client. In such cases, PAM will endeavour to execute or place the order based on the same best execution principles, as summarised in this document.

8. CLIENT INSTRUCTIONS

Where a client gives a specific instruction for the execution of a **Client Order** (for example on transition or redemption, or where the client instructs PAM to direct orders to certain brokers) then the order will be executed in accordance with those instructions. In such circumstances, PAM's ability to achieve the best possible result, and hence its obligation to do so, may be limited to the extent that PAM is following a specific instruction from our client when executing or placing an order with another entity for execution.

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

9. ORDER HANDLING

PAM is required to execute or place **Client Orders** in an expeditious and fair manner for all Clients.

Client Orders may be aggregated with other **Client Orders** if:

- › The characteristics of the **Client Order** make them suitable for aggregation; and
- › If in PAM's opinion it is unlikely that the aggregation of **Client Orders** will work overall to the disadvantage of any client whose order is to be aggregated; and
- › PAM complies with its order allocation procedures as described in the Compliance Manual.

PAM stores the records of its trading activity for a minimum of five years in accordance with the rules of the FCA, SEC and other relevant regulators.

10. MONITORING

PAM will review its Best Execution Policy at least annually and whenever a material change occurs that affects our ability to continue to obtain the best results for our clients on a consistent basis. Any material changes will be posted at: www.am.pictet/en/globalwebsite/global-articles/2017/pictet-asset-management/compliance-policies

PAM will, on an on-going basis, monitor the effectiveness of its Best Execution Policy and execution arrangements to identify and, where appropriate, correct any deficiencies. This will include an assessment of whether the **Execution Venues** included in this policy continue to provide the best possible result for PAM clients. PAM will also monitor the quality of executions and will be able to demonstrate to clients, at their request, that we have executed their orders in accordance with this policy.

PAM has delegated on-going responsibility for oversight of its Best Execution Policy and the Order Handling Procedures Manuals to the Equity & Fixed Income Trade Execution Committees, to keep the



policy under at least annual review and to ensure that any regulatory developments in this area are identified.

PAM will publish an annual report on its website, which includes an assessment on the quality of execution obtained plus a report on the top five **Execution Venues** used in terms of trading volumes. There will be a separate report for each asset class and these reports will be made available on www.am.pictet/en/globalwebsite/global-articles/2017/pictet-asset-management/compliance-policies

Please refer to the relevant Order Handling Procedures manuals in section 12 for details of our best execution monitoring arrangements by asset class.

11. PROHIBITED PRACTICES

With respect to the selection of a broker, the following practices are prohibited:

- › Trades may not be directed in return for gifts and/or entertainment or the provision of broker proprietary research;
- › Trades may not be directed in return for error correction by the broker;
- › Trades may not be directed in return for suggested preferential treatment in IPOs or placement;
- › Trades may not be directed in return for the provision of investment ideas where PAM is unable to meet its best execution obligations
- › Traders must not be influenced by any personal conflicts of interest, such as a family relationship with an employee or owner of a broker. The existence of any such conflicts must be disclosed to the Head of the relevant trading desk and to Compliance.

12. ORDER HANDLING PROCEDURES – BY ASSET CLASS

The following Order Handling Procedures manuals should be read in conjunction with this policy:

1. **Appendices A: Equities**
2. **Appendices B: Bonds**
3. **Appendices C: Money Market Instruments**
4. **Appendices D: Exchange-Traded Derivatives**
5. **Appendices E: OTC Derivatives (Swaps, Forwards & Options) and Structured Products**
6. **Appendices F: Spot FX and Related Instruments**
7. **Appendices G: Funds**

These manuals set out in detail the circumstances in which the PAM Best Execution Policy applies and describes PAM's approach to complying with the requirements of this policy.

The manuals also provide information on when, where and how PAM delivers best execution when executing or placing client orders by asset class for **Professional Clients**. They also explain the methodologies and techniques employed by PAM to monitor the effectiveness of our policy and execution arrangements by asset class.



The Order Handling Procedures manuals are available to client on our website: www.am.pictet/en/globalwebsite/global-articles/2017/pictet-asset-management/compliance-policies or from the Compliance Department.

13. DEFINITIONS

- › **MiFID 2** – the Directive 2014/65/EC, repealing Directive 2004/39/EU
- › **Professional Clients** – Professional clients are considered to possess the experience, knowledge and expertise to make their own investment decisions and assess the risks inherent in their decisions. A client meeting the criteria laid down in Annex II of MiFID (broadly speaking this means regulated entities, large undertakings, national and regional governments, public bodies that manage public debt, central banks, international and supranational activities and other institutional investors whose main activity is to invest in financial instruments) is considered to be a Professional Client.
- › **Financial Instruments** – as listed in section 2
- › **Client Orders** – an instruction to buy or sell a Financial Instrument, including orders initiated by PAM as a discretionary investment manager.
- › **Execution Factors** – as listed in section 4
- › **Execution Criteria** – as listed in section 5
- › **Execution Venue** – means a Regulated Market, an Multilateral Trading Facility (MTF), an Organised Trading Facility (OTF), a Systematic Internaliser (as defined in MiFID), or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.
- › **Regulated Market** – means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and /or systems, and which is authorised and functions regularly.
- › **Multilateral Trading Facility (MTF)** – means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.
- › **Organised Trading Facility (OTF)** – means a multilateral system, which is not a regulated market or MTF and in which multiple third party buying and selling interests in bonds, structured finance product, emissions allowances or derivatives are able to interact in the system in a way which results in a contract.
- › **Systematic Internaliser** – means an investment firm which , on an organised , frequent and systematic basis , deals on its own account by executing client orders outside a Regulated Market ,MTF or OTF.
- › **Derivatives** – options, futures, financial contracts for difference and swaps on underlying equity, bond or money market instrument, forward rate agreements and other derivative contracts related to securities, currencies, interest rates or yields, indices or commodities.
- › **NDF** – Non-deliverable Forward Foreign Exchange contract



VERSION CONTROL

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



ANNEX A- EXECUTION VENUES BY ASSET CLASS

EQUITIES	BONDS
Bank of America Merrill Lynch	Bank of America Merrill Lynch
Barclays Capital	Barclays Capital
Citigroup Global	BNP Paribas
CLSA	Citigroup Global
Credit Suisse	Credit Agricole
Elevation	Credit Suisse
Exane BNP Paribas	Deutsche Bank
Goldman Sachs Intl	Goldman Sachs Intl
HSBC Secs	HSBC
Jefferies Intl	ING Bank
JP Morgan	Jefferies Intl
LIQUIDNET	JP Morgan
Morgan Stanley Intl	Mizuho Intl
Nomura/Instinet	Morgan Stanley Intl
Pictet Negoce/Global Markets	Nomura Intl
RBC Capital	Nordea Bank
Redburn Partners	Pictet Negoce/Global Markets
Sanford C Bernstein	Rabobank Intl
UBS Ltd	SG Secs
	UBS
	Tradeweb – MTF
	MarketAxess- MTF
MONEY MARKET INSTRUMENTS	EXCHANGE TRADED DERIVATIVES
Bank of America Merrill Lynch	Bank of America Merrill Lynch
Barclays Capital	Barclays Capital
BNP Paribas	BNP Paribas
BRED	BSI Bank
CIC Secs	Citigroup Global
Citigroup Global	ED&F Man Capital Markets



Commerzbank	Goldman Sachs Intl
Credit Agricole	EXCHANGE TRADED DERIVATIVES (CONTINUED)
MONEY MARKET INSTRUMENTS (CONTINUED)	HSBC
Credit Suisse	Jefferies Intl
Goldman Sachs Intl	JP Morgan
ING Bank	Kyte Group
NATIXIS	MAKO Financial Markets
Rabobank Intl	Morgan Stanley Intl
Royal Bank of Scotland	Royal Bank of Scotland
Société Générale	Société Générale
Swedbank	Standard Chartered
Tradition	Tradition
Tullet Prebon	UBS
UBS	
OTC DERIVATIVES	SPOT FX AND RELATED INSTRUMENTS
Bank of America Merrill Lynch	Bank of America Merrill Lynch
Barclays Capital	Barclays Capital
BNP Paribas	BBH
Citigroup Global	Bloomberg FX
Credit Suisse	BNP Paribas
Deutsche Bank	Citigroup Global
Goldman Sachs Intl	Commerzbank
HSBC	Credit Agricole
JP Morgan	Credit Suisse
Morgan Stanley Intl	Deutsche Bank
Nomura Intl	FX Connect- MTF
Pictet Trading and Sales	FXall
Royal Bank of Scotland	Goldman Sachs Intl
Société Générale	HSBC
Standard Chartered	JP Morgan
UBS	Morgan Stanley Intl
Zuercher Kantonalbank	NATIXIS
	Pictet Trading and Sales



SPOT FX AND RELATED INSTRUMENTS (CONTINUED)

RBC Capital

Royal Bank of Scotland

Société Générale

Standard Chartered

UBS