

# Order Handling and Best Execution Policy

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# 1 Introduction

## 1.1 Definitions

Unless the context expressly provides otherwise, capitalized words and expressions used in this Order Handling and Best Execution (**‘Policy’**) shall have the meaning given to them in the list of definitions of the Administrative Organisation and Internal Controls Handbook of OBAM IM.

In addition to the definitions defined in OBAM IM’s Administrative Organisation and Internal Controls Handbook, the following definitions are used in this Policy. Words that are displayed in the singular have the same meaning in the plural and vice versa.

|                            |  |
|----------------------------|--|
| <b>Authorized Provider</b> | means a broker (intermediary executing delivery versus payment transactions) on OBAM IM’s List of Authorized Providers as outlined in Annex I. |
|----------------------------|--|

## 1.2 Purpose and scope

The purpose of this Policy is to govern the manner in which order transmission and execution is dealt with. In transmission orders for execution, OBAM IM is bound to achieve the best possible results (‘best execution’) for its clients and the Fund(s). The purpose of this Policy is to set out those arrangements that OBAM IM will adopt to ensure that, on a consistent basis, OBAM IM achieves best execution when executing or instructing another person to execute (transmitting an order), a transaction as part of OBAM IM’s portfolio management activities.

In order to do this, OBAM IM will:

- take sufficient steps to obtain the best possible result for its clients and (the investors of) the Fund(s) taking into account the following execution factors (price, costs, speed, likelihood of execution and settlement, size, nature, or any other considerations relevant to the execution of the order);
- provide appropriate information (availability of an execution policy) to its clients and the investors of the Fund(s) in relation to the arrangements set out in this Policy, including notification of the occurrence of a material change to the contents of this Policy; and
- monitor on a regular basis the effectiveness of this Policy and the execution quality of the orders.

This Policy applies to both of OBAM IM’s business activities: managing the Fund(s) and providing investment services (individual portfolio management and investment services) to professional clients.

### 1.3 Legal framework

This Policy is governed by:

- article 4:59c – 4:59e DFSA (Wet op het financieel toezicht);
- article 4126<sup>e</sup>, 126f and 126g Decree Conduct Supervision (Besluit gedragstoezicht financiële ondernemingen Wft); and
- article 27-28 EU/2014/65 (MiFID II);
- article 64, 65, 66, 67 (EU/2017/565 (MiFID II Delegated Regulation); and
- Regulatory technical standards under Article 27 of MiFID II, Commission Delegated Regulation (EU) 2017/576 of 8 June 2016.

### 1.4 Governance

The Management Board develops and implements this Policy. On behalf of the Management Board, the CEO/CIO is the owner and is accountable to develop, implement and maintain this Policy. The CEO/CIO will involve, where necessary, its specialized subject matter experts and/or the other members of the Management Board, when performing this responsibility.

### 1.5 Evaluations of the Policy/Amendments to this Policy

This Policy is adopted by the Management Board. OBAM IM will evaluate the effectiveness of this Policy at least annually, to safeguard compliance with laws and regulations. The CEO/CIO will perform an annual review and undertake the required updates if that would be the outcome of the review. OBAM IM shall review the policy and arrangements at least annually. Such a review shall also be carried out whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its clients and/or (the investors of) the Fund(s). A material change shall be a significant event that could impact the order execution principles or any other consideration relevant to the execution of the order.

The CEO/CIO determines whether this Policy functions in practice or whether there are any deficiencies. Appropriate measures will be taken to address any deficiencies. The outcome of the review and, if applicable, updated Policy is shared with the Management Board for adoption. The Policy must however be updated immediately in case of a material change to regulations, laws, the Fund's strategy, activities, the OBAM IM governance or internal requirements. In addition, this Policy must be updated before investing in a new asset class and/or issuing a new investment fund or providing new investment services solutions.

The Staff members will be informed of any material change to this Policy within due time.

## 2 Order execution

OBAM IM has delegated its order transmission activities to an external service provider. The Portfolio Management team of OBAM IM places orders to the external service provider<sup>1</sup>. The external service provider is responsible for selecting an Authorized Provider and transmitting the order to the selected Authorized Provider for execution.

### 2.1 Order execution principles

When selecting an Authorized Provider and transmitting orders, the external service provider ensures that it considers OBAM IM's order execution principles consisting of: (i) execution factors, (ii) execution criteria, (iii) permitted execution methodologies and (iv) the approved execution venues and Authorized Providers as outlined in this section. Annex I outlines per type of financial instrument within OBAM IM's investment universe (listed securities, exchange traded derivatives and exchange traded investment funds) the applicable execution principles.

#### 2.1.1 Execution factors

Best execution is how OBAM IM ensures that OBAM IM (and its external service provider(s)) take all sufficient steps to obtain the best possible result for its clients and (the investors of) the Fund(s) in the execution of orders as part of its portfolio management activities, taking into account the following factors:

- *price*: the resulting price of the financial instrument excluding execution charges;
- *costs*: relate to commissions, costs and the fees that are charged by Authorized Service Providers for executing orders;
- *speed*: the rate at which the Authorized Service Provider is able to execute an order considering the balance between creating market impact and executing order in a timely fashion so as to reduce execution risk;
- *likelihood of execution*: the likelihood that an Authorized Service Provider is able to execute the order, or at least a substantial part of it. This factor increases in importance in situations where access to liquidity in the relevant financial instrument is constrained in some way;
- *likelihood of settlement*: the likelihood that an Authorized Service Provider is able to settle the transaction in a timely fashion. Generally, in equity security markets, likelihood of settlement is not a significant factor;

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<sup>1</sup> The external service provider (BPSS Dealing Services, Paris) qualifies as Delegate as defined in OBAM IM's Delegation Policy. The Delegation Policy applies to the delegation of these activities.

- *size*: size of the order in proportion to the average turnover in a specific financial instrument;
- *nature*: sometimes the nature of the order sets out conditions or restrictions for the Authorized Provider when executing the order (e.g. limit orders); and
- any other consideration relevant to the execution of the order.

The above-mentioned factors are applicable to any execution performed by OBAM IM and applies to every type of financial instrument.

### 2.1.2 Execution criteria

To determine the relative importance of the above-mentioned execution factors, OBAM IM uses its experience and judgement in the light of respect to available market information at the relevant time, considering the characteristics of:

- the characteristics of the clients or the Fund(s) (e.g. objective, investment policy/client mandate and risk profile of the clients or Fund(s));
- the characteristics of the order;
- the characteristics of the financial instrument that are the subject of that order; and
- the characteristics of the Authorized Provider (including brokers commission).

Considering the fact that OBAM IM's clients and the Fund(s) classify as professional client under MiFID II, the price and costs will usually be the most important execution factors. However, OBAM IM will take the other factors into account. Further reference is made to Annex I that outlines an overview of the most important execution factors per type of financial instrument within OBAM IM's investment universe.

### 2.1.3 Order execution methodology

OBAM IM distinguishes the following execution methodologies:

- *Market orders*: orders to be executed immediately on the market, at the best available price;
- *Care orders*: orders for which the execution is managed by the external service provider or by the Authorized Service provider (price, liquidity, costs);
- *Limit orders*: orders which has to be executed strictly at the limit price (limit stop) or orders constrained by a limit price for which the price may be improved depending on market conditions (limit or better);
- *Stop loss orders*: orders constrained by a threshold which triggers the execution (stop) or orders constrained by a limit price and by a threshold which triggers the execution;
- *Percentage of Volume orders*: orders which targets a specific percentage of the market volume of the

day for the negotiated instrument (percentage of volume) or orders constrained by a limit price and which targets a specific percentage of the market volume of the day for the negotiated instrument (percentage of volume limit);

- *Open orders*: orders targeting opening price or conditions such as: open guaranteed orders, open target orders, open target limit orders and cash open orders;
- *Close orders*: orders targeting closing price of conditions such as: close guaranteed orders, close target orders, close target limit orders and cash close orders; and
- *Reference Price orders*: orders targeting other reference prices such as: volume weighted average price orders and time weighted average price orders.

The permitted execution methodologies per financial instrument are described in Annex I.

#### 2.1.4 Permitted venues and execution brokers

OBAM IM only permits execution of orders on a regulated market, multilateral trading facility or organised trading facility (hereinafter: trading venues).

OBAM IM nor its external service provider are a direct members of the above-mentioned trading venues and therefore does not execute orders on any trading venues itself. As a consequence, to the external service provider transmits orders, on behalf of OBAM IM, to an Authorized Provider. The external service provider only selects Authorized Providers that are included on OBAM IM's List of Authorized Providers as outlined in Annex II of this Policy. When selecting an Authorized Provider, the external service provider considers the execution principles as outlined in this section.

When selecting and contracting its Authorized Providers, OBAM IM has verified, among others, the permitted trading venues of the Authorized Provider. In principle, Authorized Providers are permitted to execute orders on the trading venues permitted by their own order execution policies. At all times OBAM IM has the possibility to add further restrictions (e.g. by excluding execution venues) to Authorized Providers. OBAM IM will inform both the Authorized Providers and the external service provider in case it wishes to exclude a trading venue or request to add (other) restrictions.

## 2.2 Deviation from the order execution principles

OBAM IM (or its external service provider) may deviate, in specific situations from the execution principles as outlined in this section. This subsection describes the situations in which deviation from the execution principles is allowed. OBAM IM always strive to transmit orders on the best terms available in the relevant circumstances and within the best interest of its clients and/or (the investors of) the Fund(s).

### 2.2.1 When conducting a request for quotes is impossible

In principle the external service provider consult a minimum of three Authorized Providers (see section 2.3 of

this Policy). The external service provider may not be in a position to organize a request for quotes in some cases or may consider that it is inappropriate to do so in the interest of OBAM IM's clients and/or (the investors of) the Fund(s) considering the characteristics of the order received and/or market conditions.

#### 2.2.2 Exceptional market conditions and force majeure

In case of severe market turbulence, the ability to execute on a timely basis or simply to execute it, will become the primary factor. In case of major difficulty in the order execution such as a case of internal or external system failure assimilated to a force majeure event, the external service provider might not be able to execute the order in accordance with this Policy. In the event of system failure, it may not be able to have access to all or the chosen execution venues.

In these particular cases, each time it is reasonably possible, OBAM IM and/or the external service provider will activate its back-up solutions in accordance with its internal procedures. In the event of a malfunction in the order reception system of the external service provider, the external service provider has implemented a backup procedure.

#### 2.2.3 Less liquid products

When OBAM IM places an order for a financial instrument for which there is a limited market and/or limited liquidity and/or limited price transparency, the external service provider is urged to use its best efforts to achieve the best possible results for OBAM IM's client and/or (the investors of) the Fund(s). The execution criteria may change, speed or likelihood of execution becoming the dominant criterion, but the external service provider will at all times adhere to the principles of best execution as described in this Policy.

#### 2.2.4 Specific instructions of OBAM IM

OBAM IM can give specific instructions which should at all times be in line with the principles of this Policy. A specific instruction may include the situation that OBAM IM:

- directs the order to one of its Authorised Providers;
- that OBAM IM excludes one of its Authorised Providers on a one-off basis; or
- would direct an order to a temporary broker that is not on OBAM IM's List of Authorized Providers (only permitted in case of an IPO).

Specific instructions will be provided in writing to the external service provider. Specific instructions should be approved and signed by the Management Board. In case of a specific instruction, the external service provider should handle the order or the specific aspect of the order in accordance with OBAM IM's instruction.

OBAM IM will document each specific instruction and will include therein the rationale to give a specific instruction on OBAM IM's internal server.

### 2.2.5 Client instructions

Where the client mandate outlines a specific instruction for the transmission and execution of orders, then OBAM IM will follow that instruction as far as reasonably possible. OBAM IM will have no responsibility for compliance with this Policy or any of the other linked processes to the extent that OBAM IM accepts and follows this specific instruction. By following the specific instruction, OBAM IM will satisfy the obligation to provide clients with the best execution in relation to the relevant parts or aspects of the order to which a client's specific instruction is applied.

Including a specific instruction relating to order transmission and execution within a client mandate may prevent OBAM IM from taking the steps that OBAM IM have put in place to obtain the best possible result for the execution of orders within a client mandate with respect to the elements impacted by such specific instructions.

## 2.3 Order execution governance

The Portfolio Management team is responsible for placing orders to the external service provider. The orders to be placed are always checked by two Portfolio Managers before the orders are submitted ('four eyes principle'), through the order management system, to the external service provider.

The external service provider is responsible for reviewing the orders submitted by OBAM IM and transmitting the order to the selected Authorized Provider for execution. In principle, the service provider request for quote among a sample of OBAM IM's Authorized Counterparties. Except justified cases, the external service provider tends to consult a minimum of three Authorized Counterparties. The external service provider may use the direct market access tools made available by the Authorised Providers or use an automatic processing system that is made available by the Authorised Providers in case the external service provider is of the opinion that this is in the best interest of OBAM IM's client and/or (the investors of) the Fund(s).

The external service provider is responsible for monitoring the execution of the order by the selected Authorized Provider.

The Portfolio management team carries out day to day monitoring on the quality of execution (first level set of controls) and validates compliance with this Policy by the external service provider and the Authorized Providers (second level set of controls).

## 2.4 Record keeping

The Portfolio Management team ensures that a record of information, sufficient to reconstruct the details of each order and/or each executed transaction can be produced without delay, in such a way that it will be able at all times to demonstrate that orders and transactions executed on behalf of the Fund(s) or its clients have been executed in compliance with this Policy. Further reference is made to OBAM IM's Administration and Record Keeping Policy.

## 3 Authorized Provider selection and review

Authorised Providers are selected and contracted by OBAM IM. OBAM IM carries out the initial selection and ongoing monitoring of Authorised Providers and reviews all elements of the services to be provided to determine the appropriateness of each party for inclusion in the Authorised Providers' List.

### 3.1 Initial selection

OBAM IM has established an Authorized Providers selection process to select new execution brokers to add to OBAM IM's List of Authorized Providers. Adding a new execution broker to OBAM IM's List of Authorized Providers is initiated by the Portfolio Management team and subject to the approval of the Management Board.

A new execution broker will be added to OBAM IM's when the cumulative effect of the criteria as outlined below is assessed to be beneficial for OBAM IM's clients and/or (the investors of) the Fund(s). OBAM IM takes, among others, the following criteria into consideration when selecting execution brokers:<sup>2</sup>

- knowledge, experience and track record;
- market access (market depth and access to liquidity);
- quality of trading (systems);
- data and information security and confidentiality;
- existence of appropriate documentation and credit limits; and
- permitted licenses.

### 3.2 Ongoing monitoring

OBAM has established an Authorized Providers assessment process to evaluate the quality and value of Authorized Providers. OBAM IM has delegate the performance of the Authorized Providers assessment to the external service provider. The Portfolio Management team validates the outcome of the assessment and will give a recommendation to the Management Board on (the inclusion or removal of) the list of Authorised Providers. The Management Board decides on the composition of the list of Authorised Providers, taking into account the recommendations of the Portfolio management team.

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<sup>2</sup> Note that execution brokers are subject to OBAM IM's initial AML/CTF due diligence and Sanctions screening. Further reference is made to the AML/CTF and Sanctions Policy

The external service provider facilitates two Authorized Providers assessments per year.<sup>3</sup> The evaluation is divided into voting units that provide a homogeneous group of peers to which Authorized Provider will be compared regarding each type of financial instrument. The Authorized Providers assessment is a combination of:

- detailed ratings of the five main criteria (quality of trading, electronic trading offer, ability to provide liquidity, ability to provide prices and post-trade monitoring);
- general comments highlighting strengths and areas of development;
- global average score and performance group; and
- ranking (out of the total number of brokers in the peer group).

In addition, the Portfolio Management team, reviews the Authorized Provider's:

- compliance of the Authorized Providers' Best Execution Policies with this Policy;
- compliance with confidentiality arrangements made between OBAM IM and the Authorized Provider;
- data and information security;
- applicable licenses and correspondence (issues) with supervisory authorities.

### 3.3 Inducements

In order to prevent conflicts of interest, OBAM IM neither the external service provider receive any (non-) monetary benefit for routing orders to a particular Authorized Provider.

### 3.4 Independence of research services and execution services provided by Authorized Providers

OBAM IM applies a specific process for selection providers of research services. Though the application of selection criteria for research providers are distinct from the selection criteria for Authorized Providers, it does not preclude OBAM IM to select certain external service providers both for execution and research services.

As a key principle of this Policy, the cost of external research is distinguished and independent from the cost of executing a trade. These research costs are collected from the portfolio by the Authorized Provider at the moment of settlement of a transaction pursuant to a commission sharing agreement, it being understood that the research commission will be distinct from the execution commission. The research amount so collected will be used by OBAM IM to pay research material relevant to the considered portfolio to the various research providers according to the pre-defined research budget.

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<sup>3</sup> In addition, Authorized Providers are subject to OBAM IM's ongoing AML/CTF due diligence arrangements and Sanctions screening. Further reference is made to the AML/CTF and Sanctions Policy.

## 4 Order handling

With regard to processing of orders sent by OBAM IM to the external service provider, the rules hereafter apply:

- orders are executed promptly and accurately recorded and allocated;
- orders are processed by the external service provider in the order in which they are received. When received concomitantly via different communication methods, priority will be given to the order that is received directly via the external service provider's order management system; and
- carry out otherwise comparable orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable or the interests of OBAM IM's clients and/or (the investors of) the Fund(s) require otherwise.

OBAM IM applies the order aggregation and allocation principles as outlined in this section to its order handling.

### 4.1 Order aggregation and allocation by OBAM IM

(Dis)investment decisions will be made at the same time for both the Fund(s) and clients. During the (dis)investment selection and decision process, the Portfolio Management team assess whether the (dis)investment is in line with the investment strategy and within the best interest of the individual Funds and client mandates. Further reference is made to the Portfolio Management Policy.

Orders following the same (dis)investment decision are submitted by the Portfolio Management team to the external service provider for execution at the same time. In principle, comparable orders are transmitted pre-allocated, sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable. OBAM IM may aggregate orders for its clients and/or the Fund(s) when:

- the fair treatment of clients and/or (the investors of) the Fund is assured;
- orders are pre-allocated to client or the Funds portfolios. The order allocation will be reported to the external service provider as part of the order transmission details;
- the characteristics of the order make them suitable for aggregation;
- it is unlikely that the aggregation of orders harms any client and/or (the investors of) the Fund whose order is to be aggregated; and
- where an order is not executed in full, partial executions are allocated on a pro-rata basis and always on a fair and reasonable basis.

When OBAM IM aggregates orders and part or all of the aggregated order has been filled, it must promptly allocate the designated investments concerned and keep records of the basis of allocation and any change to that allocation. Orders will be generally allocated pre-trade on a pro-rata basis considering the asset under management of the client mandate(s)/Fund(s) managed by OBAM IM unless there are sound reasons for applying alternative allocation criteria. Criteria to determine alternative allocations, can be when the allocation falls below a minimum tradeable size.

#### **4.2 No matching of orders (market cross) by the external service provider**

If the external service provider identifies that OBAM IM and another one of its clients are interested in buying and selling the same instrument, the external service provider will not and cannot- in line with its best execution policy - match these opposing orders, not even through the Authorised Providers.

## 5 Client information

### 5.1 Policy on the website

OBAM IM must provide appropriate information about the Policy to its clients and the investors of the Fund(s). This Policy (including its Annexes) will be made available on OBAM IM's/the Fund(s) website and will be available upon request. OBAM IM will notify its clients and the investors of the Fund(s) of any material changes to this Policy. A material change within the scope of this Policy is a significant event that could impact parameters of best execution.

### 5.2 Top five Authorized Providers

OBAM IM will annually provide to its clients, to who it provides portfolio management services, for each type of financial instrument to which these services relate, the top five Authorized Providers in terms of trading volumes where it transmitted or placed orders for execution in the preceding year including information on the quality of execution obtained.

### 5.3 Top five trading venues

OBAM IM shall publish per class of financial instrument the top 5 execution venues, when trading directly on or with execution venues. For orders that were transmitted to another entity for execution, the publication shall show the top 5 execution brokers. The information shall be presented in terms of trading volumes and in terms of number of orders, for all executed client orders in the previous year, and be presented in prescribed templates. Whereas the proportion of volume traded as percentage of total executed volume and as percentage of total executed orders is always published, the percentage of passive orders, aggressive orders and/or directed orders is only presented if and when applicable.

| 1. Class of financial instrument  |   |   |  |   |   |
|---|---|---|--|---|---|
| 2. Confirmation of whether it has executed an average of less than one trade per business day in the previous year in that class of financial instruments |   |   |  |   |   |
| 3. Top five execution venues per class of financial instrument  | Proportion of volume traded (as % of total executed volume) | Proportion of orders executed (as % of total executed orders) | <i>% of the executed orders that were passive orders</i> | <i>% of the executed orders that were aggressive orders</i> | <i>% of orders referred that were directed orders</i> |
| Name and Venue Identifier   |   |   |  |   |   |
| Name and Venue Identifier   |   |   |  |   |   |
| Name and Venue Identifier   |   |   |  |   |   |
| Name and Venue Identifier   |   |   |  |   |   |
| Name and Venue Identifier   |   |   |  |   |   |

#### 5.4 Client specific information

OBAM IM provides to its clients, to who it provides portfolio management services, specific information concerning the transmissions of orders in their portfolio. This information will be included in the client quarterly report. Further reference is made to the Client Services Policy that outlines OBAM IM's client report arrangements in more detail.

A client may request OBAM IM to demonstrate that it has executed an order in accordance with this Policy. OBAM IM will accept these requests when the request is reasonable and provided that the relevant order(s) is subjected to the requirements of this Policy.

## Annex I – Application of order execution principles

| Type of financial instrument  | Most important execution factors | Permitted order execution methodologies | Permitted Authorized Providers |
|---|----------------------------------|---|--------------------------------|
| Listed securities   | Price, costs and speed           | See 2.1.3, order methodologies          | See Annex II providers         |
| Exchange-traded derivatives   | Price, costs and speed           | See 2.1.3, order methodologies          | See Annex II providers         |
| Exchange-traded investment fund (UCITS-funds or Alternative Investment Funds) | Price, costs and speed           | See 2.1.3, order methodologies          | See Annex II providers         |

## Annex II – List of Authorized Providers

| Authorized Providers (last updated 1 January 2021) |
|--|
| Sanford Bernstein                                  |
| Citigroup  |
| Cowen  |
| Credit Suisse                                      |
| Goldman Sachs                                      |
| JP Morgan  |
| Morgan Stanley                                     |