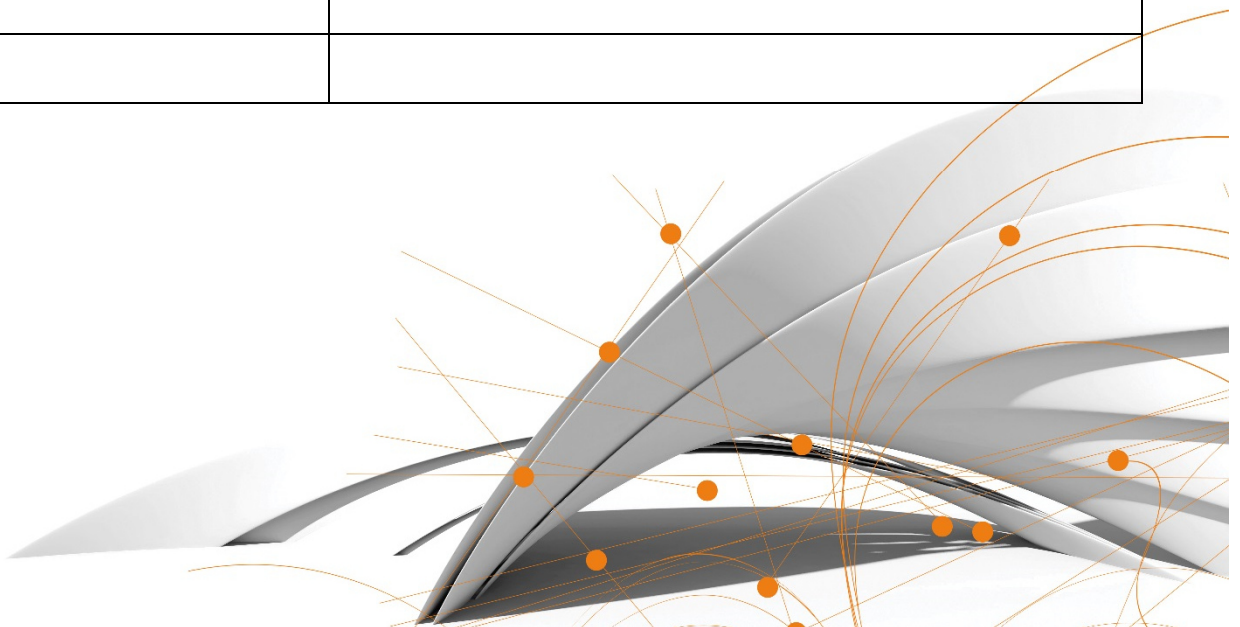


Counterparty selection procedure

Object:	Counterparty selection procedure
Written by:	
Validated by:	
Date:	
Version:	
Level of risk:	
Location:	



I. Preamble

This procedure describes brokers' selection process for trades executed on behalf of TOBAM's portfolios (mandates and funds).

The broker committee typically occurs every quarter and includes Portfolio Management, Middle Office Supervision, Risk and Compliance. The committee grades counterparties according to various criteria.

This procedure aims at addressing the following non-comprehensive list of risks:

- Risk to select brokers who are not able to provide best execution.
- Risk to keep approved brokers who are no longer able to provide best execution.

II. Methodology

- Brokers are graded according to specific criteria and when it is applicable:

1/ Equity/FX/Futures brokers

- Best execution (including fees, quality of order execution and monitoring)
- Reputation and Financial reliability
- Cooperation
- Execution advice (Quality of investment advisory services...) if applicable
- Robustness of STP process
- Historical partnership

2/ Corporate bonds brokers

- Best execution (including fees, quality of order execution and monitoring)
- Reputation and Financial reliability
- Cooperation
- Execution advice / Quality of investment advisory services
- Liquidity
- New issue allocations

- Criteria are weighted according to coefficients agreed during the committee.
- A rating from 1 to 5 is established for each counterparty.
- This rating is based on Portfolio Management's feedbacks but also on Middle Office Supervision's, specifically on STP issues and monitoring of orders.

III. Approval and disapproval

- Formal approval / disapproval of counterparties takes place during quarterly meetings or ad hoc meetings. New proposed counterparties are generally identified by Portfolio Management.
- Existing brokers are also reviewed to be re-confirmed or not, according to specific reasons and particularly when the counterparty is no more able to provide best execution.
- Minutes of the meeting and an updated list of authorised counterparties with their ratings will be prepared by a secretary designed during the committee. Both will then be circulated to Portfolio Management, Middle Office Supervision, Risk, Compliance and to the COO. The minutes and the list will be archived at: G:\Risk\Broker committee.

IV. Equity trades allocation

- At the end of each year, equity brokers may be grouped according to ratings.

- The committee may determine a target allocation of future volumes in percentage of each group.
- As a recommendation, but not an obligation, during the year, Portfolio Management would try to allocate volumes according to this target.

V. Procedure update

The counterparty selection procedure should be reviewed at least annually.