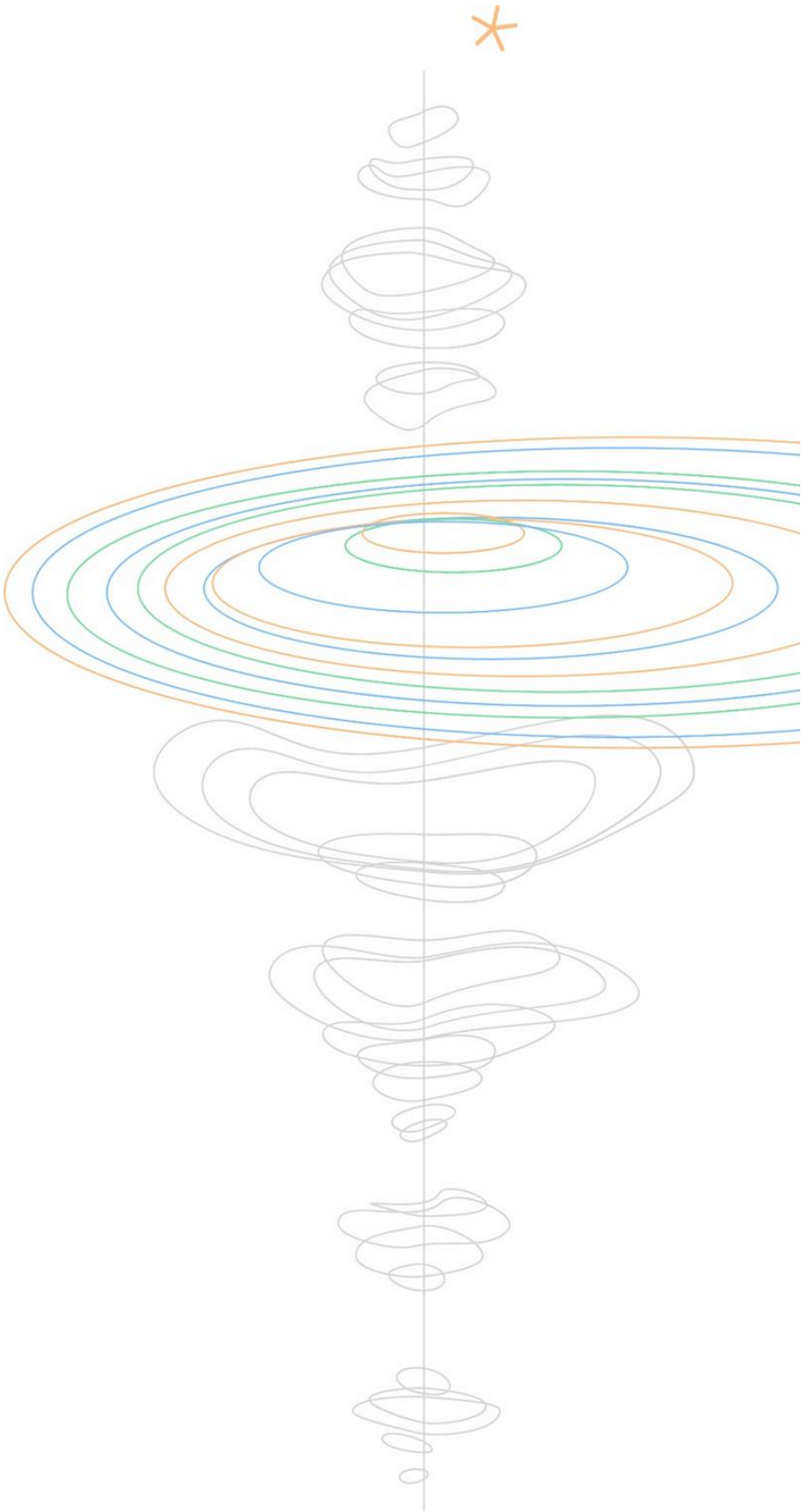


**Best Execution Policy**



## 1. General information about this policy

TOBAM manages portfolios of investments on a discretionary basis for investment funds and external segregated client portfolios (together, "**clients**").

TOBAM is authorised and regulated by the AMF and is an investment firm subject to the requirements of the AMF rules that implement the Markets in Financial Instruments Directive (MiFID II) UCITS, AIFMD.

The AMF requires TOBAM to take sufficient steps to obtain the best possible result for its clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration, whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution. This overarching obligation to obtain the best possible result for clients is our obligation of Best Execution.

In addition, TOBAM is regulated by the SEC and also subject to US legal and regulatory requirements addressing Best Execution, including the CFA Institute Trade Management Guidelines. The CFA Institute's Trade Management Task Force defines Best Execution for Firms as "the trading process Firms apply that seeks to maximize the value of a client's portfolio within the client's stated investment objectives and constraints.

This definition recognizes that Best Execution:

- a) is intrinsically tied to portfolio-decision value and cannot be evaluated independently,
- b) is a prospective, statistical, and qualitative concept that cannot be known with certainty ex ante,
- c) has aspects that may be measured and analysed over time on an ex post basis, even though such measurement on a trade-by-trade basis may not be meaningful in isolation, and
- d) is interwoven into complicated, repetitive, and continuing practices and relationships."

### 1.1 Scope

This policy applies only to clients classified by TOBAM as Professional Clients and only to dealings in Financial Instruments (each as defined in MiFID II) including activities such as securities lending.

As a portfolio manager, TOBAM makes, and then gives effect to, decisions to deal in financial instruments on behalf of its clients. There are two methods of giving effect to those decisions that are distinguished for the purposes of the AMF rules that implement MiFID.

- First, TOBAM can place an order with a third party (e.g. a broker or investment bank) for that third party to execute on behalf of the client. Such third parties are referred to in this policy as "**Brokers**".
- Second, TOBAM can execute the relevant transaction on behalf of the client directly with the counterparty or on an exchange or other trading system (for example by dealing directly with a market maker on a "request for quote" basis or by accessing an exchange directly using a direct market access (DMA) system. The counterparty, exchange or trading system with whom TOBAM chooses to execute such a transaction is referred to in this policy as an "**Execution Venue**". TOBAM is not, itself, a member of **any** regulated markets or of any Multilateral Trading Facility (MTF).

In choosing Brokers, TOBAM is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order in ensuring the best possible result. TOBAM however will select the brokers who classify TOBAM as Professional Client and therefore owe a duty of Best Execution to orders executed on behalf of TOBAM.

### 1.2 TOBAM's Core Best Execution Obligations

As a portfolio manager, TOBAM is required:

- to act in accordance with the best interests of its clients when placing orders with Brokers for execution that result from decisions by TOBAM to deal in financial instruments on behalf of those clients;

- to take all reasonable steps to obtain the best possible result for its clients, when directly executing orders with or on an Execution Venue on behalf of its clients;
- in order to comply with the above obligations, to take all reasonable steps to obtain the best possible result for its clients, taking into account the **"execution factors"** relevant to the order. The relative importance of these factors must be determined by reference to the **"execution criteria"**;
- to provide appropriate information to its clients on the policy and, to obtain those clients' consent to the policy;
- to monitor on a regular basis the effectiveness of the policy and, where appropriate, correct any deficiencies;
- to review the policy annually and whenever a material change occurs that affects TOBAM's ability to continue to obtain the best possible result for its clients.

TOBAM gives effect to decisions to deal only on behalf of professional clients. This means that TOBAM is entitled to assess the best possible result for its clients in terms of the various execution factors and not simply on the basis of the total consideration (price and cost).

## 2. Execution Factors

Our Best Execution obligation applies to MiFID II Instruments. However, given the differences in market structures and the structure of those instruments, it may be difficult to apply a uniform standard and procedure for Best Execution that would be effective for all types of MiFID II Instruments. Best Execution will therefore be applied in a manner that takes into account the different characteristics associated with the execution of orders related to particular types of MiFID II Instruments.

### 2.1 The Main Execution Factors

When trading on behalf of clients TOBAM will take a number of execution factors into account, including:

- a) Price;
- b) The costs of execution to include both implicit and explicit costs;
- c) The need for speed of execution;
- d) Likelihood of execution and settlement of the order;
- e) Size and nature of the order;
- f) Market impact;
- g) The nature of the specific MiFID II Instrument including whether it is transacted on a Regulated Market, Multilateral Trading Facility ("**MTF**"), Organised Trading Facility ("**OTF**") or over the counter ("**OTC**"), including via Systematic Internalisers (collectively "**Execution Venues**"); and
- h) Any other relevant considerations.

In determining the relative importance of these factors, we will use our own commercial experience and judgment taking into account Best Execution criteria as described below, as well as the possible execution venues to which that order can be directed.

#### *Single venue transactions:*

The nature of a financial instrument may result in there being only one venue of execution and therefore the only pricing consideration are the need of speed execution, the size and nature of orders and market impact. It therefore precludes the use of comparable prices and may limit the ability of TOBAM to demonstrate Best Execution.

However, the use of a single venue does not diminish TOBAM's responsibility to monitor the quality of execution. In these instances, TOBAM must carry out analyses to consider whether other suitable venues exist and / or consider whether TOBAM's execution arrangements led to the best possible result for the client.

## 2.2 “Relative Importance” of the Execution Factors

In general, TOBAM regards price as the most important of these factors for obtaining Best Execution. We may therefore adjust our importance weighting for the remaining execution factors, on a per trade basis, taking into account the nature of the order and the market at the time.

There may be circumstances where other factors may be considered to have a higher priority, such as the likelihood of execution or the size of the order in less liquid instruments. Where the likelihood of execution is uncertain or the size of the order may have an impact on the market, achieving execution in a timely manner may be of greater importance than the price of execution.

TOBAM does not commit to obtaining the best possible price in all circumstances, there may be occasions where we change the priorities given to the execution factors, where it is considered that factors other than price should appropriately take precedence in achieving the best possible result. For example, in times of severe market disruption or in the event of a system outage, speed and certainty of execution and settlement may be prioritised.

## 2.3 Best Execution Criteria

TOBAM determines the relative importance of the execution factors and their relative contribution in achieving Best Execution, by taking into account the following criteria, on a per trade basis:

- a) the characteristics of the client order;
- b) the characteristics of the financial instrument that are subject to the order; and
- c) the characteristics of the Brokers and/or Execution Venues to which that order can be directed;
- d) any other circumstances that we deem to be relevant to the execution of a particular transaction.

## 3 Transmission of Orders

TOBAM may transmit an order to, or place an order with, a broker for execution. Counterparties are selected in accordance with TOBAM's Counterparty Selection Procedure included herein. In this regard, TOBAM may consider the following factors in the selection of a broker:

- e) Access to alternative markets and execution venues;
- f) Commission rates and prices/spreads;
- g) Execution speed/latency;
- h) Quality of execution and service, both historical and current;
- i) Clearing and settlement efficiency and capabilities;
- j) Risk profile, credit worthiness and reputation;
- k) Any other factor relevant to the transaction.

In choosing Brokers, TOBAM is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order in ensuring the best possible result. TOBAM however will select the brokers who classify TOBAM as Professional Client and therefore owe a duty of Best Execution to orders executed on behalf of TOBAM.

## 4 Monitoring and Oversight

### 4.1 Overview

TOBAM collects various market data and computes internally a series of measures to quantify for best execution and best selection. Among other metrics that have been developed, an internal statistical model has been implemented and calibrated to the trading at TOBAM which will raise any particular price deviation on trades carried out by TOBAM.

### 4.2 Post-Trade Monitoring

We will monitor and assess the quality of our execution arrangements using a range of methods which include but are not limited to the following: assessing the strategies across our selected execution counterparties, comparisons of executed transactions against appropriate market reference prices, the production of outlier reports and assessing transaction costs to identify those trades that have not achieved best price on a consistent basis.

Where appropriate, TOBAM may use Transaction Cost Analysis ("**TCA**") tools to support the post-trade monitoring process.

TOBAM monitors on a quarterly basis the portfolio's for any possible incidences of churning.

## 4.3 The Broker Committee

TOBAM's Broker Committee meets quarterly in order to assess the quality of service of existing brokers, agree a rating for each, discuss any issues and approve new brokers for onboarding and the removal of any existing brokers. The Broker Committee meeting will be held within two weeks of the end of the relevant quarter and the minutes of will be distributed within a week of the occurrence of the meeting.

The review and assessment of the quality of service provided by the brokers is considered using the following criteria:

1. Equity/Forex/Futures brokers/ETF
  - 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. Fixed Income and derivative 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
- 3- Securities Financing Transactions and TRS
  - Price quality;
  - Post trade quality (probability of execution)
  - Size and stability of lending base
  - Respect the regulatory and contractual constraints (late settlement, etc)
- 4- Crypto Asset
  - Cyber security
  - Risk of fraud
  - Reputation
  - Cooperation and execution support

The above criteria are weighted according to coefficients agreed during the Broker Committee meeting

A rating from 1 to 5 is established for each counterparty, participants are requested to send in their rating prior to the meeting to ensure independence.

Ratings are awarded as follows:

1. Very poor – TOBAM may consider the removal of the Broker
2. Poor – TOBAM may decrease the weight of allocation to the Broker
3. No change to allocation
4. Good, can improve – may increase allocation
5. Excellent – will have a high allocation

Ratings are based on a combination of Portfolio Managers input along with feedback from Middle Office Supervision, the latter specifically on STP issues and monitoring of orders.

All of the above will be used to inform the committee in its decision to allocate to the approved brokers on an annual basis if not more frequently.

## 4.4 Counterparty Selection

TOBAM may transmit an order to, or place an order with, a broker for execution. Counterparties are selected in accordance with this Procedure. In this regard, TOBAM may consider the following factors in the selection of a broker:

- a) Access to alternative markets and execution venues;
- b) Commission rates and prices/spreads;
- c) Execution speed/latency;
- d) Quality of execution and service, both historical and current;
- e) Clearing and settlement efficiency and capabilities;
- f) Risk profile, credit worthiness and reputation;
- g) Any other factor relevant to the transaction.

In choosing Brokers, TOBAM is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order in ensuring the best possible result. TOBAM however will select the brokers who classify TOBAM as Professional Client and therefore owe a duty of Best Execution to orders executed on behalf of TOBAM.

- Potential counterparties are proposed by the Portfolio Manager during the quarterly Broker Committee meetings or at ad hoc meetings. Subject to the approval of the committee in principal, the proposing Portfolio Manager will complete and submit the 'Broker Approval Form' which will be reviewed by Risk and Compliance who if satisfied, will provide formal sign-off. This process also includes the new platform and types of blockchains used for crypto trading. For this type of selection, Cybersecurity, reputational risk and anti-fraud criteria will be taken into account in addition to the existing Know Your Business and risk analysis criteria.
- Existing brokers are also reviewed to be re-confirmed or not, according to specific reasons and particularly when the counterparty is no longer 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 designated by 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.
- 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.

#### **4.4.1. Brokers, Execution Venues and platforms**

TOBAM selects the Brokers for each Instrument Class that it believes will enable it to obtain on a consistent basis the best possible result when it executes orders on behalf of its clients. TOBAM selects the appropriate platform to obtain the crypto asset or trade on the exchange.

In order to do so, TOBAM conducts a Brokers Committee meeting on a regular basis.

#### **4.4.2. Choosing the Broker**

The choice as to whether TOBAM, when implementing a decision to trade on clients' behalf, passes orders to a Broker for execution will be made having regard to the relative importance of the Execution Factors for the Instrument Class in question.

Following this analysis, TOBAM selects counterparties subject to change, ongoing review and monitoring, disclosed in the Annual Report and which can be provided to clients on demand.

This analysis based on the mentioned factors determines the future allocation of the orders between the brokers. However, in particular cases, a broker can be selected based on one or several specific executions factors. In this case, executions factors are saved in the system for further analysis.

For the "fixed income" Instrument Class, the execution at a given moment will rely on liquidity, price and counterparty risk.

## **5 Consent**

### **Consent to this Best Execution Policy**

You will be deemed to have read, understood and consented to this Best Execution Policy and given prior consent to the application of the Best Execution Policy to our dealings with you as soon as you accept our terms of business.

## **6 Policy monitoring, review and update**

### **6.1 Monitoring of the Best Execution Policy**

We will monitor our compliance with this Order Handling and Execution Policy on a regular basis, including the effectiveness of our Best Execution arrangements, the execution arrangements of third parties (including connected parties) with whom we execute or to whom we have passed orders and our order handling and allocation policy.

We will review our Best Execution arrangements and the Order Handling and Execution Policy at least annually or whenever a material change occurs that affects our ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the execution venues, which we have identified from time to time.

### **6.2 Policy Updates**

TOBAM will notify clients of any material change to the Best Execution Policy by updating the website.

## **7 Publication of Top 5 venues**

### **Top Five Venue Reporting**

TOBAM is required to summarise and make public on an annual basis, for each class of MiFID II Instruments, the top five execution venues/brokers in terms of trading volumes where it executed client orders in the preceding year and information about the quality of the execution obtained.

Such information will be published annually at the end of April, commencing in 2019 on our website.



## **APPENDICES**

1. List of MiFID II Instruments
2. List of MiFID II Asset Classes for the purpose of this Policy
3. Foreign Exchange
4. Equities
5. Fixed Income
6. Securities lending

## APPENDIX 1

### List of MiFID II Instruments

1. Transferable securities;
2. Money market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in C.6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences; and
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

## APPENDIX 2

### List of MiFID II Asset Classes

- 1) Equities – Shares & Depositary Receipts
- 2) Debt instruments
  - a. Bonds
  - b. Money markets instruments
- 3) Interest rates derivatives
  - a. Futures and options admitted to trading on a trading venue
  - b. Swaps, forwards, and other interest rates derivatives
- 4) Credit derivatives
  - a. Futures and options admitted to trading on a trading venue
  - b. Other credit derivatives
- 5) Currency derivatives
  - a. Futures and options admitted to trading on a trading venue
  - b. Swaps, forwards, and other currency derivatives
- 6) Structured finance instruments
- 7) Equity derivatives
  - a. Futures and options admitted to trading on a trading venue
  - b. Swaps and other equity derivatives
- 8) Securitized derivatives
  - a. Warrants and Certificate derivatives
  - b. Other securitized derivatives
- 9) Commodities derivatives and emission allowances derivatives
  - a. Futures and options admitted to trading on a trading venue
  - b. Other commodities derivatives and emission allowances derivatives
- 10) Contracts for difference
- 11) Exchange traded products (exchange traded funds, exchange traded notes and exchange traded commodities)
- 12) Emission allowances
- 13) Other instruments

## APPENDIX 3 FOREIGN EXCHANGE

### 1. INTRODUCTION

The Specific Best Execution Policy in this Appendix is for our foreign exchange ("FX") business.

### 2. INSTRUMENTS

This Specific Best Execution Policy is in relation to the following MiFID II Instruments only where they relate to foreign exchange (each a "**Covered Instrument**" and together "**Covered Instruments**"):

- a) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to currencies or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash; and
- b) Options, futures, swaps, forward rate agreements that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).

Where required by the relevant jurisdictions, this policy also applies to spot FX transactions that are ancillary to MiFID II Services.

### 3. BEST EXECUTION

#### 3.1 Specific Execution Factors

When dealing in FX on behalf of our clients, TOBAM will take a number of execution factors into account, including:

- a. Price;
- b. The need for timely execution;
- c. Market liquidity; and
- d. The size and nature of the order.

A determining factor of the choice of execution venue may be that there is only one venue where an order can be executed due to the nature of the order or requirements. Where we transmit or place orders with a single entity for execution we will endeavour to ensure that the execution venue is able to deliver Best Execution, as applicable.

#### 3.2 "Relative Importance" of the Execution Factors

The different execution factors will not usually be of equal importance. The priority of any one of these factors over the others will depend upon any specific instructions from you and market conditions. We will use our commercial judgment and experience in light of available market information to achieve the best balance across a range of sometimes conflicting factors.

Price will usually be the most significant execution factor, followed by size of order and then speed of execution. However, other execution factors may take precedence over price at times. In certain situations where a market is volatile, illiquid or the order is of a large size, we may determine that the size of the order, i.e. filling the whole order, is more important than the price. Additionally, in times of severe market disruption or in the event of a system outage, we may prioritise speed of execution and certainty of execution and settlement over the price.

#### 3.3 List of Execution Venues

A list of the execution venues, brokers and dealers can be provided upon request from your contact at TOBAM.

#### 3.4 Transmission of Orders

Where we exercise investment discretion on your behalf and subsequently place or transmit an order with a third party, we will, at our discretion, take into account any or all of the following factors to assess their performance:

- a) Quality of order execution and fees level;
- b) Reputation;
- c) Cooperation;
- d) Financial stability;
- e) Execution advice;
- f) Relationship;
- g) Straight Through Processing (automation level of executions); and
  - a. Ability to offer liquidity. Range of products;
  - b. Credit rating / worthiness;
  - c. Any other factor relevant to the order.

## **APPENDIX 4 EQUITIES**

### **1. INTRODUCTION**

This Appendix sets out our Best Execution policy in relation to equity cash products only, which are MIFID II Instruments.

### **2. EQUITY TRADING EXECUTION FACTORS**

#### **2.1 General**

TOBAM's Best Execution obligation applies in relation to all Covered Equity Instruments that are MIFID II Instruments. However, given the differences in market structures for these Covered Equity Instruments, it may be difficult to apply a uniform standard and procedure for Best Execution that would be effective for each of the Covered Equity Instruments. Best Execution would therefore be applied in a manner that takes into account the different characteristics associated with the execution of orders related to particular Covered Equity Instruments.

#### **2.2 The Main Execution Factors**

In considering how we might achieve Best Execution TOBAM will take a number of execution factors into account, including price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other considerations relevant to the execution of the order.

In determining the relative importance of these factors, TOBAM will use our own commercial experience and judgement taking into account Best Execution criteria such as status as a professional client in addition to the size and nature of the order, the characteristics of the MiFID II Instruments to which the order relates, as well as the possible execution venues to which that order can be directed.

#### **2.3 "Relative Importance" of the Execution Factors**

In general, we will regard price as the most important of these factors for obtaining Best Execution. Since we would normally rank price as the most important execution factor we may adjust the importance of the weighting for the remaining execution factors, on a per trade basis taking into account the nature of the order and the market at the time. We recognise that there may be circumstances for some clients, particular instruments or markets where other factors may be considered to have a higher priority, such as the likelihood of execution in illiquid securities. Where the likelihood of execution is small, achieving execution may be of greater importance than the price of execution. In illiquid securities the size of the transaction and minimizing the market impact of the transaction may be the most important factor.

#### **2.4 Specific Instructions Given by You**

Where applicable TOBAM will take into account any specific requirements or instructions that you provide at the point of receiving your order. Any specific instructions provided by you may prevent us from taking the steps articulated in this Policy in attaining Best Execution on your behalf and may therefore limit us in our ability to provide Best Execution

### **3. EQUITY EXECUTION VENUES**

#### **3.1 Venue, Broker and Dealer Selection Factors**

TOBAM has identified a variety of different execution venues and / or liquidity providers that enable us to obtain Best Execution on a consistent basis when dealing on behalf of our clients.

TOBAM will transmit your order to a broker or dealer for execution in accordance with this Policy. In such cases TOBAM may:

- Determine the ultimate execution venue itself by accessing specific execution venues through such as third parties; or
- Instruct another broker or dealer accordingly.

A list of the execution venues, brokers and dealers can be provided upon request from your contact at TOBAM.

We will regularly monitor and review the performance of execution venues, brokers and dealers against, including but not limited to, the following criteria:

- Market share, tenure and breath of market coverage;
- The ability of the venue, broker or dealer or connected party to manage complex orders;
- The performance of the venue, broker or dealer or connected party on recent orders submitted to it;
- Niche areas or specialities of that venue, broker or dealer or connected party; and
- The speed of execution and responsiveness.

TOBAM will choose a venue; select broker or dealer from the list of approved venues and brokers that it reasonably believes will help it to satisfy its Best Execution obligations.

### **3.2 RECEPTION AND TRANSMISSION OF ORDERS**

TOBAM may transmit a client order to, or place a client order with, another entity for execution.

In such cases TOBAM will take into consideration the following factors relating to that other entity:

- a) Quality of order execution and fees level;
- b) Reputation;
- c) Cooperation;
- d) Financial stability;
- e) Execution advice;
- f) Relationship;
- g) Straight Through Processing (automation level of executions); and
- h) Ability to offer liquidity. Range of products;
- i) Credit rating / worthiness;
- j) Any other factor relevant to the order.

## **APPENDIX 5 FIXED INCOME**

### **1. INTRODUCTION**

This Appendix sets out our Best Execution policy in relation to fixed income products and services only, which are MIFID II Instruments, specified in Section C point (1) to (3) of Annex 1 of MIFID II ("**Covered Instruments**").

### **2. FIXED INCOME TRADING EXECUTION FACTORS**

#### **2.1 General**

TOBAM's Best Execution obligation applies in relation to all types of Covered Fixed Income Instruments. However, given the differences in market structures for these instruments, it may be difficult to apply a uniform standard and procedure for Best Execution that would be effective for all classes of instruments. Best Execution would therefore be applied in a manner that takes into account the different characteristics associated with the execution of orders related to particular types of Covered Fixed Income Instruments.

#### **2.2 The Main Execution Factors**

In considering how TOBAM might achieve Best Execution we will take a number of execution factors into account, including price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other considerations relevant to the execution of the order.

In determining the relative importance of these factors, TOBAM will use our commercial experience and judgement taking into account Best Execution criteria such as status as a professional client in addition to the size and nature of the order, the characteristics of the MIFID II Instruments to which the order relates, as well as the possible execution venues to which that order can be directed.

#### **2.3 "Relative Importance" of the Execution Factors**

In general, TOBAM will regard price as the most important of these factors for obtaining Best Execution. Since TOBAM would normally rank price as the most important execution factor we may adjust the importance placed on the remaining execution factors, on a per trade basis taking into account the nature of the order and the market at the time. However, TOBAM recognises that there may be circumstances for some clients, particular instruments or markets where other factors may be considered to have a higher priority, such as the likelihood of execution in illiquid securities. Where the likelihood of execution is small, achieving execution may be of greater importance than the price of execution. In illiquid markets the size of the order may also be an important consideration as TOBAM is likely to place greater importance in minimising the impact on the market if the order is large. This may have particular relevance in the case of fixed income markets where price transparency and liquidity tend to be far more limited in comparison with the exchange traded instruments.

#### **2.4 Specific Instructions Given by You**

Where applicable TOBAM will take into account any specific requirements or instructions that you provide at the point of receiving your order. Any specific instructions provided by you may prevent us from taking the steps articulated in this Policy in attaining Best Execution on your behalf and may therefore limit us in our ability to provide Best Execution.

### **3. FIXED INCOME TRADING**

#### **3.1 Fixed Income Execution Factors**

The fixed income market typically trades bilaterally between dealers and market makers in a privately negotiated over the counter ("OTC") market on a principal to principal basis and trade through the



multilateral trading facility rather than on an agency broker basis on an organised trading venue such as a stock exchange. As a result of the significant difference in market structure and trading style, the fixed income market is typically less transparent and may on occasion be less liquid compared to the equities market.

In considering how TOBAM might achieve Best Execution for fixed income orders, TOBAM will follow the same process in determining the relative importance of execution factors as set out in the General Best Execution Policy. TOBAM will normally regard price as the most important factor as part of our Best Execution obligation and will take all sufficient steps to seek the best price. However, in certain circumstances where price transparency or liquidity is adversely affected, TOBAM may regard that the speed, impact and likelihood of execution, or other factors, depending on the circumstances, could be a more important factor for the order than price.

### **3.2 Fixed Income Execution Venue and Strategy**

Fixed Income markets are largely traded outside of a Trading Venue. Liquidity and price transparency for Covered Fixed Income Instruments differ to those found in the equities market and thus require different execution strategies.

In executing and/or transmitting an order in a Covered Fixed Income Instrument, TOBAM may seek prices from an appropriate number of available counterparties (including connected parties) which TOBAM considers in the best interest of the order. These factors may include but are not limited to:

- Availability of dealers quoting a market via Bloomberg message function;
- The quality of indicative bids and offers;
- Level of trading interest and depth of market;
- Ticket size; and
- Electronic execution capability.

For illiquid securities with a screen price, we may consider relevant to determine the number and appropriate counterparty to seek prices to include, but are not limited to:

- Ticket size
- Price
- Dealers quoting a market via Bloomberg message function
- Depth of interest.

Where there is no on-screen price, we will endeavour to source prices including but not limited to the following ways:

- Desk blotter search to determine historical dealer execution
- Price request from dealers that were lead managers of the applicable issuance of the security
- Price request from known specialists in the security or sector/asset class.
- Source and review previous trade prints and the indicative market to arrive at an execution price

A list of the execution venues, brokers and dealers can be provided upon request from your contact at TOBAM.

## **4. RECEPTION AND TRANSMISSION OF ORDERS**

TOBAM may transmit a client order to, or place a client order with, another entity for execution, in such cases, TOBAM may take into consideration the following factors:

- Access to alternative markets and execution venues;
- Commission rates and prices/spreads provided;
- Execution speed/latency;
- Quality of execution and service, both historical and current;
- Clearing and settlement efficiency and capabilities; and
- Risk profile, credit worthiness and reputation.

## **APPENDIX 6**

### **SECURITIES LENDING**

#### **1. INTRODUCTION**

This Appendix sets out our Best Execution policy in relation to securities lending.

The securities lending activity is outsourced to an independent lending agent and to a counterparty acting as principal. The counterparty acting as principal is the only counterparty (borrower) for the funds, whereas the independent lending agent acts as intermediary between the funds and multiple borrowers.

#### **2. Securities lending TRADING: Execution Factors**

The securities lending market is a privately negotiated over the counter ("OTC") market rather than an organised trading venue such as a stock exchange. As a result of the significant difference in market structure and trading style, the securities lending "market" is typically less transparent compared to other markets.

In considering how TOBAM might achieve Best Execution for securities lending orders, TOBAM follows the same process in determining the relative importance of execution factors as set out in the General Best Execution Policy. TOBAM will normally regard price as the most important factor as part of our Best Execution obligation and will take all sufficient steps to seek the best price. However, in certain circumstances, TOBAM may regard that the respect of regulatory and contractual obligations, and utilization rates, or other factors, depending on the circumstances, could be a more important factor for the order than price.

We regularly review and benchmark the performance of the service provided by the agent, based on the non-exhaustive following criteria:

- a) Lending fees earnings
- b) Cash collateral reinvestment earnings
- c) Compliance with regulatory and contractual constraints
- d) Utilization rate
- e) Reputation;
- f) Cooperation;
- g) Relationship;
- h) Straight Through Processing (automation level of executions)
- i) Indemnification insurance/guarantee
- j) Any other factor relevant to the activity.