

Best Execution Policy

Effective from October 10, 2011

1. Duty to act in the best interests of the client and UCITS

- 1.1. Avaron has the duty to act in the best interests of the client or UCITS when executing orders or placing orders with other entities for execution that result from decisions by Avaron to deal in financial instruments on behalf of its professional or retail clients or UCITS (hereafter: "execute orders").
- 1.2. In order to comply with the above-mentioned obligation, Avaron has adopted and implements this Best Execution Policy and takes all other reasonable steps to obtain the best possible result for its clients. However, there is no guarantee that Avaron can comply with this obligation with regards to each and every transaction made on behalf of a client or UCITS.
- 1.3. To the extent that a client provides Avaron with a specific instruction in relation to the client's order or any part of that order, Avaron will strictly follow such instruction. This may prevent Avaron from following the procedures it has designed and implemented in this policy to achieve the best possible result for the client.

2. Execution venues and relations with intermediaries

- 2.1. Avaron shall generally place an order for execution with another entity (brokerage firm) with which Avaron has entered into a relevant agreement and where Avaron can on a consistent basis obtain the best possible result for the execution of client or UCITS orders. An intermediary has direct access to an execution venue such as a regulated market, a multilateral trading facility, a systematic internaliser, market makers or other liquidity providers. Avaron can also execute an order by itself. The list of such intermediaries with which Avaron places orders is appended to this policy.
- 2.2. An order can be executed outside a regulated market or a multilateral trading facility. An order can be also executed between various clients of Avaron if it is in accordance with the best interests of both clients and their investment objectives.
- 2.3. An order of a UCITS can be executed between other UCITS funds or against various clients of Avaron only if it is in accordance with Investment

Fund Act and in the best interests of both UCITS funds or clients and their investment objectives.

- 2.4. Where an order can be executed on a single venue or through a single intermediary it is assumed that Avaron has satisfied its obligation for obtaining the best possible result.
- 2.5. When there is more than one competing venue/intermediary that are capable of executing an order and with whom Avaron has entered into a relevant agreement, Avaron shall assess and compare the results for the client or UCITS that would be achieved using each of the venues or intermediaries. Thereby, Avaron shall take into account Avaron's own commissions (if any) and costs for executing the order on each of the eligible execution venues or intermediaries. Avaron shall not structure or charge its commissions in such a way as to discriminate unfairly between execution venues/intermediaries.
- 2.6. Avaron shall take into account the following factors to determine the manner in which an order will be executed: price, costs, speed, likelihood of execution and settlement, size of an order, nature of an order and any other consideration relevant to the efficient execution of the order (including liquidity and the effect that the order could have on market price). For example, for some orders the most important factor could be the speed of execution whereas for other orders with illiquid financial instruments the fact of execution may itself constitute best execution.
- 2.7. When evaluating the relative importance of the factors referred to in 2.6 of a client's order, Avaron shall take into account the following criteria:
 - The characteristics of the client including the categorisation of the client as retail or professional;
 - The characteristics of the client order;
 - The characteristics of financial instruments that are the subject of that order;
 - The characteristics of the execution venues to which that order can be directed.
- 2.8. When evaluating the relative importance of the factors referred to in 2.5 of a UCITS order, Avaron shall take into account the following criteria:
 - the objectives, investment policy and risks specific to the UCITS, as indicated in the fund rules of the UCITS;
 - the characteristics of the order;

- the characteristics of the financial instruments that are the subject of that order;
- the characteristics of the execution venues to which that order can be directed.

2.9. Normally, an important weight of a client's order is placed on the total consideration of the order, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. When executing an order on behalf of a retail client, the best possible result shall be always determined based on the total consideration. In case of a UCITS in addition to the total consideration of the order, the best possible result may be determined based on the full range and quality of the service of the brokerage firm.

3. Supervision of execution intermediaries

3.1. When placing an order with an intermediary for execution Avaron can either:

- give specific instructions to the execution entity according to this policy about how or where a particular transaction is to be executed; or
- rely on the best execution arrangements implemented by the execution entity provided that Avaron has determined that the entity has implemented an appropriate best execution policy and has organisational arrangements that will enable Avaron to comply with its obligation to obtain the best possible result for its clients or UCITS.

3.2. In determining whether an intermediary is likely to enable Avaron to obtain the best possible result for its clients, Avaron shall consider:

- whether the intermediary itself is subject to MiFID best execution requirements and the entity has agreed to treat Avaron as a retail or professional client;
- whether the intermediary has undertaken in the agreement entered into with Avaron to comply with any or all of the MiFID best execution requirements;
- whether the intermediary can demonstrate that it delivers a high level of execution quality and has appropriate execution arrangements in place.

3.3. In case the intermediary has not implemented a relevant best execution policy (e.g. non-EEA service providers), it should still comply with

minimum requirements relating to acting in the best interests of the client and order execution. When placing orders with such intermediaries, Avaron shall provide specific instructions to the entity and exercise additional control over how its orders are executed, in order to meet its own obligation to achieve the best possible result to its clients or UCITS.

4. Order of executing orders, aggregation and allocation of orders

4.1. Avaron shall execute orders on behalf of portfolio management clients or UCITS promptly and impartially.

4.2. Avaron shall carry out otherwise comparable client or UCITS orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client or UCITS require otherwise.

4.3. Avaron shall inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

4.4. Avaron is entitled to aggregate a client or UCITS order with another client or UCITS order. Aggregation of orders may work to the disadvantage of a client in relation to a particular order. If Avaron submits an order for execution to an intermediary such intermediary is entitled to aggregate the order with other orders according to the regulations applicable in the execution venue or the intermediary's internal policies.

4.5. Aggregated orders shall be allocated to clients and UCITS based on weighted average price.

4.6. If an aggregated order is partially executed, no UCITS, client or group of clients shall be given preferential treatment when allocating the order. In such case all shall be treated equally.

4.7. If an aggregated order is partially executed, Avaron's execution broker shall allocate the order to client and/or UCITS *pro rata* with the initial order (rounding up to the nearest trading lot is allowed).

4.8. In certain situations it might be unreasonable to allocate the order *pro rata* (e.g. where a client would accordingly receive an unreasonably small amount of securities). In such situations Avaron may disregard the rule of *pro rata* allocations but will still strictly follow the principle that all clients and UCITS funds should be treated fairly.

5. Reviews of the policy

- 5.1. This policy shall be reviewed and updated whenever necessary but at least once a year. Additionally, Avaron shall evaluate at least once a year the effectiveness and the execution quality of this policy to ensure that the best possible result is obtained for Avaron's clients.
- 5.2. The effective version of this policy shall be published at Avaron web site.