

ORDERS EXECUTION, TRANSMISSION AND ALLOCATION STRATEGY

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Owner:	Investment Management
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Objective:

In line with legal requirements, this internal regulation represent the strategy governing the obtaining of the best possible result (so-called Best Execution Policy) for unit-holders of mutual funds, when executing decisions on trades in assets of mutual funds and when managing assets of mutual funds.

Main amendments:

Compared to the previous version (effective from 1 January 2018), the individual provisions have been revised in accordance with the legal requirements, internal organization and activities of VUB AM:

- update of final provisions;
- fine-tuning of the English version wording.

Content

1.	DEFINITIONS.....	3
2.	“THE BEST POSSIBLE RESULT“ PRINCIPLE	4
3.	CRITERIA FOR DETERMINING “THE BEST POSSIBLE RESULT“	4
4.	STANDARD PROCEDURES AND PRINCIPLES IN THE EXECUTION/TRANSMISSION	5
5.	ORDER EXECUTION VENUE AND INTERMEDIARY	5
6.	ORDERS EXECUTION STRATEGY	5
7.	ORDERS TRANSMISSION STRATEGY	6
8.	ORDERS ALLOCATION STRATEGY.....	7
9.	FINAL PROVISIONS.....	7

Preamble

In accordance with and based on Art. 49 to 51 of Act No. 203/2011 Coll. on collective investment, as amended, VÚB Asset Management, správ. spol., a.s., is obliged to adopt and follow measures defined in this Orders Execution, Transmission and Allocation Strategy of VÚB AM (**hereinafter also referred to as “Strategy”**) in order to achieve the best possible result for its clients.

1. Definitions

- 1.1. **VÚB AM:** joint stock company VÚB Asset Management, správ. spol., a.s., with registered seat at Mlynské Nivy 1, 820 04 Bratislava 24, CRN: 35 786 272, registered by Commercial Register of District Court Bratislava I, Section: Sa, File No. 2416/B.
- 1.2. **Mutual Fund VÚB AM:** mutual fund, to which establishment and management National bank of Slovakia granted the license to VUB AM according to the ACI.
- 1.3. **Investment strategy of mutual fund:** strategy of asset allocation in mutual fund described by the Statute of the Mutual Fund.
- 1.4. **Execution venue:** according to Article No. 73o, Par. No. 5 of the Securities Act means (i) Regulated market, (ii) Multilateral trading facilities, (iii) Systematic internalizer, (iv) Market maker or other liquidity supplier or an entity that performs a similar function in a non-Member State of EEA, while the abovementioned concepts have the following meaning:
 - a) **Regulated market** means a multilateral system operated by a regulated market operator for the purposes of bringing together or facilitating the bringing together of interests of multiple third-parties in buying and selling 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 or system, and which functions regularly and in accordance with SEA.
 - b) **Multilateral trading facilities (MTF)** shall be a system operated by securities dealer or stock exchange 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 the conclusion of a transaction in financial instruments.
 - c) **Systematic internalizer** means a securities dealer which, on an organized, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or a multilateral trading facility. The respective provision of the Commission Regulation (EC) No. 1287/2006 shall be used to determine whether the securities dealer is a systematic internalizer.
 - d) **OTC (Over-The-Counter) market** means all markets outside regulated market, systematic internalizer and outside MTF, especially markets, where the liquidity necessary for order execution is provided by Market Maker (person who is permanently interested in trading at financial markets on its own account by purchasing and selling of financial instruments with its own capital and with prices defined by such person), other liquidity provider or person performing similar activities in non-member state of EEA; VÚB AM is entering the OTC markets through electronic communication in the system Bloomberg.
- 1.5. **Order:** means instruction of Portfolio Manager (PM), approved by depository, for purchase, sale or other disposal of Financial Instruments (securities or derivatives) or other assets, either without Intermediary (transaction to be executed by PM) or by transmission (forwarding) of such instruction to Intermediary.
- 1.6. For mutual funds transactions the following types of Orders are distinguished:
 - a) **Limit order** (order with limit price, while limit order for purchase is executed with the maximum limit price and limit order for sale is executed with minimum limit price),
 - b) **Stop-market order (stop-loss, stop-buy)** (order is activated in the same time as the market price achieves the defined stop-limit; the strike price can differ from the stop-limit; especially on markets with lower liquidity),

- c) **Order valid until certain date or time** (order valid until certain date or time defined by PM a its placing),
- d) or combination of the above-mentioned.

Possibilities of use of particular types of Orders and additional information depend on the type of Financial Instrument and Execution Venue.

- 1.7. **PM:** The employee of VUB AM authorized and responsible for the Management of VUB AM Mutual Fund Assets (portfolio) – Portfolio manager.
- 1.8. **Intermediary:** Securities dealer (broker) to which VUB AM forwards Orders for trade execution (purchase, sales or other disposal) of Financial Instrument or other assets.
- 1.9. **ACI:** Act No. 203/2011 Coll. on collective investment as amended;
- 1.10. **SA:** Act No. 566/2001 Coll. on securities and investment services and on amendments and supplements to certain laws (Securities Act) as amended;
- 1.11. **SEA:** Act No. 429/2002 Coll. on stock exchange as amended.

2. “The Best Possible Result“ Principle

- 2.1. In execution, transmission and allocation of Orders, VÚB AM is obliged to obtain the best possible result for the Mutual Fund (Client) considering the given circumstances at execution, transmission and allocation of Orders.

3. Criteria for Determining “The Best Possible Result“

- 3.1 The aim of VÚB Asset Management, správk. spol., a.s. is to execute/transmit the Orders in line with the Investment strategy of the Mutual fund while obtain the best possible result for the Mutual funds portfolio by taking into account the following criteria:
 - a) Price of the trade,
 - b) Costs of trade execution,
 - c) operational complexity of trade execution,
 - d) speed and likelihood of trade execution and settlement,
 - e) size and nature of the Order or other criteria related to Order execution.
- 3.2 VÚB AM considers the best possible result of the execution/transmission of the Order for Mutual fund in a standard way in terms of total consideration of the price and costs of the trade execution directly connected with the trade (hereinafter as „total consideration“).
- 3.3 VÚB AM is obliged to take into account and attribute adequate importance also to other criteria as operational complexity of trade execution, speed and likelihood of trade execution and settlement, size and nature of Order or other criteria related to Order execution.
- 3.4 VUB AM reserves the right to assign a different weight to each criterion in the process of execution/transmission of a specific order according to its professional judgment with the aim to achieve the best possible result for the client.
- 3.5 When determining the relative importance of the criteria, VÚB AM is obliged to take into account the following facts:
 - a) Investment strategy and risks according to the Mutual Fund risk profile,
 - b) Characteristics of the Financial Instruments that are the subject of the Order,
 - c) Liquidity of the Financial Instrument,
 - d) Accessibility of the Execution Venue, characteristics of the Execution Venue where the Order may be executed/forwarded.

4. Standard Procedures and Principles in the Execution/Transmission

- 4.1 After (i) determination of the criteria and their importance for Mutual Fund and after (ii) consideration of the Execution venues, VÚB AM shall assess whether VÚB AM is able to achieve the best possible result by execution of Order or by its transmission to Intermediary standardly based on the following principles:
- a) If the costs for trade (Order) execution are lower than at Order transmission, and at the same time VÚB AM has no doubts that the best possible result for its Client will be achieved, VÚB AM shall execute the Order at such Execution Venue.
 - b) In case VÚB AM cannot achieve better result for the Client compared to Order transmission to Intermediary when taking into account mainly price and total costs or other criteria for determination of the best possible result for trade (e.g. operational complexity of trade), VÚB AM shall transmit such Order to Intermediary.
 - c) VÚB AM shall transmit Order to Intermediary if VÚB AM does not have an Access to the Execution Venue (e.g. Regulated Market).
 - d) VÚB AM shall assess, where appropriate, which Intermediary can achieve the best possible result for the Client and shall transmit the Order for trade execution to such Intermediary.

5. Order Execution Venue and Intermediary

- 5.1 At each execution of purchase or sale of Financial Instrument, VÚB AM chooses an Execution Venue where the best possible result can be achieved for the Client. When fulfilling this commitment the following Execution Venues shall be taken into account:
- a) Regulated Market,
 - b) Multilateral Trading Facilities (MTF),
 - c) Systematic Internalizer,
 - d) OTC Market.
- 5.2 For Order execution VUB AM shall select Execution Venues/Intermediaries of high standing satisfying the criteria of confidentiality, reliability and financial stability and having the ability to ensure a proper Order execution to minimize the counterparty risks in terms of VÚB AM internal rules.
- 5.3 The list of Execution Venues/Intermediaries is in Annex No. 1 of this Strategy.
- 5.4 VÚB AM reserves the right to use other Execution Venues/Intermediaries as listed in Annex No. 1 hereof in case such procedure will be in the best interest of the Mutual Fund.

6. Orders Execution Strategy

- 6.1 VÚB AM is obliged to adopt measures to achieve the best possible result for the Mutual Fund unit-holders in the process of implementation of decisions on trading with Mutual Fund assets and in management of Mutual Fund assets taking into account the Criteria (see above) set for determining the best possible result when executing Orders.
- 6.2 VÚB AM Orders Execution Strategy for each specific Financial Instrument is as follows:
- a) In the case of trading of **Money Market Instruments or Bonds**, VÚB AM normally executes Orders through MTF and OTC market.
 - b) In the case of trading of **Securities and shareholdings of collective investment undertakings**, VÚB AM normally executes Orders with the respective management company (depository) of the mutual fund or other entity of collective investment who issues such securities or equity units.
 - c) In the case of **Funds admitted to listing on stock Exchange (ETF)**, VÚB AM may execute Orders through MTF or OTC market, particularly in the case where justified by lower costs, or lower trade volume or lower liquidity on the regulated market.

- d) In the case of trading of **Financial Derivatives concluded outside the Regulated Market**, VÚB AM normally executes Orders with VÚB bank, Banca IMI or with other dealer/broker acting on OTC market, while, in addition to the Criteria for determination of the best possible result when executing Orders, especially taking into account the aspect of operational complexity of settlement of derivative trades and future payments stemming from such transactions.
- 6.3 VÚB AM proceeds adequately according to this Strategy also in the case of trades consisting of deposits on deposit accounts while using banks registered in the Slovak Republic or in EEA member state.

7. Orders Transmission Strategy

- 7.1 VÚB AM shall act in the best interest of unit-holders of the mutual fund it manages even in case of transmission (forward) of Orders to handle the mutual fund assets to a third party for execution in connection with the management of the mutual fund.
- 7.2 In accordance with paragraph 7.1, VÚB AM is obliged to adopt measures to achieve the best possible result for unit-holders of the Mutual Fund taking into account the Criteria (see above) set for determination of the best possible result when executing/transmitting Orders.
- 7.3 To comply with the obligations under paragraph 7.2, VÚB AM shall establish and comply with the Strategy for transmission (placing) of orders. The Orders Transmission Strategy shall identify other entities with which the orders may be placed for each class of financial instrument. Those entities must have the procedures for execution of Orders implemented to enable VÚB AM to comply with the obligations under ACI when placing orders with those other entities for execution. The list of Intermediaries to whom VÚB AM forwards the Orders is specified for each class of Financial Instrument separately in Annex No. 1.
- 7.4 VÚB AM Orders Transmission Strategy for specific financial instruments is as follows:
- a) VÚB AM may forward Order for trading of **Money Market Instruments or Bonds** to Intermediary particularly in case that VÚB AM does not have an access to the Regulated Market or when assuming that the Intermediary will achieve better possible result for Mutual Fund unit-holders than by direct trade execution, while taking into account the Criteria for determination of the best possible result when executing/transmitting Orders. The Intermediary may execute Order also outside the Regulated Market or MTF if reasonably convinced that it is necessary to achieve the best possible result.
- b) In the case of trading of **Shares admitted to the Regulated Market and Funds admitted to listing on a stock Exchange (ETF)**, VÚB AM normally transmits the Order to Intermediary because VÚB AM does not have access to the Regulated Market or the stock exchange. The Intermediary may execute the Order also outside the Regulated Market or MTF if reasonably convinced that it is necessary to achieve the best possible result.
- c) In the case of **Derivatives traded on Regulated Market**, VÚB AM normally transmits the Order to Intermediary, mainly to Banca IMI, because VÚB AM does not have access to the Regulated Market.
- d) VÚB AM may place Order for trading of **Securities and shareholdings of collective investment undertakings** with Intermediary, mainly because VÚB AM is not able to enter into an agreement with the respective management company (depository) of the mutual fund or other entity of collective investment who issues such securities or equity units, or conclusion of such agreement is not efficient (mainly in terms of process) for VÚB AM; while for the selection of Intermediary VÚB AM shall take into account the Criteria for the determination of the best possible result when executing/transmitting Orders.

8. Orders Allocation Strategy

- 8.1 VÚB AM undertakes to execute Orders related to transactions with assets in the Mutual Funds managed by VÚB AM in relation to the Orders relating to other managed Mutual Funds or Orders relating to transactions on the own account of the management company promptly, fairly and expeditiously.
- 8.2 VÚB AM shall promptly and accurately record and allocate the Orders executed in connection with the management of Mutual Funds.
- 8.3 VÚB AM shall execute otherwise comparable Orders without undue delay and sequentially, in order they were placed; previous mentioned does not apply in case it is not possible due to the characteristics of the Order or prevailing market conditions, or it is not in the interest of the Mutual Fund unit-holders.
- 8.4 VÚB AM shall ensure that all financial instruments or sums of money received in settlement of the executed Orders shall be promptly and correctly transferred to the account of the respective Mutual Fund.
- 8.5 VÚB AM undertakes to not misuse information about pending Orders in connection with the management of Mutual Funds.
- 8.6 VÚB AM may merge Orders related to Mutual Fund management only with Orders related to management of other Mutual Funds under VÚB AM's management (i.e. does not combine these Orders for trades on its own account), and only when it is unlikely that the merge of Orders will be altogether unfavourable or damaging for a mutual fund; while fair allocation of merged Orders must be ensured under sufficiently precise conditions (in terms of volume and price), including the rules under the following paragraphs.
- 8.7 If the merged Order is executed only partially, i.e. the total volume of the transaction is lower than required; VÚB AM shall primarily allocate such transaction in proportion depending on the originally intended Orders.
- 8.8 In case the merged Order is executed in form of several separate transactions at different prices, VÚB AM shall allocate these transactions between the individual funds in proportion depending on the originally intended Orders.
- 8.9 The rule of proportional allocation may not be fully applied in the event the final allocated volume for the respective mutual fund no longer appears to be economically adequate with regards to the original intention.

9. Final Provisions

- 9.1 VÚB AM shall monitor the effectiveness of its measures for the implementation of the Strategy, including the quality of execution of orders by Intermediaries, in order to identify and correct any deficiencies. The Strategy shall be updated at least once a year and whenever significant changes occur in terms of the possibility of achieving the best result.
- 9.2 In order to ensure transparency, VÚB AM makes this Strategy fully available to clients, investors and unit-holders. Should the mentioned parties request for disclosure of detailed information, it will be assessed by VÚB AM in accordance with ACI.
- 9.3 This version 8 of the Strategy shall enter into force on 1 January 2019. As of the same day, the version 7 of the Strategy shall be repealed.

Annex No. 1 List of individual Execution Venues and Intermediaries

Execution Venues:

Bonds, Money Market Instruments, Financial Derivatives and, as the case may be, ETFs concluded outside the Regulated Market:

The following Financial Instruments are mainly traded on the OTC market with the approved counterparties in accordance with the internal VÚB AM rules or MTF (via Bloomberg).

Securities or equity units of collective investment entities:

Counterparty	Type	Country	Execution Venue
VÚB AM, správ. spol., a.s.	Management Company	Slovakia	OTC
Eurizon Capital, S.A.	Management Company	Luxemburg	OTC
Epsilon Associati SGR S.p.A.	Management Company	Italy	OTC
Amundi Luxembourg, S.A.	Management Company	Luxemburg	OTC
PBZ Invest, d.d.o.	Management Company	Croatia	OTC

Intermediaries:

Financial Instrument	Intermediaries
Money Market Instruments, Bonds	The list of intermediaries is part of the list of approved counterparties – Market Counterparties in accordance with the internal VÚB AM rules.
Shares admitted to trading on Regulated Market, ETF	
Derivatives traded on Regulated Market	
Securities and shareholdings of collective investment undertakings	<ul style="list-style-type: none"> • VÚB, a.s., Mlynské nivy 1, 829 90 Bratislava, IČO: 31 320 155 • ALLFUNDS INTERNATIONAL, S.A., Le Dôme – Espace Pétrusse, Building C, 2-8 Avenue Charles de Gaulle, L-1653 Luxembourg