

# DJE-Best Execution Policy (Selection Principles)

Fundmanagement



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## I. Objective

This Best Execution Policy regulates principles and procedures with the objective of taking all reasonable measures when executing orders with the aim of achieving the best possible result for the professional clients of DJE Kapital AG in the context of financial portfolio management and investment advice.

## II. Best execution principle

Trading decisions can normally be executed through different execution venues (floor trading, electronic trading) or on different execution venues (e.g. regulated markets, multilateral trading facilities (MTFs), organized trading facilities (OTFs), systematic internalizers, market makers or other liquidity providers or entities performing a comparable function in a third country). DJE Kapital AG generally does not forward trading decisions directly to trading venues, but rather executes them through intermediaries (brokers, banks, management companies, etc.). By carefully selecting and monitoring intermediaries, DJE Kapital AG works towards the best possible execution of the trading decision. DJE Kapital AG also checks whether the intermediaries, for their part, have adequate precautions in place that enable them to guarantee the best possible execution of the order.

When executing client orders DJE Kapital AG determines the characteristics of the client and its classification as a professional client.

## III. Principles of order placement and best execution

If DJE Kapital AG itself enters into trading transactions via intermediaries, orders or investment recommendations are generally placed without specifying a trading venue.

The following principles provide the possibility of executing orders outside a trading venue. DJE Kapital AG shall obtain the client's prior explicit approval for this. This can be provided in the form of a general agreement.

DJE Kapital AG's compliance with the best execution obligation is thus ensured by the intermediary's execution principles. When placing trading orders or selecting the intermediaries entrusted with their execution, DJE Kapital AG is guided by certain factors that are relevant for consistently achieving the best possible result. DJE Kapital AG makes its selection decision regarding intermediaries according to the following criteria:

Trading orders for financial instruments are placed at the best available terms, taking into account all information available at the time the order is placed. The best possible conditions will be determined on the basis of uniform and non-discriminatory criteria, such as the following:

- Price
- Costs

- Speed
- Probability of execution and settlement
- Scope
- Type
- all other aspects relevant to the execution of the order, such as
  - Market Liquidity
  - Creditworthiness of the counterparty
  - Security of processing

DJE Kapital AG determines the relative importance of the aforementioned factors on the basis of the following uniform and non-discriminatory criteria:

- Characteristics of the client and his classification as a professional client
- Characteristics of the client order including orders covering securities financing transactions
- Characteristics of the financial instruments that are the subject of the order in question
- Characteristics of intermediaries and execution venues to which the order can be forwarded

DJE Kapital AG does not charge the intermediaries any commissions that would result in an objectively unjustified unequal treatment of the intermediaries. DJE Kapital AG also does not structure its commissions accordingly.

When executing orders or making decisions regarding trading in OTC products, including tailor-made products, DJE Kapital AG verifies the fairness of the price offered to the client by using market data used to estimate the price for this product, and – if possible – compares it with similar or comparable products.

DJE Kapital AG also chooses intermediaries who use technologies to select a suitable trading venue, provided that several execution venues are suitable and liquid. The selected intermediaries use the technologies to determine the best prices and market liquidity at different execution venues for individual orders by comparing the price, liquidity and cost of execution venues and assessing the execution principles of the selected intermediaries. In principle, the Best Execution Policy of DJE Kapital AG also applies within the scope of an outsourced portfolio management of a MasterKVG, as well as within the scope of an echo procedure or the brokerage of investment transactions. If deviating instructions are issued with regard to order execution, DJE Kapital AG shall take this into account within the scope of customer instructions.

### Determination of the relative importance of the factors

Trading orders for the account of professional clients are placed on the assumption that the client wishes to obtain the best possible result, taking into account all costs associated with the ex-

execution transaction. Due to the price fluctuations that are common with financial instruments, the decision to place an order therefore primarily takes into account intermediaries who consistently ensure that the transaction is executed cost-effectively, completely and promptly. In special cases, the choice of intermediaries can be influenced by other relevant factors (e.g. market influence of the order, security of settlement).

The importance of the above criteria may vary depending on the type of trading decision, the investment policy of the investment fund or the class of assets acquired or disposed of. In order to take into account the specificities of the investment fund concerned and the respective assets acquired or disposed of for it, the above criteria are weighted taking into account the following factors:

- Objectives, investment policy and specific risks of the investment fund as set out in the sales prospectus or the investment conditions
- Characteristics of the order
- Characteristics of the financial instruments or other assets which are the subject of the order in question
- Characteristics of intermediaries and execution venues to which the order can be forwarded

When selecting an intermediary for the following financial instruments a qualitative factor is always checked as to whether suitable emergency safeguards are in place. As quantitative factors DJE Kapital AG weights in order of importance as follows:

1. Shares and share certificates
  - Share price
  - Costs
  - Probability of order execution
  - Security of processing
  - Creditworthiness of the counterparty
2. debt instruments
  - Price development
  - Probability of order execution
  - Security of processing
  - Creditworthiness of the counterparty
3. interest derivatives
  - Price development
  - Costs
  - Speed
  - Security of processing
  - Creditworthiness of the counterparty
4. credit derivatives
  - Not relevant
5. currency derivatives
  - Exchange-traded currency derivatives
    - Price
    - Costs
    - Speed
    - Security of processing
    - Creditworthiness of the counterparty
  - OTC currency derivatives
    - Price
    - Costs
    - Speed

- Creditworthiness of the counterparty
  - Security of processing
6. Structured financial products
    - Price
    - Costs
    - Creditworthiness of the counterparty
    - Probability of execution
    - Security of processing
  7. Equity derivatives
    - Price
    - Costs
    - Speed
    - Security of processing
    - Creditworthiness of the counterparty
  8. Securitized derivatives
    - Not relevant
  9. Commodity derivatives and derivatives of emission certificates
    - Price
    - Costs
    - Speed
    - Security of processing
    - Creditworthiness of the counterparty
  10. Contracts for differences
    - Not relevant
  11. Exchange traded products (exchange traded funds, exchange traded debt securities and exchange traded commodity products)
    - Price
    - Probability of execution
    - Costs
    - Security of processing
    - Creditworthiness of the counterparty
  12. Emission allowances
    - Not relevant
  13. Other instruments Spot exchange transactions:
    - Price
    - Costs
    - Speed
    - Creditworthiness of the counterparty
    - Security of processing

#### IV. Information on the principles of order execution

##### Summary of the selection procedure for intermediaries

The selection of intermediaries is based on the following factors:

- Costs: competitiveness of execution costs
- Probability of order execution: own trading books and cross- ing opportunities, specialist for certain market segments or regions
- Qualitative assessment of the counterparty: assessment of the financial and liquidity situation
- In order to comply with the duty of care, DJE Kapital AG checks previously mentioned and other criteria and standards on the basis of a due diligence process before admitting an intermediary.

DJE Kapital AG verifies the aforementioned criteria by means of a questionnaire before accepting a new intermediary.

##### Analysis of the achieved execution quality

The selection of intermediaries will be reviewed regularly, at least on an annual basis, using uniform and non-discriminatory criteria. The following criteria relevant to the placing of orders are analyzed:

- Price: Analyses based on Bloomberg, 360T and XTP are used to assess the execution quality of the intermediaries' traded prices.
- Costs: The explicit execution costs of the intermediaries and the booking costs of the depositary are taken into account.
- Speed: The speed of intermediaries with a fixed interface is rated as particularly high. A high level of speed exists if the intermediaries are connected by telephone. Orders placed by e-mail with intermediaries are classified as medium speed. Intermediaries whose orders can only be placed by fax are classified as slow.
- Probability of order execution: Here it is analyzed whether intermediaries have their own trading books and quote risk prices,
- have crossing possibilities or are specialists for certain market segments or regions and provide liquidity
- Creditworthiness of the counterparty in OTC derivatives transactions: An external investment grade rating or a comparable internal rating is assumed as a necessary creditworthiness.
- Settlement security: The settlement security of the intermediaries is qualitatively assessed by the middle office staff of DJE Kapital AG.

After the analysis, the relevant criteria are evaluated (good/average/bad). Depending on the significance of the individual criteria for the respective asset class, the criteria are weighted differently (see section III for details) and condensed to an overall assessment for the intermediaries in the respective asset class.

In the case of intermediaries where the overall assessment for the respective asset class has deteriorated significantly compared to the last rating, the intermediary is asked to explain the reasons for the deterioration in the result. Based on this, an analysis is made as to whether the reasons for the deterioration are of a structural

nature or whether they are temporary events that are expected to cease to occur in the future. In the event of structural reasons or a poor assessment in case of recurrence, so that DJE Kapital AG must assume that best execution by the intermediary can no longer be expected, the intermediary will be removed from the list of intermediaries permitted to place orders for the respective asset class.

Once a year, DJE Kapital AG will summarize and publish for each class of financial instruments the five intermediaries that are most important in terms of trading volume to which it forwarded or placed client orders for execution in the previous year, as well as information on the execution quality achieved.

##### V. Request for information

Whenever a client sends DJE Kapital AG justified and proportionate requests for information regarding its strategies or regulations as well as its review procedures, DJE Kapital AG shall provide the client with a comprehensible answer within a reasonable period of time.

##### VI. Non-application of the Best Execution Policy

Under certain circumstances, the contractual conditions or the sales prospectus of the investment fund may specify certain brokers who are not named in the broker list of DJE Kapital AG, as well as instructions regarding the execution modalities for an individual transaction or in general, which deviate from the provisions of these execution principles. Such instructions always take precedence over this policy and are implemented by DJE Kapital AG in the context of order placement. Observance of the instruction is considered by DJE Kapital AG as a guarantee of best execution.

DJE Kapital AG fulfils its obligations to take all sufficient measures to achieve the best possible result for a client when it executes an order or a specific part with regard to the order or the specific part thereof in accordance with the express instructions given by the client.

Where clients or counterparties give specific instructions for order execution, these specific instructions will be taken into account accordingly when executing the relevant transaction.

Warning: Explicit instructions from a client may prevent DJE Kapital AG from taking the measures that it has defined and implemented within the framework of its order execution principles in order to achieve the best possible result in the execution of orders with regard to the elements covered by the relevant instructions.

DJE Kapital AG considers compliance with the instructions of clients or contracting parties as a guarantee of best execution. The customer- or contractual partner-specific instructions must be documented and archived.

##### VII. Placement deviating in individual cases

Due to system failures or exceptional market conditions, it may in rare cases be necessary to place an order in deviation from this Best Execution Policy. Even under these circumstances, DJE Kapital AG will make every effort to achieve the best possible result for the respective investment fund and its investors.

## VIII. Implementation facilities

DJE Kapital AG maintains a list of intermediaries upon which it largely relies in the long run. DJE Kapital AG points out that it may deviate from the list in order to achieve the best possible result for the client. This is particularly the case in order to ensure the probability of execution in the case of new issues. An overview of the global intermediaries (brokers, banks, etc.) through which orders are placed is provided in the following „Brokers and banks list for the placing or forwarding of trading orders.

### List of brokers and banks for the placing or forwarding of trading orders

#### 1. shares and share certificates

- Baader Bank AG
- BofA Securities Europe S.A.
- CLSA Europe B.V.
- Deutsche Bank AG
- DZ Privatbank S.A.
- Goldman Sachs Bank Europe SE
- Joh. Berenberg, Gossler & Co. KG
- J.P. Morgan SE
- Kepler Cheuvreux (Suisse) SA
- M.M. Warburg & Co. (AG & Co.) KGaA
- Morgan Stanley Europe SE
- Nordea Bank Abp
- Rothschild & Co Redburn
- SMBC Bank EU AG
- Svenska Handelsbanken AB
- TP ICAP (Europe) SA
- UBS Europe SE
- Virtu Europe Trading Limited

#### 2. Securities

- BofA Securities Europe S.A.
- Barclays Bank Ireland PLC
- BNP Paribas S.A.
- Citigroup Global Markets Europe AG
- DekaBank Deutsche Girozentrale
- Deutsche Bank AG
- DZ Bank AG
- DZ Privatbank S.A.
- Goldman Sachs Bank Europe SE
- HSBC Continental Europe S.A.
- Jane Street Netherlands B.V.
- J.P. Morgan SE
- Landesbank Baden-Württemberg
- Merkur Bank KGaA
- Morgan Stanley Europe SE
- NatWest Markets NV
- RBC Capital Markets (Europe) GmbH
- Skandinaviska Enskilda Banken AB
- UBS Europe SE
- UniCredit Bank GmbH
- Züricher Kantonalbank

#### 3. Interest derivatives

- DZ Privatbank S.A.

- Goldman Sachs Bank Europe SE
- J.P. Morgan SE
- UBS AG

#### 4. Credit derivatives

- Not relevant

#### 5. Currency derivatives

##### (i) Stock traded currency derivatives

- DZ Privatbank S.A.
- Goldman Sachs Bank Europe SE
- J.P. Morgan SE
- UBS AG

##### (ii) OTC-currency derivatives

- BofA Securities Europe S.A.
- BayernLB Anst. d. öff. R.
- Deutsche Bank AG
- DZ Privatbank S.A.
- J.P. Morgan SE
- Morgan Stanley Europe SE
- UBS AG bzw. UBS Europe SE

#### 6. Structured financial products

- BofA Securities Europe S.A.
- Morgan Stanley Europe SE
- UBS Europe SE

#### 7. equity derivatives

- DZ Privatbank S.A.
- Goldman Sachs Bank Europe SE
- J.P. Morgan SE
- UBS AG

#### 8. Securitized derivatives

- Not relevant

#### 9. Commodity derivatives and derivatives on emissions certificates

- DZ Privatbank S.A.
- Goldman Sachs Bank Europe SE
- J.P. Morgan SE
- UBS AG

#### 10. Contract of difference

- Not relevant

#### 11. exchange-traded products (exchange-traded funds, exchange-traded debt securities and exchange-traded commodity products)

For funds and commodity products

- Flow Traders B.V.
- Goldman Sachs Bank Europe SE
- Jane Street Netherlands B.V.
- J.P. Morgan SE
- Optiver V.O.F.
- Société Générale S.A.
- UBS Europe SE

For bonds:

- BofA Securities Europe S.A.
- Barclays Bank Ireland PLC
- BNP Paribas S.A.
- Citigroup Global Markets Europe AG
- DekaBank Deutsche Girozentrale
- Deutsche Bank AG

- DZ Bank AG
  - DZ Privatbank S.A.
  - Goldman Sachs Bank Europe SE
  - HSBC Continental Europe S.A.
  - Jane Street Netherlands B.V.
  - J.P. Morgan SE
  - Landesbank Baden-Württemberg
  - Merkur Bank KGaA
  - Morgan Stanley Europe SE
  - NatWest Markets NV
  - RBC Capital Markets (Europe) GmbH
  - Skandinaviska Enskilda Banken AB
  - UBS Bank SE
  - UniCredit Bank GmbH
  - Züricher Kantonalbank
12. Emission certificates
- Not relevant
13. other instruments: Foreign exchange broker for spot transactions:
- BofA Securities Europe S.A.
  - BayernLB Anst. d. öff. R.
  - Deutsche Bank AG
  - DZ Privatbank S.A.
  - J.P. Morgan SE
  - Morgan Stanley Europe SE
  - UBS AG bzw. UBS Europe SE

## **IX. Processing of customer orders**

### **A. General principles**

DJE Kapital AG ensures that orders executed for clients are promptly and correctly registered and allocated. It executes otherwise comparable client orders sequentially and without delay unless the nature of the order or the prevailing market conditions prevent this or unless it is in the client's interest to act otherwise.

DJE Kapital AG does not misuse information in connection with current client orders and takes all reasonable measures to prevent the misuse of such information by its relevant persons.

### **B. Merging and allocation of orders**

DJE Kapital AG ensures that intermediaries entrusted with the execution of orders always execute incoming orders immediately and in sequence („first in, first out“).

If due to the type of order or the prevailing market conditions it is not possible to execute orders in the order in which they are received or if this is not reasonable with regard to the interests of the investment fund or its investors, buy or sell orders may also be bundled and executed as an aggregated order (collective order/block order)

A combination can be disadvantageous for a single order. However, orders are only combined if a disadvantage to individual investment funds or investors is not to be expected. The executed collective order is allocated pro rata to the individual investment funds on the basis of an average mixed price. Exceptions may arise in the partial execution of collective orders. Minimum denominations are taken into account pro rata in the allocation.

If a new issue is subscribed to with several intermediaries, the different allocation quotas of the respective intermediaries through which a subscription was made apply under certain circumstances.

DJE Kapital AG may use the above-mentioned intermediaries to fulfil the requirements set forth under A. and B.

## **X. Allocations**

DJE Kapital AG receives no incentives for the selection of intermediaries.

## **XI. Review of the policy**

The Best Execution Policy is regularly – at least once a year – reviewed by DJE Kapital AG. A review is also carried out if a significant change in the market environment occurs that could impair the achievement of the best possible results within the scope of this policy. DJE Kapital AG will inform its contractual partners of any material changes to the Best Execution Policy.