



**M&G Luxembourg S.A.**

**Best Execution & Order Handling Policy**

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## 1. Introduction

### 1.1 Context

M&G Luxembourg S.A. (“**M&G Lux**” or “**the Company**”) is a Management Company incorporated in Luxembourg and authorised under Chapters 15 and 16 of the Luxembourg Law of 17 December 2010 (the “**2010 Law**”) to act as a UCITS Manager (“**the ManCo**”) as well as an Alternative Investment Fund Manager (“**AIFM**”) of Alternative Investment Funds (“**AIFs**”) in accordance with the law of 12 July 2013 (the “**AIFM Law**”). M&G Lux is further authorised to provide discretionary portfolio management and investment advisory services. M&G Lux is the appointed manager for various AIFs (“the AIFs”) and UCITS (“the UCITS”), together the “**Collective portfolios**” which all are in scope of this policy. In addition, M&G Lux has been appointed to manage segregated mandates (“**Segregated Mandates**”) on behalf of third parties which will also fall within the scope of this Policy. Collective portfolios and Segregated mandates will be called together the “**Funds**”.

This policy sets out the legal & regulatory requirements, as well as the related actions, which M&G Lux complies with in order to meet its obligations, in the area of the *rules of conduct*. According to the applicable legal and regulatory requirements (detailed below), M&G Lux must establish and implement a Best Execution & Orders Handling Policy and to take all reasonable steps to obtain the best possible when :

- executing decisions to deal on behalf of the Funds under its supervision in the context of the management of their portfolios;
- placing orders to deal on behalf of the managed Funds with other entities for execution, in the context of the management of these Funds;

### 1.2 Regulatory Requirements

M&G Lux has aligned its Best Execution & Orders handling policy with the current best practice and the relevant Luxembourg regulatory framework including *inter alia*:

- Article 11 of the law dated 12 July 2013 on alternative investment fund managers as may be amended from time to time (the “2013 Law”) transposing Article 12 of Directive 2011/61/EU on alternative investment fund managers;
- Article 111 a) and b) (rules of conduct) of the law dated 17 December 2010 on undertakings for collective investment in transferable securities, as may be amended from time to time (the “2010 Law”) transposing Articles 13 1.(b) and 14 of Directive 2009/65/EC on undertakings for collective investment in transferable securities;
- Articles 28 to 31 of the CSSF Regulation 10-4;
- CSSF circular 18/698;
- Articles 27 and 28 and Articles 67-74 of Commission Delegated Regulation 231/2013 supplementing the AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.
- MiFID Directive 2004/39/EU;
- Law of 5 April 1993;
- CDR (EU) 2017/565

### 1.3 Purpose

The purpose of this policy is to meet M&G Lux regulatory obligations in setting out the best execution principles and provide Fund boards, fund unitholders (UCITS and AIFs) and investors (segregated

mandates) with information about effective arrangements allowing M&G Lux to ensure the best possible result is achieved when executing and placing orders on their behalf.

## **1.4 Scope**

This Policy will apply to all portfolio management and related activities associated with the UCITS and AIF funds and segregated mandates for which M&G Lux carries fiduciary responsibility, and those activities are delegated and defined by the Investment Management Agreements concluded by the Company.

## **2. Roles and responsibilities**

M&G Lux does not execute orders itself, neither does it transmit orders for execution; all such activity is delegated to M&G Investment Management Limited (“MAGIM”) and its affiliates and M&G Real Estate Asia (“MGREA”) for the M&G Asia Property Fund, both MAGIM and MGREA will be “the Delegates”. In addition, there are circumstances where Delegates appoint other affiliates within M&G Group to perform deal execution. In these cases, the Delegates ensure their execution performance is incorporated in the execution monitoring process and oversight and regularly reported to M&G Lux within the management information. The obligation to ensure that the best possible result for its clients is achieved, remains with M&G Lux.

M&G Lux ensures that its Delegates implement and maintain a robust best execution policy, which meets the requirements to which M&G Lux is subject to. Moreover, M&G Lux ensures that the Delegates put in place robust procedures and arrangements to ensure the prompt, fair and expeditious execution of orders.

M&G Lux and its Delegates must take all the reasonable steps to obtain the best possible results for the managed Funds/Mandate, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature or other consideration relevant to order execution.

With the contractual arrangements in place, the Delegates determine how orders will be placed or executed and M&G Lux must ensure that the Delegates apply similar and equivalent principles.

When executing orders on Funds’ behalf, the Delegates must take all reasonable steps to obtain Best Execution for them subject to and taking into account any specific instructions given by M&G Lux.

Where Delegates execute orders on a Fund’s behalf, the Fund legitimately relies on M&G Lux to protect its interests in relation to pricing or other aspects of the transaction that may be affected by how the order is executed.

### 3. Policy Requirements

#### 3.1 Best Execution factors & criteria

Subject to any specific instructions, when executing orders on behalf of Funds and Segregated mandates, the Delegates must take into consideration a range of different execution factors which include:

- Price;
- Costs;
- Speed;
- Likelihood of execution and settlement;
- Order size and nature; and
- Any other relevant considerations.

Delegates must take all reasonable steps to obtain the best possible results for the Fund taking into account the above factors.

In determining the relevant importance of the above factors, Delegates, by using professional judgment and experience in light of market information available, must take into account the following Execution Criteria:

- the objectives, investment policy and risk specific to a Fund, as indicated in the prospectus of the Fund;
- characteristics of the order;
- characteristics of the financial instruments that are the subject of that order; and
- characteristics of the execution venues or entities to which that order can be directed.

It is generally expected price is the most important execution factor for the majority of trades executed, however there may be trades where price is not the most important factor when executing a trade.

Consequently, the following additional criteria may be considered:

- Quality of research ( it is now allowed that research services are unbundled);
- Financial screening;
- Suitability of counterparty;
- Liquidity concentration;
- Capital commitment; and
- Dealer quality.

The factors considered by asset (as defined for reporting MIFID II Regulations) are listed in the following tables below in order of consideration.

### 3.1.1 Equities and Equity Derivatives

Asset Classes	Primary execution factors considered			
<b>Equities - Shares &amp; Depositary Receipts</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Tick size liquidity bands 5 and 6 (from 2000 trades per day)	Price	Speed	Costs	Execution/ Settlement
Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)	Price	Size	Speed	Execution/ Settlement
Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)	Size	Price	Execution/ Settlement	
<b>Equity Derivatives</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Futures and options admitted to trading on a trading venue	Price	Speed	Execution & settlement	Costs
Swaps and other equity derivatives	Size	Price	Costs	Execution/ settlement
<b>Exchange Traded Products (ETFs)</b>	Price	Size	Speed	Execution/ settlement
<b>Other Instruments</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Convertible Bonds	Size	Price	Execution & settlement	Speed

### 3.1.2 Fixed Income and Fixed Income Derivatives

Asset Classes	Primary execution factors considered			
<b>Debt Instruments</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Bonds	Price	Size	Nature	Other
<b>Interest Rate Derivatives</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Futures and options admitted to trading on a trading venue	Price	Size	Execution/ Settlement	Nature
Swaps and interest rate derivatives	Price	Size	Nature	
<b>Credit Derivatives</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Indices	Execution/ Settlement	Price	Size	
Single Name	Price	Size	Execution/ Settlement	
<b>Credit Index Options</b>	Price	Size	Execution/ Settlement	
<b>Structured Finance</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
ABS, Collateralised Debt Obligations	Price	Size	Nature	Other

### 3.1.3 Currency Derivatives and Money Market Instruments

Asset Classes	Primary execution factors considered			
<b>Money Market Instruments</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Certificate of Deposit (CD), Commercial Paper (CP), Treasury Bill	Price	Size	Nature	
<b>Currency Derivatives</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
FX Forwards, Non Deliverable Forwards (NDFs), FX Swaps & FX Options	Price	Size	Nature	

### 3.1.4 Securities Financing Transactions

Asset Classes	Primary execution factors considered			
<b>Securities Financing Transactions (SFTs)</b>	<b>1 Most</b>	<b>2</b>	<b>3</b>	<b>4 Least</b>
Reverse Repo for cash management	Price	Size	Nature	
Repo (for cash raising purposes) and Securities Lending Reverse Repo	Price	Size	Nature	
Securities Lending and Repo (for securities lending purposes)	Nature	Price	Size	

## 3.2 Execution Venue and Best Selection of Counterparties

Delegates perform a selection of the execution venues granting, in the majority of cases, the best execution regarding the factors and criteria as defined above.

All execution venues and dealing counterparties are approved via the relevant venue/counterparty approval processes deployed by M&G Group on a centralised basis that applies to the Delegates. In some cases, due to the illiquid nature of certain financial instruments, there will be limited options available in relation to where and with whom dealing can take place.

The Delegates review the quality of execution and service provided by all of the approved execution venues/counterparties on a regular basis with oversight at the relevant governance forums. Issues arising with counterparties between reviews are reported immediately to senior management (including relevant Dealing Desk Heads, the relevant senior investment officer(s) and the second line Risk function), raised at the aforementioned governance forums and considered in relevant counterparty consultative meetings.

As required under MIFID II, the Delegates review RTS 27 data (Best Execution Data from Execution Venues) in order to determine how this may be considered in the evaluation of execution venues or counterparties where applicable.

Execution venues may be:

- a regulated market or a multilateral trading facility (MTF);
- M&G Lux 's parent entity or its delegates;

- another investment company or a broker; or
- outside a regulated market or MFT with selected high quality counterparties who deal on their own book (e.g. Systematic Internalisers).

When there is a choice between the different execution venues, the Delegate considers the impact of own fees/commissions on the global price paid by the Client.

In this respect, the Delegate takes all reasonable measures in order to avoid own fees/commissions are structured in a subjective way discriminating some execution venues. In all circumstances, the Delegate must respect their respective (or Group level) policy of Conflicts of Interests and Treating Clients Fairly principles. The Delegates reserve the right to use other Execution Venues where it is deemed appropriate in accordance with this Policy.

The Delegates must regularly assess the execution venues available in respect of any products that they trade and identify those which they believe enables them to obtain the best possible result when executing orders.

For negotiated deals where assets are either of a private nature and/or illiquid (in terms of market availability), best execution in MIFID instruments must be demonstrated by the investment process principles used throughout the negotiation and procedures followed by the Delegate's relevant investment team, accordingly this specifically relates to order execution outside of M&G's dealing desks.

M&G Lux oversees the aforementioned policy and process over execution venues and selection of counterparties through receipt of relevant management information and attendance at the Dealing Management Committee.

### **3.3 Order handling**

The Delegates are required to execute Funds/Segregated mandates orders in an expeditious and fair manner. Orders of one Fund may be aggregated with other orders, if:

- In the Delegates' opinion the aggregation of such Orders will not work to the disadvantage of any Fund/Segregated mandate; and
- The delegates comply with their respective order allocation procedures.

#### **3.3.1 Procedures for handling, recording and allocation of orders**

M&G Lux ensures that the Delegates have put in place the following procedures and arrangements to ensure the prompt, fair and expeditious execution of orders.

It shall:

- Ensure orders executed are promptly and accurately recorded;
- Ensure orders are executed sequentially unless prevailing market conditions or interest of the Funds require otherwise;
- Ensure financial instruments/sums of money received in settlement of the executed orders shall be promptly and correctly delivered to the appropriate account;
- Ensure that there will not be a misuse of information relating to pending orders; and
- Ensure that the Delegates inform its retail client(s) about any material difficulty in executing its orders.

#### **3.3.2 Procedures for aggregation and allocation of orders within permitted exceptions**

The Delegates shall ensure the fair allocation of aggregated orders, including how the volume and price of orders determine allocations and the treatment of partial executions.



In so doing, the Delegates shall consider the following factors:

- It must be unlikely that they will work to the overall disadvantage of any Funds/Segregated mandates; and
- Where orders are aggregated but are only partially executed, the related trades shall be allocated in accordance with the order allocation policy; and
- Where the investment manager aggregates an order of the Funds with a transaction for their own account and it is partially executed, it allocates the related trades to the Funds in priority over those for their own account

#### 4. Monitoring and Governance

M&G Lux regularly monitors effectiveness of execution arrangements and compliance with this Best Execution Policy by the Delegates.

The type and liquidity of asset class will be taken into account when assessing whether best execution has been achieved with varying approaches as illustrated below



The Best Execution and the Order Allocation Policy of the investment managers and the procedures in place as set out above are reviewed annually and whenever a material operational change occurs that may affect the Delegates' ability to continue to obtain the best possible results for clients.

As per the article 28 of the CSSF Regulation 10-04, for all the managed UCITS, M&G Lux has obtained the prior consent of the Funds Boards on the execution policy. In addition, M&G Lux shall be able to demonstrate that they have executed orders on behalf of the UCITS in accordance with the management company's execution policy. Moreover, the Company will notify the Fund Boards of any material changes to this Best Execution and Order handling Policy and arrangements.

## 5. Reporting and Escalation

M&G Lux communicates the external version of this Best Execution and Orders handling Policy and changes thereof to Fund Boards and make it available on request to segregated mandate investors and individual fund investors on its website.

The Delegates will summarise and make public on their website on an annual basis for each class of financial instrument in which it executes orders for, or on behalf of the Company the following information:

- the top five investment firms/banks in terms of trading volumes where it participated in the execution of client orders in the preceding year; and
- the quality of execution obtained.

On an annual basis, as required by MIFID II RTS 28, M&G publishes quantitative and qualitative data on the execution process based on the asset classes detailed in Appendix 1.

Quantitative data is collated for the top five execution venues by asset classes (based on the order execution method). This data is presented in a standardised template issued under MIFID II regulations. Qualitative information is also provided for each asset class based on the qualitative monitoring which has been undertaken throughout each year. The data is provided on the M&G plc website no later than 30<sup>th</sup> April each year based on trading data for the preceding calendar year.

Breaches and incidents related to best execution and best selection are reported on a timely basis by the Delegates to M&G Lux in order to identify financial impact on investors and oversee any required remedial action taken by the Delegate.

## Appendix 1 – Asset Classes for Annual MIFID II Reporting

MIFID II Asset Classes (Annex i: Classes of financial instruments from RTS 28)

Asset Class	Classification	Traded by MAGIM?
(a) Equity – Shares and Depository Receipts <i>(Tick Size available with respect to 2018 data onwards)</i>	Tick Size (liquidity band) 1 to 2 Tick Size (liquidity band) 3 to 4 Tick Size (liquidity band) 5 to 6	Yes
(b) Bonds	Government Bonds Investment Grade Corporate Bonds High Yield Bonds Asset Backed Bonds	Yes
	Money Market Instruments	Yes
(c) Interest rate derivatives	Futures and options traded on venue Swaps, forwards and other interest rate derivatives	Yes
(d) Credit derivatives	Indices Single Name	Yes
(e) Currency derivatives	Forwards, Options and Swaps FX Non Deliverable Forwards (NDFs)	Yes
(f) Structured finance instruments	Collateralised debt instruments, Asset Backed Securities	Yes
(g) Equity Derivatives	Options and futures traded on a venue Swaps and other equity derivatives	Yes
(h) Securitised Derivatives	Warrants and certificate derivatives Other securitised derivatives	Yes
(i) Commodities Derivatives	Options and Futures traded on a venue Other commodity derivatives	No
(j) Contracts for difference		No
(k) Exchange Traded Products	All (e.g. Exchange Traded Funds, Notes)	Yes
(l) Emission allowances		No
(m) Other instruments	Convertible Bonds	Yes
	Collectives	Yes
	Private Assets	Yes
	Security Financing Transactions; <ul style="list-style-type: none"> <li>Reverse Repo for cash management</li> <li>Repo (for cash raising purposes) and Securities Lending Reverse Repo</li> <li>Securities Lending and Repo (for securities lending purposes)</li> </ul>	Yes

## Appendix 2 – MiFID II Regulatory Requirements

The best execution and client order handling legislation and requirements applicable for this Framework can be summarised as follows:

- MiFID II 2014/65/EU, Articles 27 and 28
- Regulatory Technical Standards (EU) RTS 28 (annual publication of top five venues)

The following table summarises the key requirements contained within the MiFID legislation which has been transposed into the CSSF regulations:

Reference	Requirement
MiFID Article 27 (1)	Investment firms' obligation to take all sufficient steps to obtain, when executing orders, the best possible result for their clients considering price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.
MiFID Article 27 (2)	Requirement to restrict investment firms receiving remuneration or non-monetary benefit for routing client orders to a trading venue or execution venue which would infringe MiFID requirements on conflicts of interest or inducements
MiFID Article 27 (4) and (5)	Obligation to have effective arrangements in place to ensure the best possible result for clients is being achieved, this included implementing an order execution policy explaining to clients, in sufficient detail, how orders are executed. M&G have made enhancements to the Order Execution Policy as a result of MiFID II.
MiFID Article 27 (6)	Obligation for investment firms to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volume and include information on the quality of execution received.
MiFID Article 27(7)	M&G should monitor the effectiveness of its execution arrangements and policy to identify and correct any deficiencies.
MiFID Article 27(8)	M&G should be able to demonstrate to its clients on request that it has executed orders in accordance with the M&G Execution Policy and be able to demonstrate to the Regulator, its compliance with Article 27 on best execution.
MiFID Article 28(1)	M&G should have procedures and arrangements in place which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the investment firm.