

Assenagon Guide

Corporate Guidelines

Best Execution and Pre-Investment Policy for proper handling and execution of orders in financial instruments

1. Introduction

1.1 Assenagon Asset Management S.A.

Assenagon Asset Management S.A. ("the Company") is a Management Company in accordance with Chapter 15 of the Law dated 17 December 2010 and AIFM in compliance with the Law of 12 July 2013 on Alternative Investment Fund Managers with registered office at 1B Heienhaff, 1736 Senningerberg, Luxembourg. The Company has established a Branch in Germany (Assenagon Asset Management S.A., Zweigniederlassung München, "the Branch"). Together, the Company and the Branch are referred to as "Assenagon".

The purpose of Assenagon is the management of Luxembourg and foreign undertakings for collective investments in transferable securities ("UCITS"), which are authorised in accordance with the European Council Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("Directive 2009/65/EC") and other Luxembourg and foreign undertakings for collective investment (UCI) or funds. In particular, Assenagon may act as Alternative Investment Fund Manager (AIFM) for Luxembourg and EU-domiciled Alternative Investment Funds (AIFs) as well as AIFs domiciled outside of the EU carried out in compliance with the Law of 12 July 2013 on Alternative Investment Fund Managers. If Assenagon is managing UCITS or UCIs per delegation, Directive 2014/65/EU ("MiFID II") is applicable.

1.2 Legal framework for Best Execution

The Law of 17 December 2010 relating to undertakings for collective investment and the CSSF Regulation No. 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company establish standardised rules for fund management companies in Luxembourg (hereinafter the "UCITS rules"). The aim of the UCITS rules is to improve investor protection, increase market efficiency and reduce administrative barriers within the European financial market.

An additional key aim of the UCITS rules is the best possible execution of trading decisions (hereinafter "Best Execution") for UCITS funds, i.e. funds in accordance with section 1 of the Law of 17 December 2010 relating to undertakings for collective investment. The applicable provisions form part of this Best Execution Policy, which establishes the execution principles for the trading decisions carried out by Assenagon Asset Management S.A. in order to ensure the best possible result for investors.

On 12 July 2013 the Directive 2011/61/EU of the European Parliament and of the Council was implemented into Luxembourg Law with the "Law of 12 July 2013 on alternative investment fund managers". On 16 Mai 2013 the same directive was exerted into German Law by the "Kapitalanlagegesetzbuch" (KAGB). Regarding requirements for the proper and fair execution of orders on behalf of managed fund and the diligence standards in the selection and on-going monitoring of investments, the Luxembourgish and German adoption of Directive 2011/61/EU are referring to the Commission Delegated regulation (EU) No 231/2013.

Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (MiFID II) entered into force on 3 January 2018 and was implemented into Luxembourg Law with the "Law of 30 May 2018 on markets in financial instruments". Best Execution is especially prescribed in Section 5 of Commission Delegated Regulation (EU) 2017/565 and implemented in this Policy.

1.3 Application and scope of this policy

Assenagon acts as a service provider for UCITS, AIFs and other non-UCITS in various jurisdictions and with various legal structures (e.g. Luxembourg FCPs, SICAVs, etc., together "the Funds").

- This policy is applicable to all Funds, mandates and products, for which Assenagon acts as Management Company, AIFM, Investment Manager, or for which Assenagon provides execution services.

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- Assenagon as well as any other party adopting this policy shall apply the various principles regarding best execution as outlined below.
- The investments governed by this Policy that may be acquired for a Fund include all foreign exchange transactions, securities, money market instruments, derivatives, instruments for efficient portfolio management, units of other UCIs, as well as all other transactions in assets which are permitted under the relevant legal and regulatory framework and the statutory documents of the relevant Fund, Mandate or Product.

Due diligence standards when investing in assets of limited liquidity in the sense of § 19 of the Commission Delegated regulation (EU) No 231/2013 are not in scope of this policy.

1.4 External Asset Managers

- Assenagon may delegate investment management or other execution services to other service providers, e.g. to external investment managers or execution agents. In such cases Assenagon remains however fully responsible for the overall investment management function, and shall ensure that proper arrangements are in place for obtaining the best possible result for the Funds when executing orders in financial instruments. With the appointment of an external asset manager, Assenagon has delegated the execution, handling and transmission of orders to the asset manager and does therefore not execute, handle and transmit orders itself for such funds.
- Prior to any appointment, an external asset manager will be required to have its own best execution policy in place. Such policy will become part of the contractual legal framework between Assenagon and the asset manager as an annex to the investment management agreement between Assenagon and the asset manager.
- Should an asset manager not dispose of an own best execution policy or should Assenagon consider that the best execution policy of the Asset Manager should (in full or in part) not be compliant with the Assenagon best execution policy the asset manager will be required to follow the Assenagon best execution policy in relation to any execution, handling and transmission of orders in financial instruments of the fund.

2. Diligence Standards

2.1 Scope

Trading decisions, placement of orders, allocations and recording of executed orders on behalf of a fund are performed by a portfolio manager. The relevant portfolio manager shall ensure that every transaction entered into on behalf of a fund is executed in the best interest of the fund and that the different investors are treated fairly. The best possible result for investors is not only determined by the price of the financial instrument, but also through a combination of many factors, like the nature, scale and complexity of the business and the nature and range of services and activities undertaken in the course of a mandate.

The most relevant factors for an individual trade depend on the type of transaction. The following factors in particular play a key role in the best execution of trading transactions:

- The price of the asset to be bought or sold
- The costs of executing the order
- The speed of execution
- The probability of execution or settlement
- The scope and type of order
- Other aspects relevant to execution of the order

These factors are determined using the following criteria:

- Objectives, investment policy and risks specific to the fund as presented in the prospectus or if applicable in the fund rules or articles of association of the Fund

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

In this context, Assenagon takes into account the following aspects in particular:

1. Assets that the fund is permitted to acquire
2. The strategy of the fund
3. The objectives and implementation policy of the fund's strategy

With respect to the criteria and aspects stated, Assenagon prioritises the individual factors as follows:

1. The total fee (price and costs) of executing the order for the financial instrument
2. The probability of execution and settlement
3. The speed of execution
4. The size and constraints of the order
5. Post-trade service level
6. Pricing for requests to close an OTC-position with the OTC-counterparty

Using its reasonable judgment, Assenagon or any appointed asset manager shall weigh these factors together in accordance with its clients' characteristics and perform an analysis of best execution.

Should Assenagon, or any appointed asset manager come to the conclusion that a trade has not been executed according to the principles outlined in this policy, immediate remedial action shall be taken in the best interest of the investors of the fund, product or mandate.

Nevertheless, it is possible in individual cases that one factor will be ranked as more important than another. If, after evaluating all factors, several intermediaries are still available for selection, the choice will be made using duly exercised discretion on a case by case basis.

2.2 Implementing duty of care

Portfolio managers shall apply a high standard of diligence in the selection and ongoing monitoring of investments. In particular, portfolio managers shall only be active in instruments and markets in which they have adequate knowledge and experience.

Before placing an order or entering into a transaction on behalf of a fund, each portfolio manager is required to perform at least the following checks regarding the order or transaction:

- Risk/reward analysis
- Check for compliance with the fund's risk limits
- Check of investment guidelines and risk limits in accordance with the prospectus for the relevant fund and the risk management policy of the Company or the fund

For each transaction executed on behalf of a fund a record shall be entered into Assenagon's trade capture system without delay. Such record shall include the information necessary to identify each transaction and shall at least include the following data elements:

- Name of the fund and person acting on behalf of the fund
- Details to identify the instrument
- Quantity
- Type of order or transaction

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- The price¹, date and exact time of transmission of the order
- The name of person transmitting the order
- Where applicable the reason for revoking the order
- For executed transactions the counterparty and execution venue identification

The financial instruments, sums of money or other assets received in settlement of the executed orders shall be promptly and correctly delivered to or registered in the account of the relevant Fund.

3. Selecting Counterparties and Brokers

Assenagon, or any appointed asset manager applying this policy, undertakes to select only those trading partners (i.e. brokers, counterparties, etc.) and trading venues whose trading models and execution procedures allow the asset manager to achieve the best possible result for orders submitted to it on behalf of the Fund in question.

Orders to be executed are submitted to the relevant trading partner in accordance with the provisions of the fund in question.

If there are several potential trading partners, the one offering the best conditions in accordance with section 2 for the transaction will be selected.

In case of transactions which expose a fund to counterparty credit risk, (i.e. OTC derivatives, cash deposits and techniques for efficient portfolio management), the relevant counterparty needs to be approved by Assenagon's risk management function. The risk management function maintains a list of approved counterparties for such transactions.

3.1 Execution outside a regulated market

Assenagon or any appointed asset manager may decide in its own discretion to execute orders outside of a regulated market, a multilateral trading facility or an organised trading facility.

In some cases, whether as a result of trading suspensions, cancellation of transactions by the execution venue, disrupted markets, system failures or otherwise, Assenagon may feel that it is in a client's best interests to execute or transmit its order using a method different to the one normally used for the instrument in question. In such cases, Assenagon will take all reasonable steps to achieve the best possible overall result for the client under the prevailing circumstances.

4. Placement of Orders

When placing an order, the following principles apply:

- Orders are generally placed for individual funds separately. Where this is not possible or might lead to a less favourable result, orders between different funds can be aggregated. In this case, the execution will be allocated on a pro rata base (relative to the original order) amongst the funds in question. In case, a pro rata allocation is not possible, the portfolio manager will take care to allocate the execution fairly and document the reason for the allocation being made.
- Assenagon and any person allowed to place trades on behalf of the funds shall never misuse any information related to pending fund orders.
- Assenagon does not allow cross trades between different funds.
- Each person executing trades on behalf of a Fund must be able to prove that he or she complied with the Best Execution Policy.

¹ For transactions where the execution price is not available at the time of the transaction, the record will be updated with the final price without delay.

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5. Executing Orders

Assenagon ensures immediate and correct execution of orders for all funds, products or mandates it manages. Order and settlement procedures are established as early and quickly as possible to ensure that orders to be executed are registered, allocated, and recorded immediately and correctly.

Executions by trading partners are forwarded to the custodian bank and other involved parties upon receipt.

Assenagon executes comparable orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the fund or of the investors in the Fund require otherwise.

6. Monitoring the Best Execution Policy

Regular review: Assenagon reviews its procedures on a regular basis in order to achieve the best possible result for investors. A comprehensive review of this policy is conducted annually. Additional ad hoc reviews are performed if a major change occurs that compromises the ability of Assenagon to continue to achieve the best possible result for the funds it manages. Assenagon will amend this policy on the basis of such reviews if it considers it to be necessary.

Monitoring performed on trades: Assenagon monitors the overall quality of its execution procedures and diligence standards on an on-going basis. In the case of out-sourced mandates Assenagon ensures that sufficient information reaches senior management to allow for proper monitoring of the best execution arrangements. In the context of the monitoring, particular attention is paid to the quality of execution by the selected trading partners. Senior Management can request ad-hoc reports for individual as well as series of executed transaction from its own investment management services as well as from externally appointed asset managers at any time in order to satisfy its oversight and monitoring needs.