



Payden Global SIM

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# BEST EXECUTION POLICY

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## 1. INTRODUCTION

This document constitutes Payden Global SIM S.p.A.'s (the "**SIM**") best execution policy (the "**Policy**"), in accordance with applicable law and regulation and, *inter alia*, with Directive 2014/65/EU (the "**MiFID II**"), Delegated Regulation (EU) 2017/565 (the "**MiFID II Delegated Regulation**"), Delegated Regulation (EU) 2017/576, legislative decree No. 58, of 24 February 1998 (the "**Consolidated Law on Finance**") and the Consob's resolution No. 20307 of 15 February 2018 (the "**Intermediaries Regulation**").

It sets out the policy and procedures of the SIM that have been established and implemented to ensure sound, transparent and comprehensive execution processes are followed and specifies the controls and safeguards that are in place in the performance of investment services and activities provided by the SIM, *i.e.*: (i) placing of financial instruments without a firm commitment basis; (ii) portfolio management; and (iii) reception and transmission of orders, without holding, neither temporarily, clients' asset or financial instruments and without assuming risks on its own account.

It is the SIM's policy to ensure the best possible results ("**Best Execution**") on all trades for all accounts across the SIM on a consistent basis. In seeking Best Execution, the goal is to achieve the best possible result, given the circumstances at the time of the trade, the nature of the trade in question and the application of the relevant broker/dealer selection criteria set forth below. The SIM executes trades with broker/dealers who meet criteria established in this Policy, and the Broker's traders may only execute trades with broker/dealers that meet these criteria and are on the approved broker/dealer list (the "**Approved BD List**"). The Best Execution Committee of Payden & Rygel on which the SIM's Internal Reference Person for Compliance and Risk sits ("**BEC**") monitors those criteria and overall execution practices on a quarterly basis, and more frequently if necessary.

The SIM conducts its business in accordance with all applicable laws and regulations.

The SIM must act in the best interests of its clients when executing decisions to deal, taking into account a number of execution factors and criteria which are discussed in detail below.

Considering the above, the SIM has signed an execution and brokerage agreement with the parent company of the group Payden & Rygel (the "**Broker**"). The choice to appoint the Broker as the firm to which the SIM will place investment orders has been driven by the willingness of benefitting from the knowledge and experience of the parent company in international financial markets and from Broker's dedicated resources with relevant skills and expertise to the analysis of the trading markets, as well as from the ease of interaction between the SIM and the Broker due to their close corporate and functions connections.

Pursuant to that agreement, the Broker shall provide trading and execution services to the SIM in a way that is compliant with the internal policies of the SIM and the law applicable to it as well as with the best execution criteria defined into this Policy. The Broker's own Best Execution Policy has been examined by the SIM and it has been deemed suitable to pursue the best interests of SIM's clients and an efficient and timely execution of investment orders.

In any case, the Broker is contracted to perform all trading and execution services in accordance with the SIM's Policy. The SIM will notify the Broker of any amendment or updates to this Policy.

The SIM's Chief Investment Officer is responsible for ensuring that robust business practices are operating in all its trading activities to deliver Best Execution on a consistent basis and for promoting a culture that proactively identifies and manages conflicts of interest. The SIM's Chief Investment Officer, together with the Heads of Compliance and Risk Functions, are also responsible for the on-going review and monitoring of this Policy, to ensure that it remains robust and fit for purpose, taking into account, amongst other things, changes to market structures and execution practices and development of new products, escalating any concerns to the Board as appropriate.

## 2. EXECUTION FACTORS

When executing orders, the SIM will take all sufficient steps to procure that the Broker achieves Best Execution, subject to and taking into account, any specific instructions from the client, the nature of such orders and the nature of the markets and products in question.

In order to procure Best Execution, the SIM requires the Broker to use its knowledge, experience and judgement to execute trades on behalf of its clients taking into consideration a number of execution factors including:

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- The price that the order can be executed at;
  - The costs of execution of the transaction to the client;
  - The speed of execution of the transaction;
  - The likelihood of achieving execution and settlement;
  - The size and nature of the order; and
  - Any other consideration relevant to the execution of the specific order (the “**Execution Factors**”).

The Execution Factors shall apply to all financial instruments traded by the SIM according to this Policy.

### **3. EXECUTION CRITERIA**

The SIM requires the Broker to determine the relative importance of the Execution Factors by taking into account the following criteria:

- The characteristics of the financial instruments; and
- The characteristics of the execution venues/brokers to which that order can be directed (the “**Execution Criteria**”).

### **4. EXECUTION VENUES AND BROKERS**

#### **4.1 INTRODUCTION**

The SIM will primarily direct the Broker to select the execution venue or broker that in the Broker’s judgment is the most appropriate, taking into account the Execution Factors and Execution Criteria. The SIM also requires the Broker to consider the market coverage and market intelligence that the execution venue or broker can provide.

#### **4.2 SELECTION OF EXECUTION VENUES**

The Broker’s selection of execution venues depends on the strategy and classes of instruments to be traded. The SIM requires the Broker to conduct due diligence and takes in to account qualitative factors for selecting venues.

In selecting the most appropriate venues for the purpose of executing client orders, the SIM will require the Broker to take into full account the Execution Factors and Execution Criteria relevant to the order, and the following:

- what the Broker reasonably assesses to be the SIM’s clients’ best interests in terms of executing the orders; and
- such other factors as may be appropriate, including the ability of the venue to manage complex orders, the speed of execution, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

The diversity in the markets and instruments in which the Broker trades means that different factors will have to be taken into account when the SIM assesses the nature of its Policy in the context of different instruments and different markets. In some markets, price volatility may mean that the timeliness of execution is a priority, whereas, in other markets that have low liquidity, the fact of execution may itself constitute Best Execution. In other cases, the Broker’s choice of venue may be limited (even to the fact that there may only be one platform/market upon which the Broker can execute client orders) because of the nature of specific client requirements.

If only one place of execution exists, best execution is realized when executing the order in that execution venue. In that case, the SIM will require the Broker to be able to demonstrate that only one place of execution exists

#### **4.3 SELECTION OF BROKERS**

The Broker has a selection process with respect to the brokers that it transacts with, which is designed to identify those brokers which consistently provide a high quality execution service, taking account of the relevant Execution Factors and Execution Criteria. Orders may only be placed with brokers who

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have been approved by the SIM. The Broker's BEC evaluates and monitors the quality of the brokers that it approves for use.

#### **4.4 CROSS TRADES**

Cross trades may give rise to potential conflicts of interest between clients of the SIM, but they are permitted provided the SIM can demonstrate mitigation of any conflict of interest and that the cross trade is beneficial to both clients and that it will be executed at a fair price determined before executing the cross trade. The reasons for executing cross trades should be discussed with the Internal Reference Person for Compliance and Risk and recorded and these records properly reviewed as part of the SIM's monitoring processes.

#### **4.5 AGGREGATION AND ALLOCATION OF ORDERS**

The SIM ensures that the Broker will allocate and aggregate trades consistently and equitably between clients (whether pro-rata or some other equitable means taking into account each client's investment objectives and other characteristics).

Factors and principles that may form the basis of allocation include – but are not limited to – the following:

- legal and regulatory restrictions affecting the participation rates for any clients;
- risk and/or volatility tolerance of the client;
- each client's own investment horizon;
- liquidity preference or availability;
- target return;
- desired portfolio diversification;
- portfolio restrictions;
- other investment opportunities that may be available to a client;
- size of the investment and minimum investment sizes – for example, where allocation of an investment opportunity would be insufficient to make up a meaningful portion of a client's portfolio, such client may be excluded from the investment opportunity due to the de minimis nature of the allocation; and
- the need to rebalance positions held by any client in an investment due to capital inflows or outflows.

Transactions and client orders will not be carried out in aggregation with other clients' orders unless the following conditions are met:

- (i) it is unlikely that the aggregation will work overall to the disadvantage of any client whose order is to be aggregated;
- (ii) it is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- (iii) orders have the same direction, terms and securities.

The Broker will pursue the order allocation strategy (governing also partial allocation scenarios) set out under its best execution policy, which the SIM has received and examined.

### **5. DETAILED REQUIREMENTS FOR EACH FINANCIAL INSTRUMENT CLASS TRADED**

For each class of financial instruments, the SIM has defined the Execution Factors that will be taken into account when placing orders for execution, in order to choose the counterparty that best suits its requirements.

The principles described in this Policy do not restrict the SIM to act otherwise where it considers that to follow the Policy may result in an order not being executed in a way that the best possible result is obtained for the client.

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In case of extreme circumstances, such as disruption of the execution system, the SIM may not be able to execute an order in accordance with this Policy. In such exceptional circumstances the SIM will endeavour to execute client orders in the most advantageous way for its clients under the prevailing circumstances.

## **6. SPECIFIC INSTRUCTIONS**

To the extent that the SIM follows specific instructions from a client when placing an order with, or transmitting an order to, another entity for execution, such instructions supersede this Policy and the SIM will be deemed to have complied with its Best Execution obligations by following the clients' specific instructions. Specific client instructions may prevent the SIM from taking the steps it has implemented in this Policy to obtain Best Execution. It is likely to be only in rare circumstances that the SIM would receive such specific instructions. In general the SIM will make all dealing decisions itself in its capacity as discretionary portfolio manager for the portfolio management activity governed by this Policy.

## **7. RELATED POLICIES**

In addition to this Policy, the SIM's policies and procedures encapsulate several other areas that are important to ensure robust procedures and form part of the SIM's overall best execution framework. These include:

- Conflicts of interest management – the SIM has a separate Conflicts of Interest Policy;
- Inducements – the SIM has a separate Inducements Policy SIM;
- The SIM's overriding obligation to act in its clients' best interests.

## **8. MONITORING**

### **8.1 INTRODUCTION**

The SIM has an obligation to monitor the effectiveness of its best execution arrangements and this Policy and to demonstrate compliance with this Policy. This obligation has been incorporated into the SIM's general compliance monitoring process. The SIM's processes are designed to ensure that monitoring assists the SIM in delivering Best Execution for its clients on a consistent basis and that, where necessary, it identifies Best Execution failures or poor client outcomes.

### **8.2 RESPONSIBILITY FOR BEST EXECUTION MONITORING**

Monitoring is performed by investment management staff with on-going review and oversight from the SIM's compliance function. A Best Execution review meeting of the Broker's BEC is held on a quarterly basis. The Compliance and Operations Manager attends the Broker's BEC meetings and is able to raise questions in relation to trades conducted on behalf of the SIM in this forum. In addition to assessing whether internal processes and this Policy are being followed, the compliance function may challenge whether Best Execution is being achieved consistently if necessary.

In the event that the SIM's monitoring procedures identify any material deficiencies in the SIM's Policy and determine that the necessary framework to facilitate the best result being delivered to the SIM's clients is not operating as anticipated under this Policy, the issue identified shall be promptly escalated to Payden Global SIM Investment Committee with sufficient detail and any proposed corrective action to be taken, including any proposed changes to this Policy.

### **8.3 SENIOR MANAGEMENT AND ESCALATION**

The SIM's Chief Investment Officer is responsible for ensuring that robust business practices are operating in all its trading activities to deliver Best Execution on a consistent basis and for promoting a culture that proactively identifies and manages conflicts of interest. The SIM's Chief Investment Officer and the Heads of Compliance and Risk Functions are responsible for the on-going review and monitoring of this Policy, to ensure that it remains robust and fit for purpose, taking into account, amongst other things, changes to market structures and execution practices and development of new products.

The Chief Investment Officer has responsibility to rectify any non-material deficiencies arising during monitoring. Any material deficiencies or issues identified by the SIM's monitoring procedures are

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promptly escalated to the Board and the Compliance Officer for their respective review with sufficient detail and a proposal for corrective action to be taken, including any proposed changes to this Policy.

## **9. POLICY REVIEW**

The SIM's Board and Compliance Officer are responsible for the maintenance and annual review of this Policy and the SIM's execution procedures.

In addition this Policy and/or the SIM's execution procedures are reviewed whenever a material change occurs in the market that could affect the SIM's ability to obtain the best possible result for the execution of its clients' orders.

The SIM's review also takes into account a review of the monitoring program to ensure that monitoring processes remain fit for purpose and appropriate.

## **10. CLIENT DISCLOSURE AND CONSENT**

The SIM must provide appropriate information about this Policy to its clients. In order to comply with this obligation the SIM provides its clients with a copy of this Policy, which is intended to enable its clients to make a properly informed decision as to whether to utilise the SIM's services.

The SIM must notify clients of any material change that occurs and that affects this Policy. A material change is a significant event that could impact parameters of Best Execution. For example this could relate to the inclusion, or removal, of a significant, or new type of, execution venue.

However, client's express consent to such changes is not required.

Upon request the SIM will demonstrate to its clients that orders are executed in accordance with this Policy.

Upon request the SIM will demonstrate to Consob that orders are executed in accordance with this Policy.

Annually, the SIM shall summarise and publish, for each class of financial instruments, the top five execution venues in terms of trading volumes where it transmitted or placed client orders for execution in the preceding calendar year and information on the quality of execution obtained. The SIM shall publish this on its website at [www.payden.com](http://www.payden.com). Each report shall be available in the public domain for at least two years from the date of publication.