

Securities Trading, Best Execution, and Allocation Policy

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Version Control

Version	Editor	Date	MC Approval	BofD Approval	Comments
1.0	JLV	2014-09-01	2014-10-13	2014-12-19	First version
2.0	OAS	2021-03-02	2021-03-05	2021-03-16	Update for reference to Circular18/698
3.0	OAS	2022-12-11	2022-12-11	2022-12-15	Update after shareholder change, removing references to CBP Quilvest policy & Quamvest
3.1	OAS	2023-12-05	2023-12-12	2023-12-12	Review, retroactive changes to policy for engaging punctually with brokers/ counterparties
3.2	OAS	2024-10-22	2024-11-14	2024-12-12	Annual update

1. Regulatory Background

Quilvest Capital Partners AM SA (QCP AM) best execution rules are embedded within the larger scope of QCP AM's duty to act in the best interest of the AIF's investors.

Initially the best execution framework was delimited by the European Parliament Directive 2004/39/EC on Markets in Financial Instruments (MiFID). This directive sets several requirements for the investor's protection standards that are designed to promote market efficiency and the best possible execution results for the investors.

MiFID best execution obligations require investment firms to take all reasonable steps to obtain, when executing orders on behalf of their clients, the best possible result, considering the executing factors (price, cost, speed, settlement, size, etc.) or any other consideration relevant to the execution of the order.

On its turn, Commission Delegated Regulation 231/2013 (Regulation 231) governing the Alternative Investment Fund Managers industry, states that the best interest of the AIFs investors must be protected at any time. For this, one of the protection measures that the Regulation 231 promotes is the best execution rule, applying the MiFID directive to the Alternative Investment Fund's scope.

Regulation 231 in its whereas 45 establishes that the MiFID rules are applicable to the AIFMD, always limited to the various types of assets in which AIFs invest. For example, best execution will not be very relevant when investing in real estate or private equity, these types of investments being preceded by a long and exhaustive negotiation phase and agreement. Additionally, and regarding the execution venues within the MiFID context, QCP AM should be able to demonstrate to the authorities that there is no choice for different execution venues where QCP AM places orders for the AIFs it manages (when applicable).

In addition, article 25 of the Regulation 231 sets that AIFMs must implement proper procedures and arrangements for the handling of orders. The handling must be done promptly and accurately recorded and allocated, executed on a sequentially order (for comparable orders), settlement (money or assets) promptly delivered, and information about pending orders must not be misused.

Article 27, 28, and 29 of the Regulation 231 establish the guidelines to placing and executing transactions for the AIFs also making a reference to aggregation and allocation of trading orders.

Circular CSSF 18/698 specifically mentions in Sub-chapter 6.1. Limits to the scope of delegation, the need to implement and monitor a best execution policy among the activities which cannot be delegated to third parties, and which must be performed by an IFM. Furthermore, Sub-section 6.3.2.2. Due diligence and ongoing monitoring of delegated Portfolio Managers, also requires that the initial due diligence reviews the best execution procedure of the delegated PM and the ongoing monitoring verifies that the delegate complies with the best execution policy.

2. Best Execution

At any time QCP AM shall act in the best interest of the AIFs and their investors while executing investment decisions for the AIFs it manages. For this doing QCP AM will assess and take all reasonable steps to obtain the best results on price, cost, speed, etc, as mentioned above and to comply with the MiFID and AIMFD applicable rules.

When the best execution rules are applicable (e.g. not a real estate nor a private equity, where best execution is not relevant), QCP AM will take into consideration different factors and criteria that will lead to the best execution possible. The factors that QCP AM assesses while placing trades on behalf of AIFs it manages are the following (not limited to):

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- transaction size;
- nature;
- any other consideration relevant to the execution of the order.

These factors will be assessed by applying the following criteria:

- the objectives, investment policy and specific risks of the AIF;
- the characteristics of the order;
- current market liquidity conditions;
- the characteristics of the financial instrument;
- the characteristics of the execution venues where the order can be sent to.

When placing a trade for execution, QCP AM will promptly record and allocate sequentially the instructions and apply the factors and the criteria above mentioned to determine the best execution for the specific order, place of execution, and specific AIF.

QCP AM does not execute client's orders, nor does it trade on own account (QCP AM has no trading portfolio). QCP AM places orders through selected executing brokers or intermediaries on behalf of the AIFs it manages. QCP AM will identify which brokers or intermediaries will provide the best services related to the specific financial instrument and will establish a list of these entities when needed.

One of the main aspects that QCP AM will assess regarding the broker selection will be its best execution policy (focusing mostly on how the broker provides the best results from the price

and cost perspective).

In general, QCP AM will review updates of the brokers' Best Execution policy/procedure and will verify that the policy is aligned with this policy and will analyze any trades where there might have been some element of "friction" preventing best execution.

3. Trade Aggregation and Allocation

In some cases, QCP AM could aggregate some of its AIF's trades, only when:

- it can be reasonably expected that the aggregation of the orders will not adversely affect the AIF(s) whose order is to be aggregated;
- an order allocation policy is implemented and provides precise details on how to proceed with aggregated orders (including volumes, prices, and partial executions).

The aggregation of trades responds to the deployment of a trading strategy that seeks the efficiency of the trading process. This type of trading technique tries to reach the best overall result and price efficiency for the AIFs and therefore its investors. Some of the techniques may include:

- aggregating orders for AIFs who trade with the same broker;
- sequencing and pacing orders to obtain execution efficiency and to mitigate the possibility of orders that would impact the market price of the security;
- use of limits orders to reduce the variance in execution prices across accounts that trade through different executing brokers.

When aggregated trades are partially executed, QCP AM will allocate the results on a pro-rata basis for each trading day and for each AIF.

Exceptions to the pro-rata basis can be approved only by the Compliance Officer. These exceptions may include AIF directed transactions or situations to comply with investment restrictions and regulations among others.

The Compliance Officer will, on an annual basis, review the policy and assess on a sample basis if the allocation and aggregation principles have been applied honestly and according to the present policy.

4. Brokers / Counterparties

QCP AM is not a member of a regulated market or stock exchange and therefore transmits orders with intermediary brokers (counterparties) for execution.

QCP AM selects counterparties consistent with high standards and compliance, rules of conduct

and quality performance. Before using their services QCP AM will request data on the capacity and fees for executing a trade.

As mentioned in section 1, QCP AM does not usually operate with traded securities, nevertheless, it is possible that private shares may start to trade publicly after IPO (or after a payment in kind, etc..) and that traded securities may be part of assets in the portfolios of the AIFs under management. QCP AM will therefore, need to organize the sale of these shares. For punctual/ad hoc trades, QCPAM may select broker services available, subject to considering their capacity and fees for executing the trade.

Nevertheless, in case a long-term relation with the counterparties is envisioned, then QCPAM will proceed to run a full due diligence, as established in the Counterparty Selection and Approval procedure. In both cases, brokers / counterparties must be approved by QCP AM's on-boarding committee.

QCP AM selected counterparties could be used for the following financial instruments:

- equities (listed);
- fixed income (listed government/corporate);
- money market;
- foreign exchange;
- forward FX contracts; and
- listed derivatives.

QCP AM regularly assesses counterparties to identify those that will enable QCP AM, on a consistent basis, to seek to obtain the best possible result when executing client orders.

When selecting a counterparties, the following criteria should be considered, but without limitation:

- Counterparty's ability to execute and settle the trade in a prompt, orderly and satisfactory manner;
- Counterparty's financial status and credit worthiness, responsibility and solvency;
- Counterparty's execution capabilities and any related risks when trading a block of securities;
- Counterparty's regulatory status;
- Counterparty's reputation;
- Counterparty's market coverage and knowledge; and
- Counterparty's consistent quality and confidentiality of service.

QCP AM's Best Execution Policy is regularly updated and published on their its webpage:
[Regulatory Information | Quilvest Capital Partners AM S.A.](https://www.quilvestcapitalam.com/Regulatory-Information)(quilvestcapitalam.com)

5. Policy Review

In line with the ongoing reviewing process that the QCP AM has established, this policy should be revised every year or earlier if a significant change occurs in the related regulations or in the way activities, operations or management are organized.