



**ORDER EXECUTION AND TRANSMISSION STRATEGY
OF EURIZON CAPITAL SGR S.p.A.**

December 2017

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1. INTRODUCTION

As envisaged by requirements on *best execution* in MiFID (Directive 2014/65/EC), UCITS (Directive 2009/65/EC, as amended) and AIFM (Directive 2011/61/EU) and relative EU law (level two directives and regulations) and national implementing regulations ("Intermediaries Regulation" issued by CONSOB in ruling 16190 of 29 October 2007 as amended) Eurizon Capital SGR S.p.A. (hereinafter also the "Company") adopts all sufficient measures and effective mechanisms to obtain the best result possible for managed UCIs and for the portfolios of professional and retail customers, when it executes orders for managed assets at selected "Execution Venues". "Execution Venues" means regulated markets, multilateral trading facilities (MTF), organised trading facilities (OTF) and "Intermediaries" that operate as a systematic internaliser, market maker, dealer on own account or other supplier or liquidity or an entity that performs in a third country a function similar to those performed by any such entities). For the same purpose, the Company adopts sufficient measures and effective mechanisms to adopt the best result possible also when transmitting orders to third parties (hereinafter "Intermediaries") for their execution.

In compliance with the "Intermediaries Regulation", the Company has therefore established an order execution and transmission strategy, in order to obtain the best result possible (so-called "best execution") for customers for whom it provides a portfolio management service and for managed UCIs¹. This document describes the most significant aspects of the strategies adopted by the Company, including the execution factors considered most important and the procedures for selecting Execution Venues and Intermediaries.

In making investment choices on behalf of managed assets, the Company executes or sends orders using Intermediaries of a high-standing, that meet criteria of confidentiality, reliability and financial soundness, and that can ensure the proper execution of transactions and minimise counterparty risk. To this end, the Company normally uses several Intermediaries for each type of financial instrument/market in order to avoid an excessive concentration as regards the same counterparty and to reduce the market's identification of investment strategies adopted. The Company does not aggregate transactions on its own behalf with one or more orders arranged on behalf of UCIs and customers.

The procedures used by the Company to achieve its aims differ depending on the type of asset/customer and financial instrument.

The Company transmits orders to Execution Venues and Intermediaries identified for the different classes of assets managed (shares, instruments, bonds, foreign currencies, listed derivatives, unlisted derivatives, units in UCIs), and their liquidity conditions. In exceptional circumstances, for example executing orders from customers for specific financial instruments or on a temporary basis to ensure best execution for the UCIs and customers, orders may be transmitted or executed also at Execution Venues or with Intermediaries not included in this Strategy. Orders may also be executed away from a trading venue if this meets the best interest of managed assets. In these situations, the Company operates in order to minimise the risks arising from transactions in financial instruments and in currencies related to possible breach by market counterparties. In this regard, the Company has identified the following main risk areas:

- a) *counterparty risk (or substitution/pre-settlement risk)*, related to the potential risk of substitution of the contract before maturity, due to the counterparty's inability to fulfil the obligation, with potential price/exchange/rate losses that may have changed in the meantime; it represents the

¹ With reference to UCIs, national laws refer to provisions in Regulation (EU) No 231/2013.

risk of loss due to higher costs or loss of earnings incurred by the solvent party, if the counterparty becomes insolvent before the agreed maturity.

- b) *settlement risk (or delivery risk)*, related to the possibility that the counterparty, after contract maturity, may fail to fulfil its obligation to deliver securities/currency or to pay amounts due, after consideration has been given.

In relation to the above risks, the Company defines specific maximum exposure limits for each counterparty, in the event that the counterparties are unable to fulfil their obligations. If requested, the Company will give customers additional information on the consequences related to execution outside a trading venue.

2. EXECUTION FACTORS

For the purposes of execution, or the transmission of orders concerning financial instruments on behalf of managed assets to Intermediaries, the Company considers the following factors in order to achieve the best result possible:

- the price of the instrument;
- execution costs;
- the speed and likelihood of execution and settlement;
- the size and nature of the order;
- the possible impact on the dynamics of prices arising from the size of the order in relation to trades;
- the liquidity of financial instruments;
- other characteristics of the order which are significant for its execution and/or transmission.

The Company gives these factors relative importance, considering:

- a) the investment objectives, policy and specific risks of managed assets, as indicated in section II and II of the portfolio management contract and for UCIs in the offering prospectus and in fund management regulations (for reserved AIFs);
- b) the characteristics of the order;
- c) the characteristics of financial instruments or of other assets in the order and their liquidity conditions;
- d) the characteristics of the Execution Venues which the order is sent to.

As part of the portfolio management service, the Company also considers the characteristics of the Investor, including their classification as a retail or professional customer. For retail customers, when selecting Execution Venues, the relative importance of factors is given by the total amount comprising the price of the financial instruments and execution costs; costs include all expenses paid by the customer and directly related to the execution of orders, including the fees of the execution venue, fees for offsetting, as well as settlement and any other fee paid to third parties regarding order execution. However, the Company may consider it appropriate to give precedence to speed, likelihood of execution and settlement, the size and nature of the order, impact on the market and any other cost inherent in the transaction, when these provide the best result possible in terms of total amounts.

For professional customers, the total amount is considered the main factor in the absence of specific circumstances that result in other factors being more significant for achieving the best result possible.

3. PROCEDURES FOR THE TRANSMISSION AND EXECUTION OF ORDERS FOR MANAGED ASSETS

The information in this section is customised based on the class of financial instrument and management strategy adopted.

The Company does not receive any remuneration, discount or non-monetary benefit for transmitting orders to a particular Execution Venue. The commissions applied to orders arranged on behalf of managed assets may differ depending on the execution procedure, class of asset, Execution Venue, as well as the geographic/capitalisation area of the issuer.

ORDERS CONCERNING SHARES

Transmission and execution procedures differ depending on the management strategy:

"Program" execution

With this execution strategy, a price is obtained that represents the trading day (for example the average weighted price or the closing price or other prices) in addition to a high likelihood of order execution and minimum relative costs.

This transmission and execution strategy is normally used for orders relative to UCIs with a quantitative management style, for orders relative to retail and institutional customer portfolio management and, more in general, to all cases with a high number of orders. These types of management are in fact characterised by the generation of a high number of connected orders arising from quantitative model signals or from rebalancing carried out to realign managed assets to model portfolios or to change their strategic configuration.

For these orders, the Company believes that the best interest of managed assets is achieved through an execution that not only attempts to obtain the best price in absolute terms, but also considers as preferable a price which, avoiding market lows or highs, best represents the execution day (of a portion thereof), as indicated above. This execution procedure normally involves sending all orders generated at the same time to the same intermediary in order to minimise the cost and have the certainty that all orders are executed.

For this purpose, the Company selects the Intermediaries to send orders to, from those with the professional and technological facilities and with access to Execution Venues which can guarantee these execution procedures, preferring intermediaries that, while offering the same quality of service, charge lower trading fees. Aspects considered when assessing Intermediaries include the ability to offer assistance on a continual basis and information to the Company during execution. These entities will also have execution devices that allow the Company to meet obligations of applicable laws, when placing orders with these entities and sending them for execution.

The Company gives customers a hard copy of the list of Intermediaries selected for the transmission/execution of orders with any sector/geographic/capitalisation diversification. This list is also published on Company's website www.eurizoncapital.it.

"Managed" execution

With this execution strategy, the price factor is particularly significant, even in the case of a higher execution cost and in some circumstances where the likelihood and speed of execution is a determining factor. The strategy is usually adopted for active management approaches, where individual securities to include in portfolios are selected for which the following are significant, depending on the cases:

- the time of execution based on the expectation that the Company may have of the trend of the price during the trading day;

- the execution of the order at a price considered satisfactory and/or based on volumes traded on regulated markets or on multilateral trading facilities;
- order execution regardless of market conditions (capital commitment).

These cases often concern orders of a considerable size in relation to market volumes or the managed assets.

For these orders, the Company believes that the best interest of managed assets is achieved through "managed" execution, that avoids a negative impact on market prices, allows for the execution time to be carefully selected and ensures confidentiality of the origin of the order as well as ongoing contact between the dealer and Company entities. For the orders in question, the Company may revoke the order or give further instructions to the dealer/intermediary and request a guarantee of execution regardless of market conditions (capital commitment). This execution strategy (also called "high touch") and the relative flexibility entail greater costs compared to "mere execution".

For this purpose, the Company sends orders to Intermediaries selected from intermediaries that can ensure the highest execution quality on a permanent basis, according to the terms indicated above, preferring intermediaries that, while offering the same quality of service, charge lower trading fees. Aspects considered when assessing Intermediaries include the ability to offer access on a continual basis to the primary market and assistance and information to the Company during execution. These entities will also have execution devices that allow the Company to meet obligations of applicable laws, when placing orders with these entities and sending them for execution.

This execution strategy is also used with reference to the UCI with a management approach based on quantitative models and on asset management for orders that do not arise from quantitative models or from portfolio rebalancing, but from the discretionary choices of managers or for orders concerning financial instruments, for which the Company has an expectation of the price trend.

The Company gives customers a hard copy of the list of Intermediaries selected for the transmission/execution of orders with any sector/geographic/capitalisation diversification. This list is also published on Company's website www.eurizoncapital.it.

ORDERS CONCERNING BONDS

Execution procedures will differ depending on the nature of the issuer and liquidity of the financial instrument:

Liquid bonds.

In view of the characteristics of the bond market, comprising Intermediaries that usually operate on their own behalf and do not therefore apply the commissions indicated, the Company believes that the best interest of managed assets is achieved by executing orders at the best price possible which is compatible with the need to execute the entire order (dimension) over a reasonable time frame (likelihood of execution).

To this end, the Company executes orders according to one of the following procedures:

- directly on regulated markets;
- selecting the intermediary with whom to execute the order, using electronic trading platforms (MTF or OTF), or

- requesting at least three Intermediaries for a quotation for the specific order, establishing a maximum time for the reply and executing the transaction with the intermediary prepared to execute the entire order at the best price, comparing it with quotations indicated on electronic circuits.

The Execution Venues or Intermediaries sent requests for quotations are selected based on their ability to guarantee on a permanent basis execution in best conditions, considering the operating facilities, response times and proposed prices.

The Company gives customers a hard copy of the list of regulated markets and Intermediaries selected for the execution of orders with any diversification between government bonds and corporate financial instruments.

The Company gives customers a hard copy of the list of Intermediaries selected for the transmission/execution of orders with any sector/geographic/capitalisation diversification. This list is also published on Company's website www.eurizoncapital.it.

Bonds with poor liquidity

Where possible, the Company tries to adopt the same strategy used for "liquid" securities, but in the absence of several Intermediaries prepared to trade, it may contact just one counterparty, thus giving priority to the likelihood of execution and obtaining, in order to operate in the best interest of managed assets, a prior determination of the fair value of the traded instrument from dedicated units of the Company.

Intermediaries sent requests for quotations or with whom transactions are carried out are selected according to the same criteria used for transactions with liquid securities. The Company may also contact Intermediaries not included in the above indicated list, if no intermediaries on the list are able to trade a certain financial instrument or proposed conditions deviate significantly from the fair value of the instrument, adjusted to take into account the instrument's liquidity characteristics.

The Company gives customers a hard copy of the list of Intermediaries selected for the execution of orders. This list is also published on Company's website www.eurizoncapital.it.

ORDERS CONCERNING FOREIGN CURRENCIES

Considering the liquidity characteristics of the foreign currencies market, the Company believes that the best interest of managed assets is achieved by executing orders at the best price possible considering the likelihood of settlement.

To this end, the Company executes orders according to one of the following procedures:

- selecting the intermediary for order execution, using electronic trading platforms (MTF or OTF),
or
- requesting a quotation for the individual order from an intermediary, checking the proposal received against quotations indicated on electronic circuits.

The Intermediaries sent requests for quotations are selected based on their ability to guarantee on a permanent basis execution in best conditions, considering the operating facilities, response times, proposed prices and reliability of the intermediary.

The Company gives customers a hard copy of the list of Intermediaries selected for the execution of orders. This list is also published on Company's website www.eurizoncapital.it.

ORDERS CONCERNING LISTED DERIVATIVES

The Company believes that the best interest of assets is achieved through order transmission which enables the best overall price to be obtained. Depending on market conditions and the type of derivative, the Company sends orders selecting the time of execution or assigning execution to the intermediary when it considers that order management can produce the best execution result.

For this purpose, the Company sends orders to Intermediaries of a high standing, selected from intermediaries that can ensure the highest execution quality on a permanent basis, according to the terms indicated above, preferring intermediaries that charge lower execution and settlement fees and that have an administrative structure capable of managing rapid and efficient relations with the Company during all stages of the transaction and a continual, complete data stream.

Banca IMI, a counterparty of the Intesa Sanpaolo Group, is the intermediary appointed to carry out clearing for transactions in listed derivatives; this choice has enabled the Company to adopt an operational model to manage guarantees connected to this trading sector that can optimise the level of protection given to managed assets.

The Company gives customers a hard copy of the list of Intermediaries selected for the execution of orders. This list is also published on Company's website www.eurizoncapital.it.

ORDERS CONCERNING UNLISTED DERIVATIVES

Transactions in unlisted derivatives are not standardised and entail a greater related counterparty risk. The Company believes that the best interest of managed assets is achieved by obtaining the financial derivative with the characteristics indicated by the manager at the best possible conditions, with the need to avoid execution or settlement risks permitting. For this purpose, the Company selects intermediaries of a high standing for order execution, that guarantee high execution and settlement likelihoods on a permanent basis and have an administrative structure capable of managing rapid and efficient relations with the Company during all stages of the transaction and a continual, complete data stream.

The Company gives customers a hard copy of the list of Intermediaries selected for the execution of orders. This list is also published on Company's website www.eurizoncapital.it.

ORDERS CONCERNING UNITS OF UCIs

The order execution/transmission procedures differ depending on whether or not financial instruments are listed. The Company gives customers a hard copy of the list of Intermediaries selected for the transmission of orders. This list is also published on Company's website www.eurizoncapital.it.

Listed UCIs (ETF)

Considering the characteristics of the ETF market, the Company sends orders for financial derivatives with the aim of minimising the execution cost.

For this purpose, it selects intermediaries to send orders to based on the lower execution cost, from intermediaries that have access to the highest number of Execution Venues and have technological facilities that promote the exchange of order and executed order streams.

Unlisted open UCIs.

For unlisted open UCIs, subscription or redemption orders are executed based on the unit value of the unit calculated by the management company. The Company consequently sends these orders for execution to the relevant Issuer Company, opting for the use of electronic platforms that give effective and efficient access to a wide range of UCIs and management companies. In particular,

the Company mainly uses the AllFunds Bank platform, which gives it access to a considerable number of management companies and funds, which it could not otherwise have direct contact with. This choice does not entail a higher execution cost for managed assets, as the platform is remunerated by the Issuer Company through the retrocession of a part of the management fee of UCIs subscribed through the platform. As regards connected UCIs, the Company sends orders to management Companies also through State Street Bank GmbH – Italian Branch.

ORDERS CONCERNING UNITS OF HEDGE FUNDS

For unlisted UCIs, subscription or redemption orders are executed based on the official value of the unit calculated by the relative *Fund House* or *Fund Administrator*. The Company consequently sends these orders for execution to the relevant *Fund House*, using *intermediaries* that allow for the subscription process to be managed effectively and efficiently.

The use of these Intermediaries does not entail a greater execution cost for managed assets. If it is possible to subscribe to the same fund (or similar funds managed by the same manager), through different *Fund Houses* or different platforms, the Company will select the *Fund House/platform* for fund subscription based on subscription/management costs, the *capacity* and dimension of the fund, the possibility to access other UCIs on the same platform, any differences in terms of yield, lockup clauses, redemption costs and times and the frequency of the unit value calculation.

ORDERS CONCERNING RECEIVABLES AND SECURITIES REPRESENTING RECEIVABLES

As regards orders concerning receivables and securities representing receivables, such as secured credit and leveraged loans, transactions are not standardised and entail a greater related counterparty risk. In the case of Alternative Investment Funds (AIF) that invest in these types of assets, the Company believes that the best interest of managed assets is achieved by trading receivables at the best price possible with the need to avoid execution or settlement risks permitting. To this end, considering the characteristics of the reference market, the Company selects investments (deals) based on a specific selection, approval and control methodology (*due diligence*). In particular, the Company carries out analyses that combine qualitative and quantitative assessments of the deal, counterparty and connected collateral, with the aim of evaluating all risk factors of the transaction, the creditworthiness of the investment and relative return. In this context, the Company may be assisted by third-party entities specialised in specific areas of the various stages of analysis comprising the entire trading process (e.g. legal advisors, strategists and accounting experts, auditors, etc.).

At the end of the due diligence process, the Company starts to broker the deal, also assisted by external legal advisors. For this purpose, the Company (i) checks legal documents to sign, (ii) coordinates the process with the counterparty, the syndicating bank and acting bank, (iii) signs legal documents (e.g. confirmation of the transaction, pricing letters, transfer certificates, etc.), (iv) arranges for appropriate mechanisms to settle the transaction. To facilitate the brokering stage, the Company complies with specific document standards in order to standardise and simplify the settlement of transactions.

ORDERS GIVEN BY INVESTORS IN THE CONTEXT OF THE PORTFOLIO MANAGEMENT SERVICE (SPECIFIC INSTRUCTIONS)

Orders given by customers in the context of a portfolio management contract (Specific Instructions) are executed by the Company according to procedures established for the corresponding type of financial instrument. Where this is not possible because the type of order, the moment when it was received or the financial instrument in question are not compatible with this strategy or with the

Intermediaries or Execution Venues selected, the Company follows the Specific Instructions of the customer and executes the order according to procedures that enable the best interest of the customer to be attained, which in the case of retail customers is determined in terms of the total payment. In fact, Specific Instructions may prevent the Company from adopting the measures that it has established and adopts in its execution strategy to obtain the best result possible for order execution as regards aspects of these instructions.

The Company meets the obligation to serve the best interests of customers and is not required to adopt measures as of this strategy, if it follows the specific instructions of the customer when it places an order with another entity or sends the order for execution.

If the customer provides execution instructions, the Company follows the instructions received and oversees best execution with reference to factors not included in the instructions.

4. MONITORING AND REVIEW

The Company periodically monitors the effectiveness of order execution and transmission measures and strategies adopted and, if necessary, corrects any shortcomings; it also reviews measures and strategies adopted at least annually, and in any case when significant circumstances occur that can have an impact on the ability to obtain the best result possible for customers and for UCIs on a permanent basis. In this regard, the Company regularly assesses whether venues included in the strategy ensure the best result for the customer or whether adopted measures need to be changed.

The Company therefore continually analyses the order execution policies adopted by single counterparties, to ensure they are consistent with the principles in this Strategy and to assess the level of service actually provided compared to its Strategy, also to take any measures to ensure the best result is still achieved for its customers and UCIs.

The Company will promptly notify customers of any considerable change to this Strategy, which is also published on its website www.eurizoncapital.it.

5. ADVERTISING

This Strategy is made known to customers before signing portfolio management contracts and is published on the Company's website www.eurizoncapital.it.

The Company summarises and publishes on its own website the first five intermediaries by trading volume it has sent orders to or the Execution Venues where it has placed orders of customers and of managed UCIs for execution in the previous year, divided by class of financial instrument, along with information on the execution quality.

Investors may request additional reasonable, commensurate information on entities to whom orders have been sent or with whom orders have been placed for execution or on policies adopted and relative review.