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METZLER

Asset Management

Principles for Executing Orders
in Financial Instruments

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A. Preliminary note

1. Scope of application

The Principles for Executing Orders in Financial Instruments (hereinafter the „Execution Principles“) below set out which measures Metzler Asset Management GmbH (hereinafter the „KVG“) has taken in order to ensure that it constantly executes a customer order in the customer’s best interests.

These Execution Principles apply to the execution of orders issued by a private or professional client (hereinafter the „Client“) to the KVG in order to purchase or dispose of securities or other financial instruments. These Execution Principles do not apply to the execution of orders issued by eligible counterparties.

These Execution Principles only apply to transactions in financial instruments as defined in Directive 2014/65/EU on Markets in Financial Instruments and section 2 (4) of the German Securities Trading Act in the version in force as of 3 January 2018 (Wertpapierhandelsgesetz, neue Fassung; WpHG n.F.). Spot transactions in foreign currencies and physically delivered goods are not included in the definition of financial instruments and are therefore not covered by the Execution Principles.

Execution within the meaning of these Execution Principles generally means that the KVG purchases or disposes of financial instruments on behalf of a client in fulfilment of its duties under a financial portfolio management contract with that client, thus concluding a corresponding transaction with another market participant on a suitable market (commission transaction).

2. Principles for executing orders; forwarding client orders

The KVG will take all reasonable measures to ensure that the best possible result is achieved for the Client at all times. Client orders can generally be executed via various means of execution or at various execution venues, e.g. at regulated trading venues, via multi-lateral or organised trading facilities, systematic internalisers or at other trading venues, at home or abroad, in floor or electronic trading. Trading platforms such as FX Connect, Tradeweb or Market-Axess are also used when executing orders in bonds, currencies or derivatives. The KVG takes account of the factors set out in Section B of these Execution Principles when forwarding orders to intermediaries and defining means of execution and potential execution venues in the main types of financial instrument. It will favour in-

termediaries and execution venues that generally provide constant best execution in the Client’s interests.

The KVG will generally not execute client orders in financial instruments itself, not least because it does not have direct access to an execution venue, but rather orders in financial instruments will be forwarded to an intermediary (e.g. another credit or financial services institute or a broker) for execution. Upon request, the KVG will provide the Client with further details of the intermediary or intermediaries instructed to execute a client order. The KVG will regularly review the group of intermediaries with whom it works and will monitor the quality of execution in order to ensure that the intermediaries take appropriate measures to achieve constant best execution.

3. Priority of instructions

Client instructions will be executed in line with these Execution Principles, insofar as and provided that the Client has issued no instruction to the contrary and no different provisions have been agreed in the individual contract. The Client can issue the KVG with an instruction stating how its order is to be executed and at which execution venue. Such instruction will have priority over these Execution Principles. The KVG can then execute the order in line with this instruction. By executing a client order in line with an instruction issued by the Client, the KVG meets its duty, in the scope of the corresponding instruction, to take all sufficient measures to ensure the best possible result for the Client.

Note: An instruction issued by the Client cannot prevent the KVG from taking measures that it defined and implemented in the context of these Execution Principles in order to achieve the best possible result in respect of the elements to which the relevant instructions apply when executing orders.

4. Alternative execution in individual cases

The KVG has defined a means of execution or an execution venue for the large majority of existing classes of financial instruments in the context of these Execution Principles.

It is however impossible that every single instrument is covered by that rule.

The KVG will obtain the Client’s consent in order to execute an order in such a case.

Insofar as extraordinary market conditions or a market disruption make it necessary to execute the order in deviation from these Execution Principles, the KVG will ensure the Client’s interests are protected when selecting the alternative execution.

5. Execution outside trading venues

Insofar as is permitted by law, the KVG can also execute orders outside regulated trading venues within the meaning of section 2 (22) WpHG n.F., i.e. off-exchange, but also outside multilateral and

organised trading facilities. The KVG will meet its obligation to ensure best execution outside regulated trading venues in particular by basing its decision on market data that was used when estimating the price for the relevant financial instrument. The KVG will assess the appropriateness and fairness of the price offered to the Client by regularly controlling the methods and influencing factors applied. When executing client orders outside regulated trading venues, the KVG will obtain the express consent of its Clients in general or in respect of each transaction.

6. Aggregation of Client orders

The KVG is entitled to aggregate client orders with orders issued by other Clients and to execute them together, while observing these Execution Principles, provided the order volume, current market liquidity, price sensitivity and type of financial instrument being traded allow this. Execution outside the aforementioned trading venues is also possible. Orders will only be aggregated if it is unlikely that such aggregation will be to the Client's detriment.

The KVG may bundle buy and sell orders for the same financial instruments for different Clients and investment funds managed by the KVG and place them on the market at once, in order to exploit the resulting price advantages for larger orders.

The KVG has defined and implemented principles for allocating aggregated orders which provide for the fair allocation of aggregated orders and transactions, also in view of how the volume and the price of orders determine the allocation and partial execution. Where execution is effected at more than one price, allocation to individual Client accounts is based on a blend rate calculated on the basis of the weighted arithmetic mean. Further information on aggregation and the allocation of aggregated transactions is available upon request.

Note: The KVG expressly points out that aggregation may be to the detriment of an individual order, since in the individual case a less favourable execution rate for the individual investment fund or individual Client is possible.

7. Reviewing the Execution Principles

The KVG will review these Execution Principles at least once a year. An additional review will be performed if the KVG becomes aware of a substantial change which may have an impact on the KVG's ability to continue to achieve the best possible result for its Clients.

B. Criteria for determining the best execution and selecting intermediaries and execution venues

1. Execution criteria; weighting

The KVG has defined the following means of execution and execution venues for the individual classes of financial instrument on the basis of the following criteria in particular:

Main criteria	Weighting
■ Price of the financial instrument	Very important
■ Type and scope of order	Very important
■ All execution-related costs	Very important
■ Probability of execution	Very important
Secondary criteria	
■ Speed of execution	Important
■ Probability of settlement	Important

When weighting the criteria, the question of whether or not the criterion is relevant at all and what weighting the criterion has for itself and in relation to others is of particular importance. For private clients, the best possible result is based on the total charge. The total charge is the sum of the price for the financial instrument and all execution-related costs.

Since financial instruments are generally exposed to price fluctuations and it is thus impossible to rule out negative market performance from the Client's perspective after the order has been issued, execution venues on which complete execution and settlement is probable and possible in the near future are taken into particular account. Besides the total charge, the KVG also takes account of the execution speed, i.e. the time between receiving a client order and this order being able to be executed at a trading venue or via an intermediary. Within the scope of the standards set out above, the KVG will also take account of all other relevant criteria (e.g. trading times and market condition).

2. Factors for selecting intermediaries and execution venues

The KVG selects the potential intermediaries and execution venues on the basis of factors such as market liquidity, pricing, number of market participants, stability and quality of technical connection and settlement, and clearing.

The weighting of the individual factors when selecting execution venues is set out in the table below:

Factors	Weighting
■ Market liquidity	Very important
■ Pricing	Very important
■ Number of market participants	Very important
■ Stability and quality of technical connection/settlement	Very important
■ Clearing/probability of settlement	Important
■ Disaster recovery	Important
■ Trading times	Important

The weighting of the individual factors when selecting the intermediaries is set out in the table below:

Factors	Weighting
■ Access to market liquidity and liquidity provision	Very important
■ Pricing	Very important
■ Type and scope of order	Very important
■ Stability and quality of technical connection/settlement	Very important
■ Clearing/probability of settlement	Important

The KVG publishes the five most relevant execution venues on its homepage (www.metzler.com) once a year, broken down according to Client groups and the various classes of financial instrument. The ranking is based on the trading volume determined for the previous year. The KVG also provides information on the execution quality achieved.

C. Execution principles in different kinds of financial instruments

1. Interest-bearing securities

Most interest-bearing securities are traded bilaterally with counterparties and rarely on regulated trading venues. Interest-bearing securities may, however, also be traded via an intermediary on domestic or foreign stock exchanges. The KVG, however, primarily operates on OTC markets. If several counterparties are known as active market participants for an interest-bearing security, various market offers may be taken into account; in this context, the KVG is aware at all times that the prices achieved can be very quickly withdrawn over a period of time or as a result of market developments, in particular in the case of bonds. By using electronic trading systems, reference prices can be retrieved, allowing the best price for various counterparties to be determined simultaneously.

2. Shares

The KVG will opt to use an intermediary or a particular execution venue in order to secure the best access to liquidity or, alternatively, to minimise the impact on the price (market impact) in the case of relatively large orders. Share orders can either be placed electronically, via trading platforms or directly with intermediaries via an electronic FIX connection (fixed information exchange) in order to guarantee access to intermediaries' trading systems or access to numerous regulated trading venues or stock exchanges. Alternatively, share orders can also be forwarded by telephone, chat or e-mail.

3. Units in investment funds

The issue of units in investment funds at the issue price and their redemption at the redemption price is not subject to the statutory principles of best execution of client orders. The KVG will generally execute orders to buy or sell units in investment funds as commission transactions directly or indirectly via the capital management and foreign investment companies. In the case of orders to buy units in investment funds directly or indirectly via the capital management and foreign investment companies, the price is based on the redemption price plus a premium, the maximum amount of which is equal to the front-end load specified by the capital management company or its custodian.

Orders in exchange-traded funds will be executed via intermediaries, insofar as they are traded on stock exchanges in Germany, on the

most relevant domestic market in terms of liquidity in line with these Execution Principles, or otherwise on the most relevant foreign market in terms of liquidity. Larger orders will be traded bilaterally with counterparties and rarely on regulated trading venues.

4. Securitised derivatives (certificates, warrants)

The KVG executes transactions in certificates and warrants as follows:

Certificates/warrants/similar securities	Execution venue
Tradeable on a domestic or foreign stock exchange	Generally executed via an intermediary at the Frankfurt Stock Exchange or, if not, on the most relevant stock exchange in terms of liquidity. Exception (in case of insufficient market liquidity): Execution with the respective issuer, a systematic internaliser or another trading partner
Not tradeable on a stock exchange	Execution with the issuer, a systematic internaliser or another trading partner

5. Non-securitised financial derivatives

Non-securitised financial derivatives include futures and options contracts, as well as swaps and all other derivatives contracts relating to interest rates and interest-related factors, currencies, securities, financial indices and performance indicators or derivatives contracts for the transfer of credit risks which are traded on standardised terms via an intermediary on a regulated trading venue (stock exchange) (futures & options/F&O transactions) or which are agreed on an individual basis off-exchange (over the counter/OTC transactions) between the KVG and the counterparty. When executing non-securitised and non-standardised derivatives, particular terms or special contracts may be used (e.g. special terms for futures transactions or a master agreement for futures contracts), depending on the financial instrument.

Financial derivatives	Execution venue
Futures and options contracts admitted to trading at trading venues	Execution via an intermediary at the trading venue on which the contract is listed and traded (preferably Eurex or another domestic stock exchange)
Options, swaps, futures and other derivatives that are not admitted to trading at trading venues (OTC)	Transaction between the KVG and the counterparty

6. Subscription rights

The issuer may initiate trading in subscription rights for a defined trading period. The domestic and foreign depositaries may shorten the trading period defined by the issuer. The KVG can only exercise its subscription rights (instruction to subscribe), buy or sell subscription rights for the investment funds or for Clients during the periods specified by the depositaries; no buying or selling of subscription rights is possible on the last day of the trading period.

Subscription rights	Execution venue
Subscription rights from domestic issuers	Execution via an intermediary on the electronic trading platform Xetra. If they are not listed on Xetra, the order is executed on the most relevant market in terms of liquidity.
Subscription rights from foreign issuers	Generally executed via an intermediary on the most relevant foreign market in terms of liquidity. Another stock exchange is selected by the KVG if this is not the main trading venue or there are settlement reasons or the security of fulfilment mean that this would be in the interests of the investment fund.

D. Execution venues planned by the KVG

As set out above, the KVG will primarily place client orders via intermediaries, who generally use the following execution venues:

1. Stock exchanges

Australian Stock Exchange
 Börse Berlin
 Börse Düsseldorf
 Börse Frankfurt
 Xetra (fully electronic trading venue of the Deutsche Börse Group)
 Börse Hamburg
 Börse Hannover
 Börse München
 Börse Stuttgart
 Cboe UK
 Cboe NL
 Euronext Amsterdam
 Euronext Brussels
 Euronext Paris
 Euronext Lisboa
 Hong Kong Stock Exchange
 Irish Stock Exchange
 Johannesburg Stock Exchange
 Korea Stock Exchange
 London Stock Exchange
 Luxembourg Stock Exchange
 Madrid Stock Exchange
 Milan Stock Exchange/Borsa Italiana
 Nasdaq
 Nasdaq OMX Copenhagen Stock Exchange
 Nasdaq OMX Helsinki Stock Exchange
 Nasdaq OMX Stockholm Stock Exchange
 New York Stock Exchange
 Oslo Stock Exchange
 Singapore Stock Exchange
 Swiss Exchange
 Swiss Exchange Virt-X
 Tokyo Stock Exchange
 Toronto Stock Exchange
 Turquoise UK
 Turquoise NL
 Vienna Stock Exchange

2. Futures exchanges

Borsa Italiana
 Chicago Board of Trade
 Chicago Board Options Exchange
 Chicago Mercantile Exchange
 Eurex (Germany/Switzerland)
 Euronext liiffe Amsterdam
 Euronext liiffe Brussels
 Euronext London (LIFFE)
 Euronext liiffe/MATIF Paris
 Hong Kong Futures Exchange
 ICE Intercontinental Exchange
 KFE Korea Exchange
 MEFF Spain
 Montreal Exchange
 New York Board of Trade
 OMX Sweden, Norway, Denmark
 Osaka Securities Exchange
 Singapore Exchange
 South African Future Exchange
 Sydney Futures Exchange

The KVG will demonstrate upon request that transactions were executed in line with the Execution Principles and, if applicable, will provide information on the intermediaries to whom the order was forwarded for execution or with whom it was placed.

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