

# ALPHA INVESTOR SERVICES MANAGEMENT S.A.

## BEST SELECTION AND EXECUTION POLICY

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Approval body	Conducting Officers Committee	June 2021	

Version	Date	Description/cause de la modification
Version 1.0	mai 2011	Procédure soumise à la CSSF avec le dossier d'agrément
Version 2	novembre 2012	Mise à jour suite extension d'agrément
Version 3	September 2020	General updating and review
Version 4	December 2020	Specific update
Version 5	June 2021	Specific update

## Introduction

The purpose of this document is to present the selection and execution policy adopted by Alpha Investor Services Management S.A. (« AiSM S.A. » or the “Company”).

AiSM S.A. is a company incorporated under the laws of the Grand-Duchy of Luxembourg with a share capital of 750,000 Euros and whose business activities are supervised by the Commission de Surveillance du Secteur Financier (hereinafter referred to as the “CSSF”), with its registered office at 21, Rue Aldringen, L-1118 Luxembourg, and registered under number B165086 at the Registre de Commerce et des Sociétés, Luxembourg (“RCS Luxembourg”).

AiSM S.A. was incorporated on November 29th, 2011, for an unlimited duration.

AiSM S.A. is licensed by the CSSF as a management company under the regime set out in Chapter 15 of the Luxembourg Law of December 17th, 2010, on undertakings for collective investment, as amended (hereinafter referred to as the “UCI Law”). Accordingly, the Company is what is commonly known as a ‘UCITS management company’.

In addition, the Company is licensed by the CSSF to provide investment services, primarily the management of portfolios of investments, including those owned by pension funds and institutions for occupational retirement provision, in accordance with mandates given by investors on a discretionary, client-by-client basis pursuant to the provisions of Article 101 (3) (a) of the UCI Law. As any UCITS management company, the Company is authorised to perform all the activities detailed in Annex II of the UCI Law, namely portfolio management, administration, and marketing.

The business model implemented by the Company is such that it delegates all administration activities regarding the two investment funds governed by the laws of Luxembourg of which it is the UCITS management company at the time of issue of this Manual, namely AiSM Global Opportunities Fund and KYRON UCITS SICAV (hereinafter referred to as the “Funds”), to a third party, CACEIS Bank, Luxembourg Branch (hereinafter referred to as “CACEIS”). Accordingly, the latter acts as the registrar and transfer agent of the Funds.

In addition, the Company provides investment services to various clients, both individuals and legal entities. The Company also provides portfolio management services to two investment funds of which it doesn’t act as the UCITS management company, namely:

- the sub-fund AVANTGARDE of PHARUS SICAV, an investment fund governed by the laws of Luxembourg;
- the sub-fund Kronos Fund of Pluri-Invest SICAV p.l.c., an investment fund governed by the laws of Malta.

## **Regulatory framework**

CSSF Circular 18/698 of 23 August 2018 regarding authorisation and organisation of Luxembourg investment fund managers.

Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

UCITS Law of 17 December 2010 relating to undertakings for collective investment.

CSSF Regulation 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.

## **Scope of the Policy**

AISM S.A. as a professional management company must apply all reasonable procedures and measures with the aim to obtaining the best possible result for the UCITS and the portfolios under discretionary management it manages during the transmission and execution of orders resulting from its management decisions in order to guarantee their rapid and efficient execution. AISM requires, when it acts on behalf of UCITS and the mandates it manages, to be categorized as a Professional Client, which ensures a higher level of protection.

The purpose of this Policy is to highlight :

- the principles applied by AISM S.A. for the selection of intermediaries which execute the orders placed on behalf of the UCITS and the portfolios under discretionary management;
- the procedures for reasonable monitoring and controlling these intermediaries with the aim at ensuring the best possible result in executing the orders as well as procedures in place to effectively communicate new third-parties appointment to the depositary bank;

- the principles adopted by AISM for the execution of the orders on behalf of the UCITS and portfolios under discretionary management, in accordance with the objectives, investment strategy and risk limits.

### **Best execution**

AISM S.A. relies on the following criteria to obtain the best possible result for the UCITS and the portfolios under discretionary management it manages during the transmission and execution of orders:

- Price of execution of the order;
- Category of instrument concerned;
- Geographic location of the instrument concerned;
- Transaction costs;
- Speed of intermediaries' reply;
- Quality of the post-trade service

### **Best Selection of intermediaries and methods of executing orders**

AISM S.A. has chosen not to execute orders itself but to transmit the orders for execution to selected intermediaries. AISM has therefore defined and implemented a "best selection" policy to select intermediaries whose execution policies in place will ensure the best possible result when executing orders. Before entering into any relationship with an intermediary, AISM S.A. will ensure that the selected intermediary is professionally competent. Intermediaries are chosen on the basis of a motivated proposal from a Conducting Officers in charge of the asset management function, accompanied by a "due diligence" checklist validated by the Compliance Officer. A general KYC review is carried out by the Compliance Officer as described in the AISM' AML/CTF policy.

Then, the motivated proposal must be submitted to the Chairman and the Directors Committee, who are relevant bodies to decide on the acceptance of the entry into relationship with a new intermediary. No tacit acceptance is tolerated.

Intermediaries shall be selected according to specific criteria and depending on the type of instrument processed :

- Company overall reputation;
- General market studies and daily information flow;
- Order execution;
- Company reactivity with regard to the markets;
- Quality and effectiveness of back office's processing

Conducting Officers in charge of the asset management function will assign a scoring to each intermediary for each best selection criteria mentioned above. This score goes from 1 (very insufficient) to 5 (very satisfactory) as well as some comments on overall intermediary quality.

The list of intermediaries is submitted annually to the Board of Directors for periodic review and ratification; the selection policy is based on a semi-annual assessment.

It is strictly forbidden for AISM's authorized traders to send orders to intermediaries not appearing in the list of selected intermediaries.

### **Intermediaries selection by instrument category**

Depending on the type of financial instrument concerned, AISM will retain the following principles in order to meet its obligation of best selection and execution:

- **Equity:**

AISM's equity management is carried out primarily in the universe of the main OECD countries. AISM considers that the preferred execution venues for orders on equity are regulated markets or MTFs, according to the principle of the most liquid market. However, for reasons related to costs of execution, the place of execution will be determined mainly by the place of deposit of the instruments concerned. AISM authorizes its equity intermediaries to trade outside regulated markets or execution venues (MTF) in order to benefit from extended liquidity, particularly on small and mid-cap stocks.

- **Bonds:**

Taking into account the specificity of each market, the selection of intermediaries to which the managers are authorized to transmit for the execution of operations on interest rate products is made by type of product (government bonds, private loans, convertible bonds, TCN and swaps).

For each product category, the selection of intermediaries takes into account various factors defined by the management company.

AISM considers that the preferred execution venues for bond orders are the over-the-counter (OTC) markets. AISM however has the right to have bond orders executed on a regulated market or an MTF proving that this does not constitute a disadvantage for the client. The execution of a bond order may be dependent on the market liquidity criterion.

- **UCITS and UCIs:**

The preferred execution venues in terms of UCITS and UCIs are the issuers or their respective distribution channels. The speed of execution of orders depends in particular on the calculation of the NAV as provided for in the prospectus.

For ETF (Exchange Traded Funds) type vehicles or similar instruments, AISM transmits orders on regulated markets or MTFs by applying the policy of selecting intermediaries for orders on equity as described above.

- **Futures:**

The selection of intermediaries mainly takes into account the speed and quality of execution as well as the level of brokerage paid to intermediaries.

- **Other financial instruments:**

The principle of best selection and execution must be adapted to the characteristics of the financial instrument such as structured products and unlisted financial instruments in general. In any case AISM is committed to fulfil its best execution requirements.

Whatever the instruments processed, the cost and security of settlement / delivery and the quality of back office processing are discriminating criteria.

In the event that the company manages a UCITS dedicated to one or more holders, the management company may have to use a list of intermediaries designated by the holders of the dedicated UCITS.

In order to best meet the expectations of UCITS holders or clients under mandate, AISM retains a margin of flexibility with regard to the application of this policy, in particular to take into account changes in market and environmental conditions.

### **Handling and allocation of orders for Funds and discretionary portfolios managements mandates**

AISM S.A. ensures that orders treated and sent to the intermediaries authorized on behalf of the Funds and/or the portfolios under discretionary management mandates are recorded and allocated promptly and that the orders themselves are executed sequentially, unless market conditions and/or other external factors could make it unrealizable or not in the interest of the Funds and/or the mandates.

AISM S.A. ensures also that the settlement of the executed orders be done correctly and promptly and that there will not be a misuse of information relating to pending orders, and take all reasonable steps to prevent the misuse of information.

As far as the allocation of aggregated orders is concerned, AISM S.A. ensures that the allocation be done fairly and accurately, including how the volume and price of orders determine allocations and the treatment of partial executions, considering the following factors as crucial:

- The aggregation of the orders for the Funds and/or the mandates shall not negatively impact and/or generate disadvantages for the Funds and/or mandates;
- In case of such aggregations of orders and that the orders are partially execution, the trades shall be allocated pursuant to the order allocation policy;
- where AISM S.A aggregates an order for the Funds with a transaction for the portfolios under management mandates, it must not allocate trades in a way that is detrimental to the Funds and/or the mandates.

### **Communication of new appointed intermediaries to the depositary bank**

When a new broker or third-party bank or intermediary is chosen or appointed by AISM S.A. to carry out or provide with a specific activity or service, the Company must implement a communication channel with the depositary bank of the UCITS and discretionary portfolio mandates, in order to ensure that communication and arrangements are put in place to correctly record and settle the operations instructed by the Company.

For example, as far as the appointment of a new broker is concerned, the Middle Office department of the Company must notify by email the MO department (with RM in copy) within the depositary bank about the on-boarding of such a broker. The notification must contain the name of the appointed broker as well as its up-to-date SSI, which will allow the depositary bank to correctly parametrize its internal systems. This process may take up to 1 month to be finalized so it is of the utmost importance to communicate relevant information as soon as possible.

Doing so will allow AISM to correctly execute and settle all the instructions made on behalf of the UCITS and discretionary portfolio mandates with the depositary bank.

Communication will be done on a regular basis in order to ensure that all relevant information are up-to-date, avoiding potential issues concerning the settlement of instructions carried out by AISM on behalf of its final clients.

### **Monitoring of the relationships**

According to due diligence obligations, AISM S.A. ensures that its intermediaries have a Best Selection and Execution Policy in place and that it is well applied. These checks are made at the frequency and in accordance with the Company internal procedures.

The checks' results will be presented to the Conducting Officers of the Company who will implement and monitor corrective actions in case of any breaches.

### **Disclosure**

This Policy is published on the Company's website [www.aism.lu](http://www.aism.lu) and made available to clients upon request and so every amendment.

### **Review and approval of the Policy**

This Policy is submitted for knowledge to the Board of Directors of AISM S.A.

This Policy will be reviewed periodically or when deemed to be necessary.