

Execution Policy Summary

Cardano Risk Management Limited

June 2019



This policy summary sets out how Cardano Risk Management Limited (“Cardano”) will take all sufficient steps to obtain the best possible result for clients when executing orders. Cardano is required to provide appropriate information on its order execution policy to clients. This disclosure is also a key component in Cardano’s ongoing effort to provide transparency to clients on its business practices.

Cardano endeavours to provide clients with a competitive execution capability of the highest quality, designed to deliver efficient execution services in a cost-effective manner. Cardano’s primary objective in handling client orders is to deliver the best possible result on a consistent basis.

In respect to advisory clients, ordinarily advice is provided to clients who make arrangements for the execution of trades. For some advisory clients, Cardano will on occasion execute trades in funds or communicate an order to Cardano Risk Management BV¹ for execution after an instruction has been received from an advisory client.

For delegated services, Cardano execute certain fund trades. For all other trades, Cardano will either instruct Cardano Risk Management BV or the client’s custodian. Cardano Risk Management BV executes trades in respect to bonds, futures, forwards, options, ETFs and swaps or will transmit orders on to a third party to execute. Where orders are communicated to a client’s own custodian, this policy applies to the transmission of orders only and not the execution of trades by the client’s custodian.

Cardano and Cardano Risk Management BV may arrange for any of the services clients ask to be provided to be carried out by a third party, including on occasion execution and settlement.

The quality of execution

When executing orders on clients’ behalf in relation to financial instruments as defined by MiFID², Cardano will take sufficient steps to achieve the best possible outcome. This means that Cardano must have in place policies and procedures that are designed to obtain the best possible result for client orders, subject to and taking into account any specific instructions from clients, the nature of client orders and the nature of the markets and instruments concerned.

While Cardano will take all sufficient steps based on the resources available to satisfy itself that Cardano has processes in place that can reasonably be expected to lead to the delivery of the best possible result for our clients, Cardano cannot guarantee that it will always be able to achieve this for every order executed on clients’ behalf, particularly where clients give specific instructions as to all or part of an order.

When carrying out client orders, Cardano will:

- ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;
- carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise;
- take all reasonable steps when overseeing or arranging the settlement of an executed order, to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

¹ The Cardano Risk Management BV Execution Policy Summary can be accessed here: <https://www.cardano.com/nl-nl/legal-pages/legal-and-compliance>

² Markets in Financial Instruments Directive II Directive 2014/65/EU



Cardano will never misuse information relating to pending client orders and shall take all reasonable steps to prevent the misuse of such information by any of its relevant persons.

Our commitment to provide clients with the best possible outcome on a consistent basis does not mean that Cardano owes clients any fiduciary responsibilities over and above those resulting from our formal contractual relationship.

Order

Cardano owes a duty to achieve the best possible outcome on a consistent basis when executing orders on clients' behalf. Cardano considers itself to be typically in receipt of an order and acting on a client's behalf where an execution instruction is given to us that gives rise to contractual or agency obligations owed by Cardano to a client or where Cardano executes an order on a client's behalf in the exercise of discretionary management services.

Specific Instruction

Where a client provides Cardano with a specific instruction in relation to its entire order or any particular aspect of its order, Cardano will execute the order in accordance with client instructions. However, please note that if a client provides Cardano with a specific instruction, this may prevent Cardano from following some or all of the steps in its Execution Policy that are designed to obtain the best possible result for the execution of client orders. In following client instructions, Cardano will be deemed to have taken all sufficient steps to provide the best possible result in respect of the order or aspect of the order covered by a client's specific instructions. Therefore, if a client requires an order to be executed in a particular manner and not in accordance with the Execution Policy, the client must clearly state their desired method of execution when the client places its order with Cardano. To the extent that a client's specific instructions are not comprehensive, Cardano will determine any non-specified components in accordance with its Execution Policy.

Execution venues

For each product in which Cardano or an affiliate executes orders on behalf of clients, Cardano has included in its Execution Policy those venues or sources of liquidity that enable it to obtain on a consistent basis the best possible result for the execution of client orders.

In meeting our obligation to take all sufficient steps to obtain on a consistent basis the best possible result for the execution of client orders, Cardano may use one or more of the following venue types when executing an order:

- Regulated Markets;
- Third party investment firms acting as a Market Maker or other liquidity providers;
- Firms and Investment Banks providing and arranging OTC derivative contracts;
- Life insurance companies
- Multilateral trading facilities
- Organised trading facilities
- Dealers in the OTC markets; and
- The providers of collective investment vehicles.

Cardano will assess which of these venues are likely to provide the best possible result for clients on an instrument by instrument basis.

For certain financial instruments, there may only be one execution venue, and in executing a trade in such circumstances Cardano will presume that it has provided the best possible result in respect of these types of financial instruments.

The Cardano Risk Management BV³ details the venues most commonly used per financial instrument and the criteria used to select venues to direct orders to and how the venues are monitored against those criteria.

³ The Cardano Risk Management BV top 5 execution venues by instrument for 2017 can be accessed here: <https://www.cardano.com/nl-nl/legal-pages/legal-and-compliance>



In the absence of specific instructions from clients, Cardano considers the following factors to determine the manner in which an order will be executed:

- Price;
- Costs;
- Counterparty risk, creditworthiness and liquidity;
- Document and collateral flexibility for OTC derivatives;
- Speed;
- Likelihood of execution or settlement;
- Market impact;
- Size of the order;
- Nature of the order; and
- Any other consideration relevant to the efficient execution of the order.

Cardano will determine the relative importance of each factor using the following execution criteria:

- The characteristics and nature of the order, including whether any specific instructions are given;
- Client characteristics (including regulatory client categorization);
- The characteristics of the financial instruments that are the subject of the order; and
- The characteristics of the execution venues to which the order can be directed.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for clients. However, the most important factors, especially for OTC derivatives⁴, will depend on the type of instrument being traded and counterparty risks. In determining the relative importance of the execution factors Cardano will apply its professional judgement and expertise.

Aggregation and Allocation of Orders

Cardano's preferred approach is to aggregate orders by executing a single trade and then allocating this trade pro-rata across clients, provided it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client and Cardano reasonably believes the aggregation will work to the advantage of each of the clients concerned. However, aggregation of an order may work to the advantage or disadvantage of any one client. Allocation following aggregation may be achieved by post trade pro-rata across clients from an omnibus account operated by a third-party broker.

In the event of partial execution of an aggregated order, ordinarily the actual executed trade and cost will be allocated in the same proportions as the full order would have been across the clients subject to the aggregation.

There will be occasions where the 'single trade approach' is not possible, such as for OTC trades.

Fund trades will ordinarily be allocated across clients in proportion to the extent that each client is underweight against their target allocation. When this is not possible, Cardano will look to achieve the optimal allocation across clients taking into account the nature of the allocation constraints (maximum number of investors, timeframe in which to invest etc).

Cardano cannot and does not provide clients with any legal or tax advice, and if clients consider such advice necessary, they should consult their own legal and tax advisers accordingly.

Whilst Cardano will take all sufficient steps to ensure that it has processes in place that can reasonably be expected to lead to the delivery of the best possible result for clients on a consistent basis, Cardano cannot guarantee that it will always be able to achieve the best possible result on clients' behalf, particularly where clients give specific instructions (see section "Specific Instruction" above).

⁴ See the Cardano Risk Management BV Execution Policy Summary for details: <https://www.cardano.com/nl-nl/legal-pages/legal-and-compliance>