



# DNCA FINANCE'S POLICY ON SELECTION OF INTERMEDIARIES AND ORDER EXECUTION

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## 1. CONTEXT AND SCOPE OF APPLICATION

European Directive 2014/65 on Markets in Financial Instruments (known as "MiFID 2") reiterates the "best selection" and "best execution" obligations applicable to investment firms.

The provision of portfolio management services on behalf of third parties (mandates) and investment advice by DNCA Finance is therefore subject to the provisions of MiFID 2 :

- In terms of "best selection", when DNCA Finance does not execute orders in the of this activity,
- In the case of "best execution", DNCA Finance itself executes transaction decisions on behalf of the customer.

DNCA Finance's management of UCITS and FIAs remains subject to the provisions of the French Banking Act. UCITS and AIFM directives.

In accordance with the provisions of the MiFID 2 directive, DNCA Finance undertakes to take all necessary measures to obtain the best possible result for its customers, taking into account the execution factors mentioned in this policy, by implementing a system for monitoring the quality of order execution through the performance of permanent controls and the holding of half-yearly (and/or ad hoc if necessary) committees.

Accordingly, this document aims to :

- Specify the scope and conditions of application of the enforcement policy in place by DNCA Finance,
- Define the process for selecting intermediaries as part of its best selection and best execution obligations,
- And to set the framework for this policy and the associated monitoring system.

### 1.1 Scope of activities covered by this policy

This execution policy applies to orders placed by DNCA Finance managers as part of the management of the portfolios for which they are responsible.

### 1.2 Scope of customers concerned

All clients or potential investors of DNCA Finance, whether professional or non-professional investors within the meaning of the MiFID directive, holders of an individual portfolio managed under mandate or unit holders or shareholders of Undertakings for Collective Investment in Transferable Securities ("UCITS") and Alternative Investment Funds ("AIF").

### 1.3 Scope of financial instruments hedged

This policy applies to financial instruments as defined by the MiFID 2 Directive in the following areas the limit of instruments authorized for portfolios managed by DNCA Finance.

A selection and execution policy dedicated to foreign exchange (Forex) transactions has also been established.

### 1.4 Research funding model

Among the various research funding models introduced by MiFID 2, DNCA Finance has chosen the solution of bearing the cost of research-related work for its investment services. Although not required by regulation, this solution was subsequently extended to collective investment management at the end of 2018.

Commissions paid for order execution are therefore dissociated from research costs. Within this framework, DNCA Finance establishes an annual forecast budget based on (i) the feedback received from the management teams described below and (ii) the nature of the research services and the associated pricing conditions.

### 1.5 Specific framework for private management

In the course of its business, the Private Banking team may place orders for equity securities or bonds<sup>1</sup>. It then entrusts the execution of these orders to an external trading desk chosen according to the following criteria:

- Competitive pricing for customers,
- Communication of a satisfactory policy and implementation reports,
- Automated, integrated order processing (straight-through processing, counting, audit trails)

At the end of 2017, it was determined that the CM-CIC trading desk, an ACPR-approved investment firm, was the most likely to meet all the criteria listed above.

Each year, a review is carried out, with the support of DNCA's internal negotiating table, to determine whether another service provider can meet the 3 above criteria. If not, the partnership with the previously chosen negotiation table is renewed.

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<sup>1</sup> In this context, Gestion Privée ensures that its customers provide their consent to the application of this execution policy prior to the provision of the service, and in particular to the possibility of trading outside a regulated market or a multilateral trading facility.

In terms of supervision, Gestion Privée periodically reviews, at least once a year, the intermediary selection policy applied by the service provider, as well as the list of intermediaries retained by the latter.

It also receives, on a monthly basis or on request, a report on order execution, and carries out first-level controls (such as verifying the consistency of order amounts executed, the relevance of the choice of benchmark, and observed performance).

## 2. INTERMEDIARY SELECTION AND MONITORING POLICY

In order to seek the best possible execution, DNCA Finance has set up a procedure for selecting brokers and counterparties ("intermediaries"), which makes it possible to select (1) by type of instrument, the entities to which orders may be transmitted for execution, and (2) the intermediaries providing research.

The selection of these two types of intermediaries is based on an evaluation of these intermediaries, which takes the form of two separate votes, an "Execution" vote and a "Research" vote.

These two votes are carried out as follows: ratings range from 0 to 5, with 0 corresponding to "unsatisfactory" and 5 to "very satisfactory".

This process is reassessed every six months, enabling DNCA Finance to carry out ongoing quality control of its intermediaries.

### 2.1 Voting process with regard to Execution

In the case of equities and equity-linked securities, the trading desk and middle office are involved in the vote, with the aim of assessing the quality of execution and settlement/delivery.

The voting process is a multi-criteria qualitative and quantitative assessment applicable to all intermediaries regardless of their typology (Global/ Regional/ Thematic), based on the six main categories of factors linked to best execution (i.e. price, cost, speed, size, probability of execution and settlement and nature of the order), coupled with DNCA's own evaluation criteria.

Please note that no market share is awarded as a result of this vote. The sole purpose of this vote is to identify the best and worst intermediaries in terms of their performance, and to discuss possible additions to or deletions from the list of selected intermediaries.

#### For bonds and negotiable debt securities

The criteria used to evaluate intermediaries are based on a multi-criteria assessment of both on the aspects qualitative (voting front office multi-criteria, compliance, follow-up of

potential settlement/delivery incidents) than on quantitative elements (volumes executed, for example). The criteria used are equally weighted in the execution note and include the following:

- Price
- Size/Liquidity: frequency, size and consistency of axes/quotations
- Reactivity
- Settlement/Delivery/Middle Office

#### For OTC derivatives

The criteria used are similar to those used to evaluate bonds and negotiable debt securities, with the exception of the Settlement/Delivery/Middle Office criterion. An additional criterion is taken into account: the issuer's credit rating.

In the specific case of excess or total return swaps on indices, another additional criterion is required and focuses on the quality of the counterparties' operational systems.

The results of the votes are presented to the Intermediaries Committee for validation.

## 2.2. Research voting process

With regard to the Research vote, the various management teams are the stakeholders in the vote.

For shares and equity securities, voting is based on the following criteria:

- Quality of research (weighted at 35% of total score) ;
- SRI filter (5%)
- Access to analysts (20%)
- Access to companies (30%)
- Relationship with the salesperson (10%)

Votes are weighted by management team according to AUM under management<sup>2</sup>.

For bonds and debt securities, voting is based on the following criteria:

- Quality of research (weighted at 50% of total score)
- Access to analysts (25% of score)
- Access to companies (25% of score)

The cost of research may vary (upwards or downwards) according to the assets under management.

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<sup>2</sup> The weighting coefficients for each management team are validated by the Intermediary Committee.



Votes are weighted by management team according to AUM under management<sup>3</sup>. Voting results are presented to the Intermediaries Committee for validation.

The selection of an execution broker cannot in any way be dictated by considerations relating to the conditions under which this broker provides a research service.

### 2.3. Lists/budgets drawn up and authorized by the Intermediaries Committee

The system for selecting and monitoring intermediaries is overseen by a committee which meets every six months. This committee meets as soon as the two votes "Execution" and "Research" have been finalized.

It is chaired by the Managing Director and led by the head of the trading desk and the General Secretary. It comprises the Head of Compliance, representatives of the bond management teams, a representative of the Legal team, a representative of the Risk team and a representative of the Middle Office.

The purpose of the Intermediaries Committee is to :

- Present and comment on the results of the two votes;

At the end of the Execution vote, 3 lists are drawn up: a ranking of intermediaries for each perimeter:

- 1) Shares and equity securities,
- 2) Bonds and debt securities
- 3) OTC derivatives

Following the Research vote, 2 lists are drawn up: a ranking of intermediaries for equities and bonds.

- Validate any entry/exit of relationships with intermediaries;
- Present the results of 1<sup>er</sup> level checks, \_\_\_\_\_

For any request to enter into a relationship with a new intermediary between two Committees, the manager concerned is asked to send an e-mail to the Committee chairmen, copying the Risk, Operations, Compliance and Legal teams. Formal validation by the RCCI must be obtained before any relationship is entered into. In the case of a local intermediary, the manager must also provide any financial analysis (annual accounts, ratings, external financial analysis, etc.).

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<sup>3</sup> The weighting coefficients for each management team are validated by the Intermediary Committee.

### 3. ORDER EXECUTION POLICY

#### 3.1 Best execution policy / Best selection policy

Within DNCA Finance, order execution is handled by DNCA Finance's internal trading desk for equities, equity securities, futures, sector index swaps, bonds, convertible bonds, options, negotiable debt securities (TCN) and OTC derivatives.

As an exception, some orders are executed directly by the managers:

- Orders on bonds (govies and corporates) and OTC can be processed by managers/traders (via Bloomberg Chat or via the Bloomberg TSOX platform);
- Orders on credit derivatives (futures) are handled by the Alpha Bonds team;
- Index TRS/ERS (negotiation by email, which can be supplemented by the provision of dedicated platforms by counterparties to manage allocation between sub-indices) are handled by the managers of the DNCA Invest Strategic Resources fund.

In all cases, the assignment of orders is always defined a priori, no assignment a posteriori. cannot be performed.

As a reminder, for the Private Banking perimeter, order execution is entrusted to a table of external negotiation (CM-CIC to date).

As DNCA Finance is not a market member, when it acts in the name and on behalf of its customers, it asks its intermediaries to be categorized as a "professional client" within the meaning of MiFID in order to benefit from the best possible execution on their part.

#### 3.2 Performance factors and criteria

When executing orders, the intermediary takes all reasonable steps to obtain the following information DNCA Finance the best possible execution taking into account the following factors:

- Price list,
- Cost,
- Speed,
- Probability of performance and settlement,
- Size,
- Nature of order or,
- All other considerations relating to the execution of the order, with the utmost respect for the customer.

In the specific case of excess or total return swaps on indices, the execution process is based on an upstream selection of the counterparties best able to provide a robust system, taking into account the quality of their execution tables.



The importance of each factor depends on the type of financial instrument involved.  
treated :

	Determining factors	Important factors
<b>Listed shares, equity securities and derivatives</b>	Price, Speed of execution, liquidity versus order size	Cost of execution, probability of execution and settlement, nature of order
<b>Bonds, convertible bonds (including negotiable debt securities)</b>	Price, probability execution and settlement, order size	Speed of execution, nature of order
<b>OTC derivatives</b>	Price, responsiveness, total cost Definition and quality of the implementation of strategy (for ERS/TRS)  Availability and plurality of underlyings adapted to the strategy.	Quality of support services, ISDA/CSA contract characteristics, customer characteristics.  Ergonomics of any platforms made available by counterparties.

Other factors relating to order execution may also be taken into consideration, such as market impact, the relevance and performance of the algorithms used, etc.

### 3.3 Specific instructions

Whenever there is a specific instruction relating to the execution of an order, DNCA Finance takes care to respect this instruction, even if such instructions do not follow the provisions of the present policy.

Under these conditions, DNCA Finance cannot be required to apply the best efforts principle. execution on the instructions given.

Customers who communicate specific instructions covering only part or an aspect of the order are informed that DNCA Finance takes all sufficient measures to apply the principles of best execution for any part or aspect of the order not covered by the customer's instructions.

### 3.4 Locations

In transmitting and placing orders with intermediaries for execution, DNCA Finance does not have any systematic *a priori* knowledge of the final place of execution that will be chosen.

DNCA Finance has expressly authorized its intermediaries to operate in the following locations which include, in particular, the:

- Reference regulated markets
- Multilateral trading facilities (MTFs)
- Organized trading systems (OTF)
- Darkpools/ Broker Crossing Network (BCN) and/or systematic internalizers (SI)
- Market makers/ *Market Making* (DNCA Finance favors natural liquidity over Market Making)

In accordance with the provisions of MiFID 2, DNCA Finance publishes the names of the five intermediaries with whom it has carried out the largest volume of orders, as well as a summary of its monitoring of execution service quality.

This report is available for a minimum of 2 years on our website: <https://www.dnca-investments.com/regulatory-information>

### 3.5 Grouped orders

Unless otherwise instructed by the customer, orders relating to several portfolios may be grouped together in order to obtain the best possible result, particularly in terms of costs, taking care to ensure that they are treated equitably if DNCA Finance considers that it is unlikely that the grouping of orders and transactions would operate overall to the detriment of one of the portfolios whose orders would be grouped together.

Customers are informed that this grouping of orders may sometimes result in partial execution of their order(s) as opposed to the execution of a single order.

Documented processes specify how orders are assigned *a priori*, as well as how to react in the event of a particular situation, such as partial responses to transmitted orders.

In the exceptional case of orders issued by two teams on the same security and containing the same execution instructions, the two orders are processed simultaneously, respecting a 50/50 filling ratio, until the order with the smallest quantity to be executed is executed, in line with the practices of intermediaries.

#### 4. REVIEW AND MONITORING OF EXISTING SYSTEMS

This selection and execution policy is reviewed at *least* once a year and presented to the Intermediaries Committee.

DNCA Finance also carries out a half-yearly review of the effectiveness of its selection and rating process for its various intermediaries, in order to identify and, if necessary, correct any deficiencies.

The execution policy may therefore be subject to change if new events are likely to affect DNCA Finance's ability to select the intermediary best able to provide its customers with the best execution.

DNCA Finance will notify its customers of any material changes to this policy by making them available on the DNCA Finance website: <https://www.dnca-investments.com/informations-reglementaires>.

Finally, and in the interests of its customers, DNCA Finance retains a margin of flexibility in the day-to-day application of this policy, in particular to take account of changing market and environmental conditions.

#### 5. CONFLICTS OF INTEREST

DNCA Finance has a policy for managing conflicts of interest, the aim of which is to avoid or, where appropriate, to manage situations in which the interests of DNCA Finance or its employees are directly or indirectly in competition with the interests of one or more customers. This may also involve conflicts between customers themselves.

These measures are designed to protect customers, by reaffirming the principle that their interests are paramount, the desire to treat each of them fairly and to provide them with complete and appropriate information in the interests of transparency.

With regard to the obligation of best execution, and potential conflicts of interest linked to the execution of orders, DNCA Finance undertakes to inform its customers of any minor non-monetary benefits linked to execution and research services in the execution report published annually.

In all cases, DNCA Finance does not receive any remuneration, rebate or non-pecuniary benefit for routing orders to a particular trading platform or execution venue that would be in violation of conflict of interest or incentive regime requirements.

## 6. FORCE MAJEURE

DNCA always takes sufficient measures to obtain the best possible execution of orders placed on behalf of its customers.

However, this provision does not constitute an obligation of result. The service provided by DNCA will be assessed within the framework of its obligation of means.

DNCA cannot be held responsible for non-compliance or partial compliance with this policy, resulting from "force majeure" circumstances preventing it from fulfilling its obligations.

Finally, DNCA cannot be held responsible for any adverse consequences of the execution of an order resulting from the execution of specific client instructions.

## 7. DATA RECORDING AND STORAGE

DNCA Finance's management teams and internal trading desk ensure that all relevant information relating to the voting process and committee minutes are kept on file.

This information is kept for 5 years on a durable medium.