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Execution and Selection Policy

LYXOR INTERNATIONAL ASSET MANAGEMENT
DEUTSCHLAND

Execution and Selection Policy

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1. INTRODUCTION AND SCOPE

1.1. Legal and regulatory framework

Lyxor International Asset Management S.A.S. Deutschland (“Lyxor Deutschland”, “Lyxor”) is authorized by the German Financial Markets Authority (BaFin) as a branch of Lyxor International Asset Management S.A.S., a portfolio management company authorized by the French Financial Markets Authority (AMF).

Lyxor Deutschland is governed by the following regulation as well as their transposition into the French Monetary Code and the German Securities Trading Act (together, the “Relevant Legislation”), requiring the implementation of an order execution to ensure it acts in its clients’ best interest:

1.1.1. Collective management of UCITS and AIFs

As regards its collective investment activities, Lyxor Deutschland is governed by the provisions of Article 25 Directive 2009/65/EC dated 13 July 2009 regarding undertakings for collective investment in transferable securities (known as “UCITS IV”), as well as by the provisions of Article 28 of the Delegated Regulation supplementing the AIFM Directive 2011/61/EU dated 8 June 2011 (Level 2 AIFM).

1.1.2. Individual discretionary management

With regards to the investment services that Lyxor Deutschland is authorized to provide, namely the individual discretionary management of assets on behalf of third parties (portfolio management activities), Lyxor Deutschland is governed by the provisions of Article 27 Directive 2014/65/EU dated 15 May 2014 regarding markets in financial instruments (“MiFID II”) and the related Regulation 600/2014 (“MiFIR”).

Furthermore, Lyxor Deutschland is entitled to deal in the financial instruments referred to in Annex 1 Section C of the MiFID II, including equities, debt securities, money market instruments, ETFs, certificates, exchange-traded and over-the-counter derivatives.

1.2. Scope of application

This document shall outline the principles that apply to the execution of orders in financial instruments on behalf of the funds and discretionary mandates (the “clients”) for which Lyxor Deutschland acts as appointed investment manager.

This policy has been drawn up for the benefit of Lyxor’s professional clients and, where applicable, its retail clients; it is not intended to apply to relations with eligible counterparties.

It shall apply whenever Lyxor is placing an order with an entity for execution on behalf of:

- Third-party UCITS and AIFs managed by Lyxor via delegation, subject to:
 - o The specific provisions of the prospectus;
 - o The instructions or specific orders that may be given to the latter by the lead manager of the UCITS/AIF, or by the Board of Directors of the UCITS/AIF;
- The portfolio it manages, subject to the specific contractually defined provisions of the individual investment management mandate.

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Investment in Funds - The acquisition and sale of fund units or shares, except for ETF shares, do not fall under the scope of application of this Best Execution Policy. Nevertheless, as a rule, Lyxor process fund unit transactions via the issuer and under such terms provided in the relevant fund prospectus.

Deviation from standard processes as a result of client instructions (Selection) - If a client gives specific instructions on selecting a counterparty when placing orders, the client is informed that Lyxor Deutschland is released from the standard processes that results from the application of this policy and is therefore deemed to have met its best execution obligations.

Deviation from standard processes as a result of client instructions (Execution) - Lyxor Deutschland does not accept individual client instructions. If an exception, to execute orders in accordance with such instructions, is required, Lyxor would have to deviate from its standard processes but will nevertheless be deemed to have met its best execution obligations.

2. EXECUTION POLICY

2.1. Execution criteria

In accordance with the provisions of the Relevant Legislation, the factors taken into consideration when executing orders and selecting intermediaries are specifically as follows:

- Price
- Costs
- Qualitative factors ("Probability"), including:
 - o Market access
 - o Reaction time
 - o Client service
 - o Clearing & post trade process quality
 - o Market information
 - o Data quality
- Any other considerations relevant to the execution of the order

In the case of the collective management activity, the relative importance of these factors is determined by taking account of the following, in accordance with the provisions of the Relevant Legislation:

- Characteristic features of the order in question;
- Characteristic features of the financial instruments that are the object of this order;
- Characteristic features of the execution venues to which this order may be forwarded;
- Objectives, investment policy, and specific risks of the UCITS or AIF, as specified in the prospectus, or in the UCITS's or AIF's regulations or Articles of Association, where applicable.

Furthermore, where Lyxor deals with a company that is related to it (counterparty or intermediary), Lyxor's and the entity's policies for managing conflicts of interests apply (see § 3.1).

The criteria for selecting counterparties for financial instruments are shown in the Lyxor execution matrix in Annex 1.

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2.2. Execution venues

Lyxor's orders are executed on various execution venues, including:

- Regulated markets
- Multilateral trading facilities
- Organized trading facilities
- Systematic internalisers
- The OTC (over-the-counter) market

Lyxor is not a market member; as a result, it does not usually execute orders itself, but places them with intermediaries, as per its Selection Policy below.

A list of the main trading platforms and systematic internalisers on which Lyxor's orders may be executed is provided in Annex 3.

Conversely, Lyxor may negotiate directly over-the-counter with counterparties.

2.3. Financial instruments traded over the counter

As part of the execution of its management decisions, Lyxor may enter over-the-counter transactions with counterparties, either directly or indirectly, for the purchase of securities as well as for entering into financial contracts.

The criteria for selecting counterparties for the various financial instruments are shown in the Lyxor execution matrix in Annex 1.

Futures - In addition to the checks, carried out at least once a year, and to independent valuation, the terms offered for futures contracts by one counterparty are generally the subject of checks on their competitiveness compared with the conditions offered by competing issuers, including through calls for tenders or requests for quotes ("RFQ").

Where such a competitive procedure or RFQ is not implemented from the outset, Lyxor will compare the price offered by the counterparty with its own valuation. In the event of a discrepancy which is higher than the tolerance threshold, Lyxor will not proceed with the transaction, or will launch an RFQ.

Complex performance swaps contracts - In the more specific case of complex performance swap contracts entered into on behalf of the ETFs managed by Lyxor, the counterparties will specifically be selected in view of their ability to offer prices under all market conditions, the strength of their execution system, as well as the speed and flexibility of execution, especially in view of the changes in the contracts' parameters over time. Settlement quality, reconciliation, reactivity (services).

In the case of these financial contracts, the quality of the result obtained from the selected counterparty will be the subject of regular controls, which are specifically based on competitive intelligence and/or on the regular assessment of the prices offered for standard derivatives on similar or comparable indices, including through calls for tenders, where possible.

These checks may lead to the renegotiation of the terms of the performance swaps during their term. In particular, where Société Générale is the counterparty, it may be required to perform a transaction with the counterparty submitting the best offer in a call for tenders performed by Lyxor, and to reflect the financial terms of that transaction in the complex swap entered into with the ETF, net of the price of the specific

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services provided by Société Générale. These “back-to-back” transactions may also be performed beyond the ETF scope for Lyxor’s funds that trade in OTC derivatives, as soon as this mechanism proves relevant.

3. SELECTION POLICY

To obtain the best possible execution of the orders, Lyxor has implemented a selection policy for intermediaries, agents, brokers, and counterparties (the “Entities”), in accordance with § 1 of this policy for collective management and in accordance with the latter paragraph as well as contractual agreements for individual discretionary management.

Due to their regulatory obligations, the selected Entities are usually required to offer the best possible execution where they are delivering an investment service to Lyxor Deutschland.

3.1. Entities selection and review

The selection and review of the Entities, if not already contractually binding as per Lyxor’s individual discretionary management activities, or subject to mandates pre-approval, is performed by the Lyxor Deutschland Best Execution and Selection Committee on a yearly basis. The committee consists of members with voting rights from the following departments: Lyxor Branch Management, Business Line Managers, Operations and Compliance.

The selection is conducted in accordance with the annual voting process and is based on pre-established, relevant, and objective criteria, such as the execution criteria referred to in § 2.1. The process aims to determine a list of authorized Entities (the “LIAMD List”), for each class of financial instruments, which are appropriate for the volume of orders dealt with by Lyxor, and in view of the overall and/or specific requirements in terms of its service to its clients.

Lyxor may decide to adjust the LIAMD List during the year, including:

- Deletion from the LIAMD List during the year: The control bodies (Risk Management or Compliance) may decide to prohibit working with any of the Entities at any time, in the event of serious circumstances, such as (but not limited to) a risk of default, of sanction, or of withdrawal of an authorization affecting the Entity in question. Furthermore, any Entity may be deleted from the List during the year in the case of a serious event, on the recommendation of a member of the Best Execution and Selection Committee and following the prior validation by the Compliance department.
- Accreditation of a new Entity outside the annual voting process, for operative reason or upon request of a client: The request must obtain validation from Lyxor Risk Group, that may deliver an annual and/or global or more limited accreditation (e.g. specific period or number of orders).

As part of its individual discretionary management activities, Lyxor draws up on an annual basis a list of the five main intermediaries selected and counterparties used for each class of financial instruments. It should be noticed that in this regard, the intermediary has been predefined contractually with the clients.

Details regarding the annual RTS 28 information on the top five execution venues is provided in Annex 2.

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3.2. Order management

Where Lyxor handles orders on behalf of clients, it ensures that orders are:

- Executed promptly and fairly
- Pre allocated prior to negotiation or being sent for execution
- Allocated fairly; and
- Executed sequentially (unless the characteristics of the order or prevailing market conditions make this impracticable or the interests of the client require otherwise).

Lyxor retains comprehensive records of its order audit trails for a minimum of five years in accordance with applicable rules and regulations.

Bundling of orders - Lyxor Deutschland may bundle or combine orders and execute them as block orders when order size, securities type, market segment and market liquidity make this appear sensible. The Portfolio Manager will allocate the combined orders according to the usual market principles (pro rata) to avoid any conflict of interest.

The aggregation of individual orders to form block orders has various benefits for the clients (speed, facilitates counter-transactions without market risk, positive at times of volatile markets) but also disadvantages (costs).

3.3. Fixed price transactions

As part of a fixed price transaction, Lyxor concludes a purchase contract for financial instruments outside a trading facility (securities exchange, MTF or OTF) at a fixed or ascertainable price. Any costs and trade margins are already included in the price.

3.4. Reports and declarations

The execution notification is included in the orders transmission system as soon as the order is finalized and is immediately made available to check the confirmation of the transaction issued by the counterparty or the broker.

Lyxor has access to all the information regarding the execution of the orders on an ongoing basis, which enables it to check the appropriateness of the service provided by the brokers and its compliance with the execution policy. Therefore, Lyxor can implement the controls that it considers appropriate regarding the execution criteria set out in § 2.1.

In regards its portfolio management activities, upon request, Lyxor receives a report from the contractually defined intermediary, containing statistics for each class of financial instruments:

- Regarding the volume of orders traded during the period under consideration in the current year;
- Regarding the number of orders executed by brokers;
- For the equity scope, the amount of execution commissions paid to each broker;

The annual RTS 28 information on the top five execution venues is provided in Annex 2.

3.5. Exceptional market conditions/system failure

In the event the principles described in herein cannot be applied due to exceptional market conditions or

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continued market disturbances or in the case of system failures, Lyxor may hold back order execution or deviate from the principles described in this document until conditions for orderly execution are restored.

4. BEST EXECUTION GOVERNANCE

4.1. Preventing conflicts of interests

With respect to the selection of counterparties and brokers, the following practices are prohibited:

- Trades directed as an incentive to receive or benefit from (a) preferential allocation in new security offerings or placements, (b) gifts or entertainment, (c) a preferential referral of Lyxor' products within such counterparties or brokers fund or other distribution network, (d) discounted or preferential access to research.
- Directed brokerage arrangements, other than contractually defined, at the request of a client for the exclusive benefit of such client.
- Favoring certain clients over others, without exceptions.

Lyxor Deutschland has established permanent control procedures to ensure compliance with the procedures for preventing and managing conflicts of interest.

The Head of Compliance reports to the management bodies at least once a year on the effectiveness of the procedure for preventing and managing conflicts of interest.

4.2. Best execution control framework

Lyxor monitors the effectiveness of this Policy and best execution arrangements:

- On a qualitative basis using transaction cost analysis, or internally developed methods including votes and an evaluation of the execution factors previously described in this Policy in order to monitor execution quality on a regular basis;
- On a quantitative basis by using market data where considered reasonable and relevant, it is generally used to monitor execution quality for transactions.

Lyxor has implemented a 3-tiered best execution governance to ensure that all steps are being taken to obtain the best possible result for the clients.

1st level of controls, the day-to-day fulfilment of best execution lies primarily with the portfolio management staff that are working under care supervision of their respective Front Office Manager.

Besides, in order to allow a careful monitoring of its best execution obligations, Lyxor Deutschland has implemented a strong permanent control framework, where Best Execution controls have been formalized into the Société Générale monitoring tool and are performed on a quarterly basis to ensure the effectiveness, exhaustivity and allow an on-going monitoring of the portfolio management activity.

Lastly, Lyxor Deutschland Best Execution and Selection Committee has been established to ensure governance on the following topics:

- Validate the executed Best Execution and Best Selection controls;
- Challenge deviations and anomalies in the results;

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- Implement changes to the first level control framework, including changes to existing controls and implementation of new ones
- Implement the necessary means to fulfil all group requirements regarding the Best Execution and Best Selection framework
- Perform the annual voting and review process for the LIAMD List of Entities

2nd level of controls, control functions such as Lyxor Group Risk perform an independent review process of execution venues and quality of execution and ensure that all exceptions are reported and resolved.

As part of the Lyxor Deutschland permanent control framework, the Compliance function is in charge with the 2nd levels controls to ensure the efficiency and exhaustivity of the 1st level controls.

3rd level of controls, the Lyxor Group Best Execution Committee (“BEC”) was established to ensure governance of the best execution arrangements and commitments to Lyxor clients. The BEC has been assigned duties and responsibilities and convenes periodically, at a minimum twice annually. The BEC, comprised of representatives from Business Management, Compliance, Risk Management, Portfolio Management, CIO, participate in a process designed to monitor execution quality, including reviews of the execution venues and brokers used as well as reports on whether all transactions have been executed in line with the Best Execution factors set forth in this Policy. The BEC is authorized to review and investigate any matters of relevance to execution of transactions generally:

- Reviewing adherence and relevance of execution standards, procedures and systems
- Reviewing the outcome of transaction quality assessments performed by stakeholders, including, but not limited to, Investment Operations, Compliance and Risk to ensure a comprehensive and adequate control framework
- Receiving project updates impacting best execution obligations or processes
- Maintaining accurate and complete records documenting the efforts of Lyxor to achieve best execution for transactions executed on behalf of its clients

5. POLICY REVIEW AND MAINTENANCE

Any major change to the terms and conditions offered by one or several selected Entities (e.g. significant amendment to the pricing applied, a deterioration in the execution system (including a decrease in the instruments handled, the loss of access to an electronic platform, restructuring, or alteration of the systems and/or tools, etc.) may trigger a review of Lyxor Deutschland execution and selection policy. Following such amendment, the updated version will be made immediately available on the Internet; whereas Lyxor clients may have to be notified.

If there are no internal or external events that require its review during the year, Lyxor Deutschland execution and selection policy is reviewed by the Best Execution Committee on an annual basis. This review is formally documented by these Committees’ minutes.

Lyxor will specifically consider the following factors and parameters when reviewing the terms and systems for the execution of orders:

- Scope of the Financial Instruments covered
- Access to the platforms and/or execution venues

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- Execution strategy
- Participants in the vote
- Voting criteria
- Events during the period
- 1st and 2nd level controls

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ANNEX 1 EXECUTION MATRIX BY CLASS OF FINANCIAL INSTRUMENTS

| Financial instrument | Execution venue | Considered Factors and Criteria to obtain Best Execution | | | | | | |
|-----------------------------|----------------------------------|--|------|-------|-------------|------|--------|-----------------------------------|
| | | Price | Cost | Speed | Probability | Size | Nature | Other |
| Money-Market Instruments | MR, OTC | X | | | | | | |
| Fixed Income | MR, OTC, MTF | X | X | | X | | | |
| Equities | MR, OTC; IS, MTF, Primary Market | X | X | | X | | | |
| Exchange Traded Funds | MR, OTC; IS, MTF, Primary Market | X | | | X | | | |
| Exchange Traded Derivatives | MTF, IS, OTC, DMA | X | X | | X | | | |
| FX Spot, Forward | OTC, DMA, IS | X | | | X | | | |
| SWAPs | OTC | X | | | | | | Operational Setup of counterparty |

Definitions:

MR: Regulated Market (e.g. the London Stock Exchange or NYSE Euronext, etc.)

MTF: Multilateral trading facility or organised trading facility

IS: Systematic internaliser that executes clients' orders outside an RM or MTF, by directly acting as a counterparty, and committing its own equity capital

DMA: Direct market access. A solution based on the use of tools provided by a broker, and that enables orders to be entered for execution on one or several RMs, or MTFs.

OTC: Over-the-counter transaction (possible intermediation)

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ANNEX 2 PUBLICATION ACCORDING DIRECTIVE 2014/65/EU IN FINANCIAL INSTRUMENTS (MIFID II) ARTICLE 27(10)(B)

RTS 28 information on the top five execution venues and on the quality of execution for all executed client orders in SFTs for class of financial instruments is published on <https://www.lyxor.com/de/richtlinien>.

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ANNEX 3 LIST OF MAIN TRADING PLATFORMS AND INTERNALIZERS

Lyxor has no direct electronic access to Execution Venues it will, therefore, forward those orders to a specialized financial services provider with direct access to the respective Execution Venues. The principal contractual specialized financial service providers are:

- Barclays
- Bank of America
- BNP Paribas S.A.
- Commerzbank AG
- JP Morgan
- Goldman Sachs
- Steubing AG Wertpapierhandelsbank
- Société Générale S.A.
- UBS Group AG