

Nikko Asset Management Asia Limited

Best Execution and Fair Allocation Policy

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1. Purpose

Nikko Asset Management Asia Limited (“NAM Asia”) has a fiduciary duty to place the interests of its clients above its own interests and the interests of its employees, and to develop and implement trading decisions in a manner that best meets its clients’ investment objectives and constraints. Accordingly, NAM Asia has established this Best Execution and Fair Allocation Policy (the “Policy”) which formalises the firm’s policies and procedures with regard to our trade execution and allocation practices. The purpose of this Policy is to set out the principles and approach to ensure that the handling, execution and allocation of orders are fair and in the best interest of our clients.

2. Scope

This Policy applies to all approved financial instruments listed under the New Instrument and Derivative Control Policy.

3. Definition

Terminology	Description / Definition
Best execution	Refers to the obligation to ensure that all sufficient steps are taken to achieve the best possible outcome for the client, when either executing trades or passing orders to an investment counterparty to be executed; taking into consideration market conditions, size of the order, liquidity of the security, bid-ask spread, timing, client related restrictions and applicable laws and regulations.
Execution venues	Execution venues includes regulated markets, multilateral trading facilities, organized trading facilities, systematic internalisers, LIT pools, bilateral investment counterparties and other liquidity providers.
Order and Trade Management System	Default OMS refers to Bloomberg AIMS which utilises the following modules (such as TSOX, EMSX and OAX) for order management and execution and other third party access.

4. General Policies

NAM Asia has adopted the following general policies:

- NAM Asia will seek to make well-informed trade execution decisions with the intention of maximizing the value of client accounts under the particular circumstances at the time.
- In selecting investment counterparties to execute transactions on behalf of clients, NAM Asia will base their selection on a combination of factors including empanelment status, pricing, execution performance, commission budget, and access to liquidity.
- NAM Asia will maintain documentation to support efforts in seeking to achieve best execution for clients, as well as for disclosure to clients and applicable regulatory authorities.
- For circumstances where NAM Asia’s ability to provide best execution is limited by specific instructions or constraints, NAM Asia will always apply the principle of best efforts to try and achieve the best possible outcome for clients.

5. Roles and Responsibilities

5.1. Best Execution and Fair Allocation Committee (the “BEFA Committee”)

The BEFA Committee shall be chaired by COOI-International. Members of the Committee shall include the following Heads of Department and/or delegates from:

- Investment,
- Central Dealing,
- Compliance,
- Risk Management,
- Information Technology, and
- Investment Services.

Representatives from other departments may also participate as invited guests.

5.1.1 The BEFA Committee shall develop, implement, evaluate, oversee and update where necessary the policies and procedures governing NAM Asia's trading practices. Other NAM Asia personnel shall be consulted as may be appropriate in order for the BEFA Committee to carry out its duties. The responsibilities of the BEFA Committee shall include:

- Oversight of NAM Asia's trading practices.
- Establish criteria for the selection and review of investment counterparties.
- Establish disclosure practices designed to reasonably inform NAM Asia's clients and prospective clients of NAM Asia's trading practices and potential trade related conflicts of interests.
- Endorse calibration methodologies and thresholds that are used in post-trade monitoring to review whether and how best execution was achieved.
- Review and update where necessary this Policy and NAM Asia's trading practices to ensure they remain relevant and in compliance with prevailing regulations.

5.2 Investment Department

Investment Department shall:

- Place all pre-allocated orders in the system to be independently executed by Central Dealing Department with clear instructions.
- Conduct regular reviews to assess research and service quality of investment counterparties.

5.3 Central Dealing Department

Central Dealing Department shall:

- Execute all trades placed by the Portfolio Managers on a timely basis in a reasonable manner to maximize the value of clients portfolios under the particular circumstances at the time.
- Ensure completeness of all trades placed by the Portfolio Managers at the end of each trading day.
- Ensure trade execution and fair allocation methodologies are in accordance to this Policy.
- Maintain adequate documentation of NAM Asia's efforts in seeking to achieve best execution for clients, and disclosing actual and potential conflicts of interest.
- Escalate to Compliance and BEFA Committee any observations of actual or potential breach in respect to this Policy.
- Conduct regular reviews to assess quality of execution and services rendered by investment counterparties submit the relevant reports to BEFA committee for review and endorsement.

5.4 Compliance Department

Compliance Department shall:

- Perform surveillance review to ascertain best price execution and fair allocation in accordance to regulatory requirements.
- Review reasonableness of documentation in NAM Asia's efforts to demonstrate best execution for clients, including mitigation of conflicts of interest.
- Recommend to the BEFA Committee best execution and fair allocation practices in relation to prevailing regulatory requirements.

5.5 Risk Management Department

Risk Management Department shall be responsible to:

- Approve new investment counterparties.
- Review and monitor creditworthiness of existing investment counterparties.
- Maintain Approved Investment Counterparties List.

5.6 Information Technology Department

Information Technology Department shall be responsible to:

- Provide direct support on electronic order and trading systems and other IT solutions used by respective teams to perform their tasks as stipulated in this Policy.

5.7 Investment Services Department

Investment Services Department shall be responsible to:

- Provide secretariat support to BEFA Committee.
- Coordinate with respective departments on relevant materials to ensure effective conduct of BEFA Committee meetings.

6 Policy Guidelines

6.1 Approved Investment Counterparties

The list of approved investment counterparties to which Central Dealing Department may direct securities, currency and derivatives transactions, is established by the Risk Committee and maintained by Risk Management Department. No transactions may be directed to a non pre-approved investment counterparty. Pre-approved brokers include those approved ad-hoc for one-off deals and trades. The performance of all investment counterparties shall be reviewed regularly. The review shall include but is not limited to, where applicable, total volume of transactions done with each investment investment counterparty, total commissions paid to each investment investment counterparty, quality of service or research provided, quality of operational capabilities, and each investment counterparty's success in executing orders directed to it on a timely and efficient basis.

6.2 Investment counterparty Selection Factors

Investment counterparty selection shall be influenced by but not limited to the following factors:

- Ability to provide competitive quotes for OTC trades.
- Competitive commission rates.
- Quality and promptness of execution.
- Good coverage of trading venues and access to market liquidity.
- Specialty expertise in certain market segments.
- Creditworthiness, financial standing and business reputation.
- Quality of operational capabilities.
- Promptness and accuracy of execution status and reports.
- Quality of research and access to analysts.

6.3 Order Handling Procedures

All orders shall be placed electronically through the Order and Trade Management System. In situations where orders cannot be placed electronically by reason of system limitations, securities attributes or other factors, Central Dealing Department shall receive orders from Portfolio Managers by using e-mails or paper tickets with authorised signatures and time stamp. In a similar situation where Central Dealing Department is unable to route orders electronically to investment counterparties through the Order and Trade Management System, orders shall be sent to investment counterparties via recorded office telephone lines or using e-mails or paper tickets with authorised

signatories and time stamp. For Orders instructed via recorded office telephone lines, they should be supported minimally with paper tickets with authorised signatories and time stamp. Information concerning the time of order acceptance by investment counterparties, and corresponding execution of orders shall be accurately recorded.

Placement of GTC (Good Till Cancel) and GTD (Good Till Date) orders to the market (external counterparties) shall be strictly prohibited. Orders pertaining to the same security with opposite side are generally prohibited unless there is special circumstances such as a redemption. Orders shall be executed on a timely basis, and accurately recorded and allocated, unless characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise. Examples include but not limited to the following:

- Cash availability and specific instructions to raise or invest cash.
- Specific instructions to execute order at a specific time.
- Different operational setup and cutoff time.

6.4 Trade Capture Procedures

All trades shall be captured electronically through the Order and Trade Management System, to enable Central Dealing Department to validate the orders and execution. In situations where trades cannot be captured electronically by reason of system limitations, securities attributes or other factors, Central Dealing Department shall provide trade tickets using e-mails or paper trails with authorised signatures and time stamp. Trades shall be captured on a timely basis, unless characteristics of the trade, market conventions or prevailing market conditions make this impracticable. Central Dealing Department shall provide justification and obtain Compliance's facilitation for backdating of trades. Some examples are listed below:

- Transactions that are completed same day but during a different time zone.
- Trade amendments that are still within the settlement cycle to make changes for stamp duty and fees, commission rounding errors, or commissions resulting from an IPO/Placement which are normally different from the standard execution rate.
- Specific instructions to book the trade ticket for other operational and settlement reasons.

6.5 Best Execution Factors

The consideration for best execution may include but is not limited to market conditions, liquidity, bid-ask spread, size of order, market timings, client constraints, order limits, speed and connectivity to market. Price and associated costs of a transaction will ordinarily be given high importance; however the relative importance of execution factors will vary based on the characteristics of the order (for example market, limit orders or negotiated transactions), nature or type of financial instrument (for example if it is traded over the counter) and characteristics of the execution venue to which the order can be directed. In some cases, Central Dealing Department may determine that factors other than price and costs, such as the ability to retain anonymity and the prevention of information leakage, have greater importance in meeting our responsibility toward best execution. In order to demonstrate that best execution has been adhered to, all records and evidence shall be retained in the relevant trading system for easy access and retrieval. Additionally, unique circumstances will be documented in the electronic ticket in order to keep proper records.

6.5.1 Dealing Considerations for Equity Securities and Exchange-Traded Derivatives

Equity securities and exchanged-traded derivatives are traded via a variety of counterparties (for example, "high-touch" agency, program, "low-touch" algorithmic).

- Central Dealing Department shall select counterparties based upon factors which include but not limited to market characteristics, timing, past performance of the investment counterparty, liquidity of the security, commission budget, account constraints, subscription/redemption flow to reach a decision on the appropriate dealing strategy.

6.5.2 Dealing Considerations for Fixed Income Securities

Fixed income securities are traded over-the-counter (“OTC”) through our Order and Trade Management System with approved investment counterparties.

- Central Dealing Department shall request for competitive quotations from at least three investment counterparties with the best price securing the order unless there are other constraints that prevent this (for example, investment counterparty credit limit).
- For certain orders where liquidity is limited, it may not always be possible or appropriate to request comparable price information from multiple investment counterparties. Approaching multiple venues or investment counterparties for a competing quote may have negative effective on a transaction due to possible information leakage. In such instances, Central Dealing Department shall try to source natural flow and will have a legitimate reliance on investment counterparties selected to provide accurate price discovery, and assist in achieving best execution. The offered price shall be compared with those displayed by observable and independent pricing sources to ensure a level of execution quality. Pertinent information relating to price comparisons shall be documented on electronic trade tickets.
- For orders in non-Asian markets where NAM Asia does not have real-time presence, Central Dealing Department will have legitimate reliance on investment counterparties selected to work our orders with strict price or volume limits or on a “careful discretion” basis to be measured against pre-defined benchmarks. Pertinent information relating to execution parameters shall be documented on electronic trade tickets.

6.5.3 Dealing Considerations for Foreign Exchange Transactions

Foreign exchange transactions (“FX”) are either conducted through our clients’ appointed custodian bank or through a third party bank on NAM Asia’s list of approved investment counterparties.

- All FX transactions undertaken by NAM Asia is actively negotiated. Central Dealing Department shall request for competitive quotations from at least three investment counterparties with the best price securing the order unless there are other constraints that prevent this (for example, investment counterparty credit limit). Pertinent information relating to price quotes are documented in the electronic ticket and/or are retrievable from the respective FX electronic trading platforms.
- The trading of NDF transactions is limited to pre-authorised investment counterparties with whom ISDA/CSA agreements are in place. In cases where there are less than three NDF investment counterparties set up for an account, Central Dealing Department shall rely on indicative quotations from other investment counterparties to ensure a level of execution quality. Pertinent information relating to price comparisons shall be documented on electronic trade tickets. (It is understood that given the nature of an indicative quote from a investment counterparty where there is no ISDA/CSA, it may not be within market levels.)
- For avoidance of doubt, NAM Asia do not actively negotiate rates with respect to indirect FX transactions which are undertaken by clients’ custodian as a result of standing instructions (for example, auto-FX arrangements on income repatriation trades).

6.5.4 Dealing Considerations for OTC Derivatives

The trading of OTC derivatives is limited to pre-authorised investment counterparties with whom ISDA/CSA agreements are in place.

- All OTC derivative transactions undertaken by NAM Asia is actively negotiated. Central Dealing Department shall request for competitive quotations from at least three investment counterparties with the best price securing the order unless there are other constraints that prevent this (for example, investment counterparty credit limit or lack of ISDA).
- In cases where there are less than three OTC derivatives investment counterparties set up for an account, Central Dealing Department shall rely on indicative quotations from other investment counterparties to ensure a level of execution quality. Pertinent information relating to price comparisons shall be documented on electronic trade tickets. (It is understood that given the

nature of an indicative quote from a investment counterparty where there is no ISDA/CSA, it may not be within market levels.)

- In cases where an OTC derivative transaction can only be offered by a single investment counterparty due to specialty expertise, Central Dealing Department will have legitimate reliance to work the order with the specific investment counterparty. Pertinent information relating to execution by specialty expertise shall be documented on electronic trade tickets.

6.6 Cross Trading Procedures

Internal crossing of trades between client accounts are generally prohibited but may arise from circumstances in regard to subscription/redemption flow, rebalancing of funds, and account security exposure. This is subject to client specific restrictions on internal crossing. For equities, no crossing is permitted and all trades must be transacted with the exchange(s). The only exception applies to fixed income securities, where the average mid-price of 3 quotes shall be applied for internal crossing of bond trades, and the reasons as well as quoted prices shall be indicated.¹ Crossing of trades where NAM Asia, its affiliate or its employee is acting as principal for its own account shall be strictly prohibited.

6.7 Order Aggregation Procedures

Central Dealing Department may aggregate purchases or sales of any security for a client's account with purchases or sales of the same security at approximately the same time for other client accounts into a single order if the aggregation is in the best interest of clients considering, amongst other criteria, price, costs, speed, probability of execution and volume. For orders with same execution requirements but arrived at different times, the residual balance of the initial order will be combined with the subsequent orders on the investment counterparty's side (subject to market regulation) and worked in the market.

6.8 Trade Allocation Procedures

As a general principle, the securities bought or sold through an aggregated or block trade shall be allocated on a pro-rata basis amongst participating accounts based on the original order size indicated by Portfolio Managers through the Order and Trade Management System.

6.8.1 Allocation Considerations for Equity Securities and Exchange-Traded Derivatives

When the execution of a block trade is fully complete, the actual price applicable to the aggregated transaction will be averaged, and all participating accounts will be deemed to have purchased or sold its share of the security, instrument or obligation involved at such average price. All transaction costs incurred in effecting the aggregated transaction shall also be shared on a pro-rata, percentage or other objective basis among all participating accounts. For partially filled orders where the executed quantity is materially less than the original order amount, it may not be possible to allocate meaningfully across all participating accounts.

6.8.2 Allocation Considerations for Fixed Income Securities

Due to the nature of fixed income instruments, trades can only be settled in particular parcel sizes (e.g. minimum piece, minimum increment) due to market convention. Central Dealing Department will split the executed amount across participating accounts as close to the pro-rate basis as possible. When the execution of a block trade involves multiple investment counterparties or is partially filled with a investment counterparty, Central Dealing Department shall adopt the "deminimus/pro-rata" method in our Order and Trade Management System to split the executed amount with each investment counterparty sequentially. This method seeks to allocate the minimum piece across all participating accounts before adjusting incrementally on pro-rata basis subject to minimum increment. For each investment counterparty execution where there is insufficient executed amount to accord each participating account with the minimum piece, a subset of the participating accounts will be selected randomly by our Order and Trade Management System. This

¹ For Hong Kong domiciled funds that are subject to HK SFC regulatory oversight, the revised Fund Manager Code of Conduct effective Nov-2018 requires such crossing activities to be disclosed to clients impacted by the trades.

process will be repeated for each investment counterparty execution until all executed amounts are fully allocated.

6.8.3 Allocation Considerations for Primary Transactions

Primary market transactions include new issues, initial public offerings, placements and underwriting deals. All deals are allocated in a same manner described in sections 6.8.1 and 6.8.2 depending on asset class to ensure fair treatment of our clients.

6.9 Conflicts of Interest

Any actual or potential conflict of interest must be reported to Head of Compliance immediately, and appropriate steps must be taken to resolve the conflict.

6.10 Error Trade Procedures

In a situation where there is an erroneous trade or allocation, the following procedures of reporting shall be strictly adhered to:

- Immediate notification to Compliance and Risk Management with subsequent escalation to the BEFA Committee.
- Discussions between Central Dealing, Compliance and Risk Management departments are made to agree on corrective action.
- An initial error report, followed by a detailed incident error report shall be made to the Compliance and Risk Management departments for approval and forwarded to Tokyo Risk Management Department pursuant to NAM Asia's ops risk incident management protocol.
- Necessary entries of the error trade or allocation shall be rectified in Bloomberg AIMS so that Operations Department can proceed with settlement.
- Any losses made on the error trade or allocation shall be absorbed by NAM Asia.

6.11 Monitoring and Evaluation

The BEFA Committee shall ensure that investment counterparty performance and execution quality are reviewed on a regular basis. Apart from quality of execution capabilities, investment counterparties shall also be assessed on other factors such as sales coverage, quality of research, and quality of settlement process, where applicable. Such reviews shall also consider negotiation of investment counterparty execution rates, taking into account aggregate level of business and prevailing market rates. The BEFA Committee shall seek the input from relevant departments as follows:

- Risk Management Department shall periodically review the trading limits to each approved investment counterparty to ascertain whether aggregate exposure is within appropriate levels or requires review. Trend analysis of failed trades and ops risk incidents involving investment counterparties shall also be included to assess service quality.
- Central Dealing Department shall gather service and research quality inputs from Portfolio Managers as part of the equities investment counterparty review process to trigger changes in NAM Asia's investment counterparty panel.

6.12 Data Retention

All trading related records shall be appropriately kept in accordance with relevant laws or regulations, internal rules or operating manuals. Such records include but are not limited to, instructions for the placement of orders, and results of inquiries to multiple investment counterparties for purpose of achieving best execution. If any order is corrected or cancelled after execution, a memorandum stating the results of follow-up responses and the effect of such correction or cancellation on affected accounts shall be prepared and retained for at least seven (7) years.

7 Related Frameworks, Policies and Guidelines

This Policy is to be read in conjunction with the following documents:

- NAM Group Global Trading Policy
- NAM Group Best Execution Policy
- NAM Asia New Instrument and Derivative Control Policy
- NAM Asia Counterparty Risk Policy

8 Frequency of Review

This Policy shall be reviewed by the BEFA Committee at least annually or as and when there is material change in regulations, best practices or business exigencies