



Shelter Investment Management

Best Execution Policy

Process Document Description

<i>Objective/Description</i>	The aim of the present document is to explain the manner in which Shelter IM fulfils its obligations regarding the execution of orders concerning financial instruments (hereinafter called “the Policy”).
<i>Entity</i>	Shelter IM (hereafter referred as ‘SIM’)

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Validation of this document

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General Information

1.1 Objective

The purpose of this document is to set out SIM's Best Execution Policy. This Best Execution Policy includes a determination of the scope of the Policy, the methodology and criteria applied by SIM in its Best Selection approach and the organisational setup within SIM, including the process and criteria for delegation of trade execution activities to "Execution Delegates".

SIM has a MiFID and Luxembourg law based duty to offer Best Execution services when executing transactions for Clients and Funds. This Best Execution Duty applies to

- the UCITS and AIF investment funds it manages;
- certain type of Clients (as described infra) where SIM invests under discretionary portfolio management (DPM) mandate or executes transactions as part of a receipt and transmission of orders (RTO) service contract.

The "Best Execution" duty means that SIM must take all the reasonable steps to obtain the best possible trade execution results for Clients and for funds it manages, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature or other considerations relevant to order execution in the best interest of the Clients or Funds.

SIM adheres to the most stringent standards of integrity in executing Fund and Client's orders. SIM always takes sufficient steps to obtain the best possible outcome when executing orders in scope of this Policy.

1.2 Information to Investors

SIM provides investors with up to date information on this Best Execution Policy:

- For DPM mandates and RTO services, this Best Execution Policy is accepted by the Clients under the contract signed at the start of the business relationship; Clients can request a copy of the policy at all times via SIM's website.
- For funds, the Best Execution Policy can be requested via SIM's website and is described in the offering documentation available for investors (Shelter UCITS Prospectus and AIF information memoranda or other documents).
- SIM produces the annual RTS28 reports (top 5 venues + quality of execution) as required by MiFID regulations and makes this available through its website.

1.3 Legal Background

SIM has aligned its Best Execution Policy with the current best practices and in accordance with the following applicable regulations :

For UCITS

- CSSF Regulation 10-04
- CSSF Circular 18/698

For DPM & RTO

- 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

For AIFs

- European Directive 2011/61/EU also known as the Alternative Investment Fund Managers Directive (AIFMD) (Art 12)
- Luxembourg Law of 12 July 2013 transposing the AIFMD (art. 25 and 27)
- EU Commission Delegated Regulation of 19 December 2012 supplementing the AIFMD (above)
- EU Commission Delegated Regulation of 25 April 2016 supplementing the Directive 2014/65/EU of the European Parliament and of the Council as regards to organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereafter referred to as the ‘MiFID II Delegated Regulation”).
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014
- CSSF Circular 07/307
- Luxembourg Law of 5 April 1993 on the financial sector.

1.4 Scope

This Best Execution Policy applies to :

- Financial instruments according to annex I of MiFID Directive 2004/39/CE (i.e. equities, bonds, derivatives, money market instruments, financial contracts for differences, units in collective investment undertakings).
- All Non-Professional and Professional Clients, excluding Eligible Counterparties, regarding SIM’s discretionary management mandates and RTO services. These Client types are detailed in the Marketing and Distribution Policy of SIM.
- All Funds managed by SIM whether in UCITS or AIF format, also in case SIM delegates the management of such funds to an investment manager.

This Policy is to be read in conjunction with SIM’s DPM&RTO Policy and SIM’s UCITS Policy for a complete understanding of all the relevant procedures and its scope.

1.5 Internal Setup

This Best Execution Policy is approved by the Board of Directors of SIM who is ultimately responsible for this Policy.

The Exco of SIM:

- is responsible for the monitoring and updating of the Best Execution Policy and the production of the RTS 28 reports on an annual basis. SIM’s Compliance Function informs the Exco if this Policy is up to date and in line with regulations.
- has implemented trading procedures that include a systematic review, reporting and escalation by the investment team of the quality of the Best Execution offered by the Execution Delegates.

- ensures that the Selection criteria are applied and a due diligence is performed when onboarding a new Execution Delegate and annually on the existing Execution Delegates to monitor and report on their compliance with the framework established in this Best Execution Policy.
- Ensures that trade records are kept that allow for controls on Best Execution at any stage.

SIM's internal setup includes a dedicated trade execution team that is reporting to the Head of Investments.

In the absence of any internal or external major event requiring an earlier update, this Policy is reviewed annually. In case of significant changes in the Policy, the Clients are informed in writing.

1.6 Best Selection

1.6.1 "Best Selection" concept

SIM's duty of Best Execution means that SIM has to take all sufficient steps to obtain the most favourable terms possible when executing orders for its Clients and Funds. Although SIM will take all reasonable steps to achieve the best possible result for its Clients and Funds on a consistent basis, it is on a best-efforts basis.

Implementing 'Best Execution' doesn't guarantee the best possible result for each individual order at all times, but is a requirement to be able to obtain, on a consistent basis, the best possible results for the execution of orders.

SIM doesn't execute orders itself and delegates the order execution to a selection of authorized financial intermediaries, such as brokers, other execution intermediaries and banks. In light of this, according to SIM the duty of Best Execution is in practice to be understood as a duty of "Best Selection" between "Execution Delegates".

1.6.2 Delegation of the Execution of orders by SIM to Execution Delegates

As mentioned above, SIM does not execute orders itself as this activity is outsourced to duly selected Execution Delegates, such as brokers, other execution intermediaries and banks.

SIM is authorised to appoint one single Execution Delegate for order execution for certain Funds or Clients. However, SIM is only authorised to do so if :

- there is no other possibility; or
- if this is in the view of SIM in the best interest of the Client or Fund; or
- this is the best option to achieve the best execution result for the Clients or Funds.

SIM has established a list of Execution Delegates (see as appendix to this Best Execution Policy).

- SIM ensures that these Execution Delegates observe Best Execution and that SIM is so complying with its best execution obligations (by delivering the best possible result).
- SIM applies a formalized process for the selection of Execution Delegates based on the selection criteria as described infra that relate to their ability to trade, from front to back, the various types of instruments and that include a review of their status, Best Execution Policy and RTS28 reporting.
- SIM conducts initial due-diligence and ongoing due-diligence on the Execution Delegates as outlined in its Due diligence Policy and this Best Execution Policy.

SIM will make a regular assessment when selecting Execution Delegates in order to ensure the compliance of the Execution Delegate with applicable legislation, the Selection Criteria and its proper Best Execution Policy. For this purpose, SIM will undertake the best efforts to :

- ensure the Execution Delegate at all times complies with the rules established through this Best Execution Policy and;
- the Execution Delegate is itself at all times subject itself to Best Execution duties and has an acceptable Best Execution Policy and Procedure in place that it complies with;
- Monitor the activities of the Execution Delegates, via regular random post-trade checks, to control the Execution delegate's compliance with Best Execution duties agreed.

When SIM suspects that an Execution Delegate is in breach with the Best Execution framework agreed, it will inform the Execution Delegate and ask for remediation. Without remediation, the Exco can decide to terminate the relation and delete the Execution Delegate from the list.

1.6.3 Monitoring of Execution Factors when applying Best Selection of Execution Delegates

In order to ensure its Best Selection, SIM will review the Best Execution Policy of Execution Delegates and analyse the Execution Factors described therein and in the Execution Delegate's RTS 28 Reporting.

The Execution Factors that Execution Delegates have to apply and that SIM reviews include :

- **Price:** this is the price of the instrument underlying the order and will determine often on the final cost of the financial instrument. Price is generally the most important factor when SIM assesses how to obtain the best possible result when executing customer orders. To ensure best price, SIM reviews brokers' fees on a regular basis on Exco level.
- **Cost of execution:** the cost of execution refers to broker fees and taxes on some stock exchanges.
- **Speed:** this is the speed at which an order can be executed.
- **Likelihood of execution:** this is the probability that the order will be properly executed, or at least a significant proportion of the order. The importance of this factor increases when access to liquidity for the instrument in question is limited in some way.
- **Likelihood of settlement:** SIM expects that the transactions it executes for its customers to be settled in good time.
- **Size of the order:** this is the size of the order relative to the average volume of trades in a specific financial instrument. The size of the customer's order may be a significant factor if the order exceeds the daily volume of trades in a specific financial instrument, e.g. in the case of combined order trades. Large-volume transactions may have a negative impact on the price.

Under normal circumstances the total price will play an important role in obtaining the best possible result for the Clients. Other factors can assume a relative higher importance in consideration of the nature of the order, Client or market conditions and asset class such as, but not limited to :

- For Equities : the speed of execution, as some orders need to be filled in the shortest possible time to avoid a possible adverse impact on the price due to volatile market conditions.
- For Fixed Income : the likelihood of execution, as in some cases the order represents a significant portion of the market size. In the case where all portfolios have to be rebalanced simultaneously, it is very important to execute the full quantity to ensure all portfolios have the same market exposure following the rebalancing exercise.

1.6.4 Monitoring of the Execution Venue Selection when applying Best Selection

SIM itself is not a market member and therefore does not execute orders on any Execution Venues defined by MiFID II (encompassing Regulated Markets, Multilateral Trading Facilities, Organised Trading Facilities).

When SIM transmits/executes orders to Execution Delegates on behalf of its Clients or Funds, it pursues Best Execution in terms of the factors mentioned above and draws on its experience to assess that the Execution Delegates execute orders via the most appropriate Execution Venues.

The selection of such Execution Venues by Execution Delegates must happen taking into account :

- Price and costs are according to the experience of SIM the most important factors in determining the quality of Execution Venue.
- Speed and quality of reporting, the general quality of service, the technology, the availability, etc.

SIM allows the Execution Delegates to operate on different Execution Venues, based in the European Economic Area, or elsewhere, including trading venues: regulated markets (RM), Multilateral Trading Facilities (MTF), Organised Trading facilities (OTF); Systematic Internalizers (principal traders and market makers); and OTC markets;

It should be noted that when SIM delegates orders in relation to some depositary banks or insurance companies, it has no decision power over the Execution Venue.

1.6.5 Selection of Execution Delegates

Before selecting an Execution Delegate SIM considers among others, the following relevant factors in relation to the Execution Delegate, besides the review of their Best Execution Policy and RTS28 Reports :

- MiFID regulated and confirmation to apply Best Execution for SIM
- Confidentiality of the trading activity;
- Reputation ;
- Ability to commit capital;
- Quality of the execution of orders : accuracy and timeliness, clearance and error/dispute resolution;
- Operational facilities, including the back office efficiency;
- Overall costs of trades including commissions, mark-ups, mark-downs and /or spreads;
- Research and custodial services provided;
- Ability to handle large or difficult trades and block trading & positioning capabilities;
- Access to deal flow;
- Quality of fixed income and (where applicable) derivative offerings;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Market intelligence regarding trading activity.

Appendix

The Execution Delegates currently authorized by the Exco of SIM are:

COUNTERPARTY	Country	EQUITY	BOND	OPTION	FUND
Banque de Luxembourg SA	LUX	Yes	Yes	Yes	Yes
Banque de Luxembourg SA, Belgian branch	BE	Yes	Yes	Yes	Yes
Intesa Sanpaolo Wealth Management SA	LUX	Yes	Yes	Yes	Yes
KBC Securities NV	BE	Yes	Yes	Yes	Yes
KBC Securities Services NV	BE	Yes	Yes	Yes	Yes
Quintet Private Bank (Europe) SA	LUX	Yes	Yes	Yes	Yes
Puilaetco, a Quintet Private Bank (Europe) SA branch	BE	Yes	Yes	Yes	Yes
CACEIS Investor Services Bank SA	LUX	No	No	No	Yes
CACEIS Bank, Luxembourg Branch	LUX	Yes	Yes	Yes	Yes