

Best Execution Policy

1. General provisions

- 1.1. Aktsiaselts LHV Varahaldus (hereinafter Management Company) manages portfolios of investments for pension funds, LHV World Equities Fund and offers portfolio management service to SEF – LHV Persian Gulf Fund. The Management Company does not offer portfolio management service to retail customers. The Management Company is supervised by Finantsinspeksioon (Estonian Financial Supervision Authority) and is subject to the Estonian laws that implement the Markets in Financial Instruments Directive ("MiFID").
- 1.2. When executing orders the Management Company may execute the order or place an order with a third party (a broker) for execution. Regardless of which option the Management Company chooses, it shall act in the best interest of the investment funds, the unit-holders and the clients.
- 1.3. The Management Company shall execute an order on the account of an investment fund generally in case of the following instruments: investing into deposits, acquisition of non-tradable securities (e.g. acquisition of units of real estate and venture capital funds) and acquisition of derivative transactions for the purposes of hedging financial risks incl. market price risk, foreign exchange risk and interest rate risk.
- 1.4. Upon investing into equities, bonds, subscription rights, the shares of exchange-traded investment fund, tradable depositary receipts, money market instruments and in other cases, the Management Company places orders to deal with other entities for execution.
- 1.5. The Management Company shall ensure that any securities or payments received as a result of the execution, are promptly and correctly transferred to the account of the investment fund.
- 1.6. The principles provided in this policy shall not apply to the extent that the Management Company follows specific instructions from a client when placing an order for execution. It is likely to be only in rare cases that the Management Company will receive such instructions from clients. In general, it is the Management Company itself who will make all the decisions with regard to the execution of orders and will therefore also control the allocation of orders among different brokers.
- 1.7. All employees of the Management Company who are responsible for executing transactions on behalf of clients or placing orders with brokers for execution shall conduct their duties in accordance with the principles set out in this policy.
- 1.8. Execution venue shall be a regulated market, a multilateral trading facility, a systemic internalizer or a market maker as defined in the Securities Market Act or another provider of liquidity or a person registered in a third country who provides similar services to those specified.
- 1.9. The list of partners with whom the Management Company places orders for execution has been specified in a separate document "Brokerage companies used by LHV Asset Management". The respective list is updated when necessary and the information about amendments to the document shall be made available on the website of the Management Company.

2. Execution venues and partners

- 2.1. Generally, the Management Company places orders with other entities for execution, with whom the Management Company has established partnership relations and via whom according to the estimates of the Management Company it is continuously possible to achieve the best result for the investment fund when executing orders. The brokerage company shall have direct access to an execution venue such as regulated market, a multilateral trading facility, a systematic internalizer, or a market maker, etc. The Management Company itself may also execute the order.

- 2.2. Transaction order placed for execution on the account of the investment fund may be executed outside of a regulated market or an MTF, incl. with another investment fund managed by the Management Company as counterparty if it is in accordance with the interests and investment objectives of both funds.
- 2.3. In case of certain securities, the execution of a transaction order is possible in only one execution venue or through one entity. In such case the Management Company is deemed to have filled the best execution obligation.
- 2.4. If a transaction order can be executed through several entities or in more than one execution venue, the Management Company shall compare and assess the results achieved for the investment fund in all such venues or through all such entities with whom the Management Company has established partnership relations and who would be able to execute the transaction order.
- 2.5. Where the order is passed to a broker for execution, the fund manager or the portfolio manager will select the most suitable broker from those who in the fund manager's or portfolio manager's view have a track record of achieving the best result in the case of similar execution factors. The brokers' product and geographic coverage are also taken into account. As an additional measure, the Management Company may - where appropriate - use limit orders.
- 2.6. Where the order is to be executed directly with an execution venue, the Management Company shall generally check the prices quoted by/available on at least three of the approved execution venues. In circumstances where the Management Company considers that speed and certainty of execution and market impact are important execution factors, the Management Company is permitted to execute the order on the basis of the prices quoted by/available on a single execution venue.
- 2.7. In case of larger orders, certainty of execution, reduction of market impact and speed of execution have greater importance. In order to ensure quick executions and minimum market impact such orders may be split among multiple brokers.
- 2.8. In case of fixed income – where an order is not placed via a third party broker for execution and there is no reliable screen-based quotation system, generally the practice should be for the Management Company to obtain at least 3 quotes, where practicable, and to record those quotes. If the Management Company does not select the quote with the best price, an explanation should be provided. A price taken from Bloomberg, Reuters or another computerized information service is an acceptable form of quote provided information is kept up to date on the page used.
- 2.9. In certain circumstances, transactions may be initiated by the execution venue or a broker. In these circumstances and where speed of execution and certainty of execution are perceived to be important execution factors by the Management Company, it will not always be reasonable to check the available price against other execution venues/brokers. In such case, the Management Company is permitted to execute the order with the person who initiated the transaction.
- 2.10. When executing the order, the Management Company shall act pursuant to the hereby policy, taking into account the price, transaction costs, speed, likelihood of execution and settlement, size, nature and other circumstances relevant to the execution of the order. When placing the order to other entities for execution, the Management Company shall ensure that hereby principles are followed.
- 2.11. In executing the order of the investment fund when the order is placed with other entities for execution, the Management Company shall always respectively take into account the following information or ensure that it is taken into account when assessing the factors specified in clause 2.10:
 - 2.11.1. the investment objectives, policy and risks specified in the fund rules or articles of association;
 - 2.11.2. the circumstances of the order;
 - 2.11.3. the characteristics of the securities which are the object of the transaction order;
 - 2.11.4. the characteristics of the execution venues where the order can be placed for execution.
- 2.12. As a rule, a lot of weight is put on the total consideration which consists of the price of the security, and the costs related to the execution, including all expenses incurred by the investment fund which are directly related to the execution of the order, such as execution venue fees, settlement fees and other fees paid to other entities involved in the execution of the order. When executing the order of an investment fund, the Management Company shall always make a decision based on the total consideration.

- 2.13. When executing the orders of clients, the Management Company may, after prior written approval from the client, pay to a broker or other counterparty, who provides brokerage and research services, a commission for executing a portfolio transaction which is in excess of the amount of commission another broker would have charged for effecting that transaction if the Management Company determines in good faith that such commission is reasonable in relating to the value of the brokerage and research services provided. It must also be demonstrable that the services provided are of benefit to the client, and that transaction execution is consistent with best execution standards provided in the hereby policy. The brokerage rates must also not be in excess of rates customarily paid by an institutional client to the broker or counterparty for the relevant service.

3. Supervision over the activities of the partners

- 3.1. Where the Management Company places the order via a broker for execution, the broker shall have such best execution procedures in place which enable the Management Company to fulfill its best execution duty.
- 3.2. In selecting brokers specified in the document "Brokerage companies used by LHV Asset Management", the Management Company has assessed whether the brokers are able, on a consistent basis, to offer a high quality execution service, taking into consideration all the relevant aspects of the execution. Where the Management Company places the order via a broker for execution, the Management Company is not responsible for ensuring that the broker obtained the best possible result with regard to any specific order. The Management Company does not also control the brokers' choice of execution venues. The Management Company is not obligated to check the execution of every single order nor document that the best result was achieved when executing the order. It is however the duty of the Management Company to ensure that the brokers that the Management Company has elected to use, are the ones that enable achieving the best result (through evaluation of the brokers before entering into an agreement and periodic monitoring) and to assess whether the principles provided in the hereby policy are followed when placing orders via brokers for execution.
- 3.3. In the course of evaluating the brokers, the Management Company verifies *inter alia* the following:
 - 3.3.1. whether the brokerage company is pursuant to effective legal acts obligated to follow the EU requirements on the best execution of the client orders and does not treat the Management Company as an eligible counterparty;
 - 3.3.2. how the broker classifies the Management Company with regard to MiFID and whether that classification ensures that the interests of the Management Company as well as those of the funds under management are sufficiently protected;
 - 3.3.3. whether the brokerage company has in the agreement entered into with the Management Company assumed an obligation to follow the EU requirements on the best execution of the client's order;
 - 3.3.4. whether the activities of the brokerage company and the quality with which it executes orders meet the necessary requirements.
- 3.4. The Management Company may, when placing an order to a broker for execution:
 - 3.4.1. determine the final execution venue and give the brokerage company other specific guidelines in accordance with the hereby policy, or;
 - 3.4.2. allow the brokerage company to determine the measures for the best execution of the order.
- 3.5. If the brokerage company has not implemented the best execution policy which meets the requirements (e.g. in case of partners located outside of the EU) it must still meet the basic requirements for acting in the best interests of the client and the best execution of the client's order. In such a case, the Management Company shall give specific guidelines to the brokerage company in order to ensure the best execution of the order placed on the account of the investment fund.

4. The sequence of execution, aggregation and allocation of orders

- 4.1. The Management Company may aggregate the funds' and the clients' orders. Prior to the aggregation of orders, the fund manager or portfolio manager shall assess the effect of the aggregation on the clients and makes the decision to aggregate the orders only when according to his/her best judgment the aggregation is not detrimental to the interests of the clients.
- 4.2. Once the aggregated orders have been executed, the Management Company will allocate orders across the clients who participated in the order. Allocation of order fills between several clients will be prompt, fair and consistent. In most cases, depending on trading processes, allocations will have been made at pre-execution.
- 4.3. Upon failure to achieve execution of the full order, the Management Company shall re-allocate the order on a pro-rata basis without preferring the interests of any single client, taking into account the size of the order given. If pro-rata allocation is not possible then final allocation will be recorded.
- 4.4. In aggregating the transaction orders for one or more investment funds and clients the Management Company shall make sure that it does not allocate the order in a manner that is detrimental to the interests of the investment fund or other clients.

5. The registration and recording of orders

- 5.1. Keeping the best interests of the investment fund in mind, the Management Company shall record the information regarding the transaction order executed on behalf of the investment fund in a data processing system. The information recorded shall be sufficient to reconstitute the transmission of the transaction order and the circumstances of the transaction and shall include the following information. At least the following information is recorded:
 - 5.1.1.the name of the investment fund and the person acting on behalf of the investment fund (fund manager, assistant of the fund manager or portfolio manager);
 - 5.1.2.the details on the transaction or the security which is the object of the transaction;
 - 5.1.3.5.1.3. the quantity;
 - 5.1.4.the type of the order or the transaction;
 - 5.1.5.the price of the order or the transaction;
 - 5.1.6.the date and time of the transmission of the order and the name of the entity with whom the order was placed for execution (name of the brokerage company) or the date and time of the investment decision and execution of the transaction;
 - 5.1.7.the name of the person placing the order for execution or executing the transaction;
 - 5.1.8.where applicable, the reasons for revocation of the order;
 - 5.1.9.for executed transactions, the counterparty and execution venue identification.
- 5.2. Reasons for the revocation of the transaction order in the sense used in clause 5.1 of the hereby policy shall mean any circumstances other than technical errors made by the person who enters the order into the data processing system. If such circumstances arise where a revocation is needed, the fund manager, assistant of the fund manager or portfolio manager shall register and shortly comment the reasons for revocation.
- 5.3. The Management Company shall document the circumstances of the execution of order or placing the order for execution in a manner prescribed by the internal procedural rules of the Management Company and in a manner which enables to prove in case of each executed order that the respective order was executed pursuant to hereby policy.

6. Updating and amendment of the policy

- 6.1. The Management Company shall monitor the effectiveness and timeliness of the measures provided in the hereby policy and on a regular basis assesses whether the provisions of the policy meet the requirements provided by laws. This obligation has been incorporated into the Management Company's general compliance monitoring process to ensure achieving best execution on a consistent basis. The monitoring process will generally involve either a periodic

- review by compliance of a random sample of transactions. If in the course of the compliance monitoring the conclusion is reached that the best possible result was not achieved, an additional evaluation of the circumstances is conducted. In the course of the monitoring activities it may become evident that the review of the hereby policy is necessary.
- 6.2. When conducting monitoring activities, it is also evaluated whether the Management Company could achieve better results when executing orders if the Management Company were to:
 - 6.2.1. use additional or different brokers in addition to those already approved by the Management Company;
 - 6.2.2. assign a different relative importance to the execution factors;
 - 6.2.3. modify any other principles provided in this policy.
 - 6.3. Additionally, the Management Company shall review the effective policy each time such material change occurs which could diminish the Management Company's ability to execute the transaction order in the best interests of the investment fund using the execution venues specified in the best execution policy.
 - 6.4. The monitoring activities specified in the previous clauses are carried out regularly provided that the hereby policy is reviewed and updated at least annually. Upon detection of deficiencies, the Management Company shall amend and update the rules currently in effect.
 - 6.5. The version of the hereby policy currently in effect shall be made available in the seat and on the web page of the Management Company. In case material changes are made to the hereby policy the Management Company shall notify the clients of the amendments via the website of the Management Company unless the agreement entered into by the Management and the client provides otherwise. The compliance department of the Management Company shall exercise supervision on whether the notification duty is met.
 - 6.6. The amendments shall come into effect within one month's time as of the date they are made available unless the Management Company has set another date.