MACHINA CAPITAL	# Best execution Policy	**Reference: P07**

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Contents

1. Regulatory references

- Article L533-18, L533-19 and L533-20 of Monetary and Financial Code
- AMF Position 2014-07
- Articles 321-110 to 321-115 of the AMF General Regulation
- Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (MiFID).

2. Introduction

Machina Capital (hereinafter: "the Firm") is authorized and regulated by the Autorité des Marchés Financiers ("AMF"). The Firm undertakes discretionary portfolio management for a range of clients, with a mixture of strategies and its permissions enable it to advise on investments, arrange deals in investments, deal in investments as agent, make arrangements with a view to transactions in investments and manage investments.

As a discretionary portfolio manager, the Firm makes the decisions to deal and subsequently either transmits or actually executes these decisions on behalf of its clients. The method of achieving execution will be explored later.

The Firm is an investment firm and as a result of the above permissions and activities undertaken, it falls under the Market in Financial Instruments Directive ("MiFID"). Investment firms are required to ensure that they take all reasonable steps to deliver the best possible result when executing orders on behalf of clients, taking into account the execution factors.

When providing the service of portfolio management, the Firm will always act in the best interests of its clients when placing orders with other entities for execution. Those orders result from decisions by the Firm to deal in financial instruments on behalf of its clients.

Best Execution relates to all types of financial instruments however, due to the differing obligations that arise as a result of utilizing differing instruments, the Best Execution obligation will be applied in a manner that takes into account the different circumstances associated with the execution of orders related to particular types of financial instruments. Best Execution will apply to each client order executed.

3. Purpose

As required by AMF regulations, the Firm has developed this Order Execution Policy ("OEP") setting out the arrangements that the Firm has in place to comply with this Best Execution obligation. The auxiliary purpose of setting out the Firm's OEP is in order that the Firm are able to communicate the Firm's policy to clients as appropriate and to obtain their consent.

4. Obligation

All employees and Partners with the authority and/or responsibility to place orders must ensure that, in placing orders, they always act in the best interests of each client. This is to be by following the approach set out in this policy unless you can demonstrate that a better outcome for that client in that transaction can be achieved by an alternative approach. In the event of employing such an alternative approach, the individual must record and report the circumstances to the Chief Compliance Officer (hereinafter: "CCO"), who will consider whether amendments to this Policy are required.

In so far as the Firm receive specific instructions from a client in relation to a transaction, those instructions supersede the Firm's OEP. Execution of such an order must comply with the client instructions and, where not covered by the client's instructions, with this OEP as appropriate in the context of the client's instructions.

The Firm will be involved in the transmission or execution of transactions in all types of financial instrument, according to the trading strategies followed. When determining the approach to achieving Best Execution, traders must decide whether the Firm will execute the trade itself via DMA or whether the transaction will be transmitted to an executing Broker/Counterparty. This is the initial step in ensuring Best Execution is provided. The decision is taken with reference to the 'Execution Factors' and the 'Execution Criteria'.

5. Execution factors

The execution factors are the issues that the Firm must consider when undertaking to deliver Best Execution. They constitute the differing considerations that can be given precedence in the trading process, dependent on the individual situation. The Firm's OEP aims to set out the process for determining the relative importance of each of the execution factors in relation to each trade. The factors to be considered are:

- Confirmation timing;
- Reliability of confirmations;
- Quality of delivery instructions and settlement; and
- Reactivity to problems.

The relative importance to the client of each of the above will help to establish Best Execution. Although other execution factors may, in certain circumstances, be more important than price in obtaining Best Execution on a client by client basis, it is generally assumed that price will be the first priority.

6. Execution Criteria

When executing a client order, the Firm must take into account the following criteria for determining the relative importance of the execution factors:

- The characteristics of the client;
- The characteristics of the client order;
- The characteristics of the financial instruments that are the subject of that order; and
- The characteristics of the execution venues to which that order can be directed.

Through the careful application of these execution criteria, in each instance the priority of each execution factor will be determined. This is set out in further detail below.

7. Use of Broker/Counterparty or DMA

A key aspect of delivering the best possible result to the client and therefore integral to the OEP is how the decision is taken as to whether to use a Broker/Counterparty or whether to use DMA. There is also another consideration within each of these two options as it is likely that there will be more than one suitable Broker/Counterparty/venue.

The Firm will consider the full cost and commission implications of each method where there are competing options.

8. Specific Considerations

8.1. Selecting which venue or Broker/Counterparty

Therefore, for each of the instruments listed in the appendices below, once the decision to deal has been taken, the choice must first be made as to whether to use a Broker/Counterparty or to execute the transaction directly with the market, and then if the former is taken, a Broker/Counterparty is selected, or, in the case of the latter option being taken, a market chosen. This decision will be unique to the instrument and will be based upon the relative importance of the execution factors and execution criteria.

The circumstances of the transaction will determine the priority given to these execution factors. In considering that priority, the Firm will take account of the characteristics of the financial instrument, the market in question and the circumstances of the order, including any criteria peculiar to the fund.

Generally, the firm will treat price as the highest priority with costs as the next factor to differentiate between markets and/or Brokers/Counterparties. However, where there is a reduction in the likelihood of successful execution or settlement through a particular Broker/Counterparty or market, the firm will avoid trading through such an entity.

Furthermore, in circumstances where price movement is rapid and any delay considered likely to be disadvantageous to the client, the firm will treat speed as the priority factor, over and above considerations of price and cost. In determining whether to place an order through a Broker/Counterparty, the execution factors are applied as follows:

The priority will be the likelihood of successful execution and settlement, followed by price and cost.

Consequently the Firm's use of Brokers/Counterparties is intended to enhance the overall quality of execution in terms of all these factors; in the event that the same transaction can be effected on similar terms without the payment of Brokers' commission, the Firm's policy is to avoid the appointment of a broker for that transaction.

8.2. Considerations relating to Counterparty/Broker expertise and illiquid stocks

In the circumstances where the nature of the stock in question presents challenges to successful execution due to obscurity, under-researched markets, illiquidity or small capitalization, the Firm's policy is to is to engage a Broker/Counterparty for such a transaction. In selecting the appropriate Broker/Counterparty the priority factor will be their expertise in relation to the stock in question on the grounds that this will result in the best overall execution in terms of achievement of execution and price, albeit that cost - especially the broker's commission – may not be the most competitive and is de-prioritized.

8.3. Considerations relating to commission rates

The Firm's policy on commission rates is quite simply to select the Broker/Counterparty with the lowest rate. However, as is made clear elsewhere in this policy, cost of transaction is usually not the highest priority and in some circumstances, will be a lowly rated factor, but where there is a direct choice of Broker/Counterparty with other factors being equal, the lower commission rated broker will be employed.

By direct extension, where commission can appropriately, without client disadvantage, be avoided altogether, it is the Firm's policy to deal in that way.

8.4. Considerations relating to large transactions

Where a transaction is large in comparison to the normal market size for that stock, it is the Firm's policy to use a Broker/Counterparty to manage the execution of the transaction, exercising his discretion and expertise. In these circumstances, the Firm's priority factor will normally be either the Broker's/Counterparty's ability to complete the transaction successfully or price. Consequently, the costs of transaction in terms of the Broker's/Counterparty's commission will be attributed a relatively low priority, reflecting the importance of selection of a broker known to be expert at achieving execution in these circumstances.

8.5. Considerations relating to speed of transactions

When the price of the contemplated stock is moving quickly, either as a result of news relating specifically to that Firm or because of wider market movement, speed of execution will usually be the priority factor. The achievement of speedy execution is achieved either through an [appropriate DMA] if available, or a large Broker/Counterparty known to be capable of achieving fast execution in the circumstances and in the stock in question. Second to speed, will be successful execution, followed by the question of cost. In these circumstances the price factor is inevitably de-prioritized.

8.6. Considerations relating to speed of settlement

In the comparatively unusual situation that the speed of settlement is of material importance, that factor will be prioritized above costs of transaction and price, although this does not imply that cost and price are irrelevant – merely lower priority.

As a means of procuring speedy settlement, it will normally be necessary either to select an execution venue which provides fast settlement terms as a standard or to negotiate with a Broker/Counterparty for special settlement terms. Usually this latter will result in the selection of a substantial and well capitalized Broker/Counterparty capable of providing such a service, notwithstanding that they might not be the most cost competitive. In exceptional circumstances settlement may be delayed and this will be agreed between the Firm and the relevant Broker/Counterparty at the time of transmission. In these circumstances the speed of settlement is inevitably de-prioritized.

8.7. Considerations relating to geographical location

In the selection of Broker/Counterparty/venue, geographical location will sometimes be a material consideration. Where appropriate, in order to minimize the cost of transaction, it is the Firm's policy to use a DMA to which it has access. In practical terms this will usually only apply in geographical locations where well-developed markets exist. In the circumstances of a stock of some obscurity the use of a Broker/Counterparty with known expertise in relation to that stock and wherever geographically it is traded will usually be the preferred means to ensure successful execution and best price but recognizing that the Broker/Counterparty may not be competitive on cost.

In other circumstances, transactions will generally be arranged through a Broker/Counterparty where the Firm is able to procure competitive commission rates and has reason to believe that the Broker/Counterparty is competent to execute the transaction in question, thus prioritizing satisfactory execution, price and cost in that order.

8.8. Details of Brokers/Counterparties and venues

As set out above, the selection of venue/Broker/Counterparty will result from the prioritization of the execution factors as appropriate for the individual transaction. It is acceptable in some circumstances, as explained above, for price and/or cost not to be the highest factors. However, where the decision is taken that other factors have higher priority in the context of an individual transaction, a record is to be made, as part of the transaction record, of that decision and the rationale for it. Usually price and cost will be the highest priorities, subject of course to the fundamental capacity of that venue/Broker/Counterparty to facilitate the transaction.

Any amendment to the Broker/Counterparty and venue details set out in the appendices are to be notified to the CCO.

8.9. Considerations relating to linked transactions

Special consideration will be needed where two or more transactions are linked i.e. when dealing in an instrument and placing a corresponding derivative transaction on the same underlying instrument, for example, when dealing in convertibles and shorting the equity.

In these circumstances the priority is, by combining the transactions and placing them with a single Broker/Counterparty, to avoid unnecessary exposure to the portfolio. In doing so, the Firm will, for the combined transaction, priorities likelihood of successful combined execution, price for the convertible element, and overall cost.

However, for the secondary, equity transaction, the Firm will priorities price, which must match on both transactions, and speed, which is required in order to prevent the risk that price movement might remove the scope for the required matching, but de-prioritising costs, which may not be competitive if looked at in isolation, or which otherwise may not result in a successful hedge or offsetting position.

8.10. Considerations relating to collective investment schemes

Where the Firm deals for clients in the shares/units of hedge funds, the Firm's policy is to place those transactions with UBS or Morgan Stanley for EU, US shares and derivatives/futures for execution on their internal market. By this mechanism the Firm believe that it's able to obtain for clients the best available price in the shares/units of that fund at that point in time. Where the Firm is unable to obtain execution of the transaction through one of the prime broker on a timely basis the Firm will consider all reasonably accessible alternatives, especially placing the order directly with the operator of the fund.

9. Client Consent

We are required by the regulations to obtain the consent of each client to the Firm's execution policy. Unless the client advises us to the contrary, we will deem that consent to have been provided following their receipt of the notification contained within the summary of this OEP.

Additionally, before we are permitted by the regulations to execute transactions on behalf of clients outside a regulated market or a multi-lateral trading facility ("MTF"), we must receive from them their prior express consent which must take the form of positive confirmation, usually their signature in acceptance of the summary OEP.

10. Changes to this Order Execution Policy

In the event that the Firm amends this OEP in such a way as to bring about a material change, it is the responsibility of the CCO to ensure that the Firm notifies the Firm's clients of that change. A material change is one where its disclosure is necessary to enable you to make a properly informed decision about whether to continue utilizing the Firm's services. Immaterial changes will not be the subject of a notification.

11. Client instructions

As set out above, in the event that specific instructions are received from a client in respect of the execution of a transaction, we are deemed to have complied with its Best Execution obligations by following those specific instructions. Clients may not be induced to give specific instructions in order to remove the need for the provision of Best Execution.

12. Evidence of Best Execution

We are obliged by the AMF rules to be able to demonstrate to the Firm's clients, at their request, that we have executed transactions in accordance with this OEP. It is therefore essential that transaction records provide adequate details for this purpose.

13. Monitoring and review of execution arrangements and policy

To ensure that this OEP remains appropriate and in line with the requirements, the CCO will ensure that it is reviewed annually by the Governing body of the Firm. A review will also take place in the event of any change of circumstances which may affect the Firm's ability to achieve Best Execution.

This will include a review of available execution venues to confirm that the venues continue to be appropriate for consideration in achieving best overall results on execution of orders.

It will also be a review of access providers to determine whether they continue to provide access on appropriate terms. Each provider is assessed based on the factors mentioned in section V of this document and given an average score. Scores varies between (1: Poor to 5: Excellent) and those falling below 2 are required to improve their performance or cease to be used by the Firm.

The dates and details of any changes to the Best Execution policy, execution venues or Brokers/Counterparties will be documented by the CCO.

The Firm will undertake quarterly compliance monitoring to determine whether the transactions have been conducted in accordance with the policy.

The Firm's RTS28 annual report are available on www.machinacap.com.

14. Glossary

Direct Market Access (DMA)

Direct market access (DMA) tools permit buy-side traders to access liquidity pools and multiple execution venues directly, without intervention from a Broker/Counterparty's trading desk.

Client

The Fund or segregated account rather than the underlying investors within the Fund.

Execution Venue

An execution venue means an RM, MTF, a systematic internalizer, or a market maker or other liquidity provider or an entity that performs a similar function in a non-EEA country to the functions performed by any of the foregoing.

Multi-lateral Trading Facility

A Multilateral Trading Facility (MTF) is a system that brings together multiple parties that are interested in buying and selling financial instruments and enables them to do so. These systems can be crossing networks or matching engines that are operated by an investment firm or a market operator. Instruments may include shares, bonds and derivatives. This is done within the MTF operator's system. The MTF operator is required to allow the interests of the buyers and sellers to interact, so that trades come about without unfairly intervening in the interaction of the interests. The description of MTF excludes bilateral systems where an investment firm enters into one side of a transaction effected using the system.

Regulated Market:

A Regulated Market (RM) is a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title III of MiFID.