



Internal Transmission and Execution Policy

February 2018

1 INTRODUCTION

This document – approved by the Board of Directors of BG Fund Management Luxembourg S.A. (hereafter BGFML) – defines and formalizes the procedures and criteria adopted by BGFML for the transmission and execution of the orders with reference to the operations related to the collective asset portfolio management service.

Within the framework established by the Law of 17 December 2010 relating to undertakings for collective investment (organic law transposing Directive 2009/65/EC and Directive 2014/91/EU) and in compliance with CSSF regulation 10-04, CSSF Circular 12/546 (as amended by Circular CSSF 15/633) and the provisions of the Directive 2011/61/EU on Alternative Investment Fund Managers complemented by the Commission Delegated Regulation (EU) 231/2013, the management companies shall act in the best interest of the funds they manage when carrying out trading decisions or when transmitting orders to other persons on behalf of the managed funds in the management of their portfolios.

In particular management companies should:

- take all sufficient steps to obtain the best possible result for the funds, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order;
- establish and implement a policy that enables to obtain the best possible result for funds orders (“Transmission and execution Policy”); such policy shall include, in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue;
- make available to shareholders adequate information about the implemented policy and every significant amendment thereto.

2. SCOPES OF THE TRANSMISSION AND EXECUTION POLICY

This Transmission and Execution Policy (hereafter also Policy) applies to the following types of operations undertaken by BGFML:

- equity instruments;
- debt instruments (bonds and money markets instruments);
- derivatives instruments (such as relating to interest rates, credit, currencies, equity instruments, securitised derivatives, commodities and emission allowances);
- derivatives traded OTC;
- exchange traded products;
- shares or units in funds.

3 BEST EXECUTION POLICY

3.1 Execution Factors and Criteria

BGFML defines its Transmission and Execution Policy impartially.

BGFML executes and/or transmits orders on behalf of the managed Funds and outside intermediaries for their execution.

BGFML provides appropriate disclosure to customers about its order transmission and execution policy as set out herein.

3.2 Best execution factors and criteria for orders on financial instruments issued on behalf of the managed Funds

In order to implement all reasonable steps for obtaining the best possible result for the Funds, the main factor considered by BGFML for the purposes of ensuring best order execution is total consideration – the latter includes the price of the financial instrument and the execution costs, including all expenses incurred by the customer and directly connected to the execution of the order, such as the fees of the execution venue, the clearing costs, and settlement and other costs connected to trading (Total consideration).

BGFML also considers, with reference to each potential execution venue, the costs connected with the transactions. In particular:

- the expenses incurred to compensate third parties for their services (e.g.: the Stock Market, the reference intermediaries in the regulated market, the costs connected with the activity of a clearing house, of the Custodian Bank) and the costs to access the trading venues,
- the costs and commissions connected to the operations of any outside intermediaries employed to transmit the orders to the execution venues.

Moreover, in certain circumstances BGFML reserves the right to give greater consideration, in the search for the best execution, to the following other factors which - in relation to the dimensions (in terms of quantity to trade and estimated value) and to the characteristics of the trading order to be executed (e.g., listed or unlisted financial instrument) - may be significant:

- speed,
- likelihood of execution and settlement,
- liquidity and depth,
- dimensions and nature of the order
- completeness of the offer from the different execution venues.

Speed of execution indicates the time that elapses between order transmission and execution within a trading venue. For each trading venue, speed of execution is determined mainly by the operating procedures defined within that venue.

The likelihood that an order will be executed in a trading venue depends mostly on the liquidity of the financial instrument and on the depth of the trading venue. BGFML also takes into consideration the risks deriving from the possibility that trading orders may be executed only partially. BGFML also takes into account the risk associated with the possibility that, after execution of the trading order, the transaction may not be settled properly in relation to the delivery of the financial instrument traded (technical failure).

BGFML, moreover, assesses the continuous exposure of the purchase and sale proposals for the financial instruments, which assures liquidity and thickness to the respective exchanges.

In particular, BGFML has assigned a specific order of importance to the factors listed above, considering the following criteria:

- objectives, investment policy and specific risks of the Fund, as shown in the prospectus or in the Fund Regulations or in the incorporation documents of the Fund;
- characteristics of the order;
- characteristics of the financial instruments subject to the order and of their marketability conditions;
- characteristics of the execution venues to which the order may be addressed.

4 ORDER TRANSMISSION AND EXECUTION PROCEDURES

4.1 General provisions

In consideration of all the best execution factors and criteria described above - and in pursuit of healthy and prudent service management of the service and of its own organizational structure BGFML will adopt, in relation to the different types of financial instruments, the order transmission and execution policy described herein.

In particular, it has identified operating procedures in relation to the transmission of trading orders for each of the following types of financial instruments:

- equity instruments;
- debt instruments (bonds and money markets instruments);
- derivatives (such as relating to interest rates, credit, currencies, equity instruments, securitised derivatives, commodities and emission allowances);
- derivatives traded OTC;
- exchange traded products;
- shares or units in funds.

BGFML selects one or more main intermediaries and one or more back-up intermediaries that it will entrust with the task of executing the trading orders for each type of order/financial instrument, among the entities whose execution policy is consistent with the best execution policy set out herein. For this purpose, it preventively obtains the Execution Policy of the outside intermediaries it intends to employ and verifies whether it is consistent with the trading order best execution policy set out herein.

If it is, and to ascertain that the entities will enable to obtain the best possible result, BGFML alternatively assesses whether each of them:

- is subject to Article 27 of the Directive 2014/65/EU and agrees to treat BGFML as a professional or retail customer;
- is willing to bind itself contractually to compliance with Article 27 of Directive 2014/65/UE;
- can demonstrate a high quality of execution for the type of orders transmitted to it.

BGFML may also select the aforesaid entity according to the following criteria:

- commissions: BGFML takes into consideration the commissions applied by the entity for the execution of the transmitted orders;
- organizational structure and management of conflicts of interest: the organizational structure and management of conflicts of interest of the entity must allow the correct and optimal execution of the transmitted orders and must be fully compliant with applicable regulations;
- quality and efficiency of the services rendered and in particular of the information related to the execution;
- the entity's ability to minimize total trading costs while maintaining its own financial stability: BGFML verifies whether the entity is able to maintain and employ an adequate capital and whether it is capable of operating during times of high market volatility;
- level of competence in the trades: the assessment of the entity's competence will take the following factors into account: speed of execution of the transactions and ability to execute unusual volumes;
- access to the primary market: BGFML verifies whether the entity participates in the operations of the primary market (IPO, etc.);
- quality of the settlement phase: BGFML assesses the entity's efficiency in settlement activities;
- Capital soundness: BGFML assesses the entity's financial conditions, taking into consideration its rating, if available.

BGFML reserves the right to transmit orders to other intermediaries from those indicated herein, selected within the list of the counterparties authorized by the Board of Directors, if

deemed appropriate in relation to market conditions at the time of execution of the order and always for the purposes of obtaining the best result for the managed funds.

The order Transmission/Execution strategies identified by BGFML for each of the types of financial instruments listed above are illustrated below.

4.2 Equity instruments

BGFML - in relation to the type of transaction and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., with its registered office in Trieste, Via Machiavelli n. 4, as the single intermediary to which orders on equity instruments (including Italian and non-Italian equity instruments) are to be transmitted for their execution; a specific order execution agreement has been stipulated with this company. Banca Generali will execute the order, usually through a Smart Order Router System, in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. In particular, the operating procedure adopted is grounded in the ability of the sole selected broker, to access (directly or through other authorized intermediaries) the execution venues deemed most appropriate in relation to the different types of financial instruments. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, and in consideration of the adopted operating procedure, BGFML will particularly emphasize the monitoring and revision activities, to ensure that the choice it made is in fact the most advantageous in the interest of the managed Funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the single selected intermediary is not available, BGFML may employ, for the execution of the aforesaid orders, a back-up intermediary; the latter was identified - on the basis of the criteria defined herein - as UBS AG with its registered office in 1 Finsbury Avenue EC2M 2PP LONDON.

4.3 Debt instruments

BGFML - in relation to the type of transaction and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., with its registered office in Trieste, Via Machiavelli n. 4, as the single intermediary to which orders on debt instruments (including structured and standard bonds of Italian and non-Italian issuers, regardless of whether listed on regulated markets, including convertible bonds and money market instruments) are to be transmitted for their execution; a specific order execution agreement has been stipulated with this company. Banca Generali will execute the order, usually through a Smart Order Router System, in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. In particular, the operating procedure adopted is grounded in the ability of the single selected broker, to access (directly or through other authorized intermediaries) the execution venues deemed most appropriate in relation to the different types of financial instruments. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the

orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, and in consideration of the adopted operating procedure, BGFML will particularly emphasize the monitoring and revision activities, to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the single selected intermediary is not available, BGFML may employ, for the execution of the aforesaid orders, back-up intermediaries; the latter were identified - on the basis of the criteria defined herein - as Barclays Capital, with its registered office at 5, The North Colonnade Canary Wharf, London E14 4BB, and as UBS AG, with its registered office at 1 Finsbury Avenue, EC2M 2PP LONDON.

In the specific case of convertible bonds, considering their characteristics and the markets on which they are listed, BG FML has adopted the same Execution policy as applicable to Italian and non-Italian equity instruments (section 4.2 above).

4.4 Derivatives (such as relating to interest rates, credit, currencies, equity instruments, securitised derivatives, commodities and emission allowances)

4.4.1 Covered warrants and certificates (securitised derivatives)

In general, BGFML - in relation to the type of transaction and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., with its registered office in Trieste, Via Machiavelli n. 4, as the single intermediary to which orders are to be transmitted for their execution.

Banca Generali will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, in consideration of the adopted operating procedure, BGFML will, in particular, emphasize monitoring and revision activities in order to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the aforesaid broker is not available, BGFML may employ, for the execution of the aforesaid orders, a back-up intermediary; the latter was identified - on the basis of the criteria defined herein - as UBS AG with its registered office in 1 Finsbury Avenue, EC2M 2PP LONDON.

4.4.2 Currency derivatives – forex forwards

BGFML, in relation to the type of transaction and taking into account the factors discussed in previous sections, opts to a) transmit the order, for execution, according to procedures defined

by BGFML (price level, spread level), to one of the intermediaries indicated in the list enclosed herewith (Annex 1), according to the execution policy and after verifying that this decision is consistent with the attainment of the best result, or it opts to b) execute the order directly with one of the intermediaries indicated in the list enclosed herewith (Annex 1), after comparing the offer of at least three, suitable for the attainment of the best result.

In order to select in each case the intermediary to whom the order is to be transmitted or with whom the order is to be executed, BGFML has instituted an internal policy aimed at demonstrating that it has taken all reasonable steps to obtain the best possible result for the managed funds, taking into account the factors and criteria indicated in the policy.

If it transmits the order, the procedure specifies that the Investments Department employee shall file in hardcopy and/or electronic format the order's transmission conditions (price level or spread level) and every support that in his opinion may be suitable to justify the decision to transmit the order (Bloomberg ALLQ page, spot currency rate, performance of the future agreement, rate differential on the inter-bank market).

If it executes the order, the procedure specifies that the Investments Department employee, on the occasion of each individual trade a) shall request, using the Bloomberg FX Dealing application, the quote for the financial instrument through the Request for Quote function that puts intermediaries in competition and b) shall carry out the transaction with the intermediary that offers the best conditions. The adopted Bloomberg applications provide for storing RFQ and execution activities, thus allowing to verify best execution ex post.

4.4.3 Derivatives listed on regulated markets

BGFML - in relation to the type of transaction and taking into account the factors described above - identified UBS AG, with its registered office in 1 Finsbury Avenue EC2M 2PP LONDON, as the single intermediary to which orders are to be transmitted for their execution; a specific order execution agreement has been stipulated with this company. UBS will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

The operating procedure adopted is grounded in the use, by the sole selected broker, of adequate technological supports for the rapid and efficient forwarding of orders to the markets deemed most appropriate, in relation to the order itself. The commissions applied by the single broker meet cost-efficiency principles.

If the aforesaid broker is not available, BGFML may employ, for the execution of the aforesaid orders, two back-up intermediaries, that have been identified - on the basis of the criteria defined herein - as Merrill Lynch International with its registered office in 2 King Edward Street EC1A 1 HQ LONDON and Banca Generali S.p.A., with its registered office in Trieste, Via Machiavelli n. 4.

4.5 Derivatives instruments traded OTC

BGFML, in relation to the type of transaction and taking into account the factors discussed in previous sections, opts to a) transmit the order, for execution, according to procedures defined by BGFML (price level, spread level), to one of the intermediaries indicated in the list enclosed herewith (Annex 1), according to the execution policy and after verifying that this decision is consistent with the attainment of the best result, or it opts to b) execute the order directly with one of the intermediaries indicated in the list enclosed herewith (Annex 1), after comparing the offer of at least three, suitable for the attainment of the best result.

In order to select in each case the intermediary to whom the order is to be transmitted or with whom the order is to be executed, BGFML has instituted an internal policy aimed at demonstrating that it has taken all reasonable steps to obtain the best possible result for the managed funds, taking into account the factors and criteria indicated in the policy.

If it transmits the order, the procedure specifies that the Investments Department employee shall file in hardcopy and/or electronic format the order's transmission conditions (price level or spread level) and every support that in his opinion may be suitable to justify the decision to transmit the order (Bloomberg ALLQ page, spot currency rate, performance of the future agreement, rate differential on the inter-bank market).

If it executes the order, the procedure specifies that the Investments Department employee, on the occasion of each individual trade a) shall request, using the Bloomberg FX Dealing application, the quote for the financial instrument through the Request for Quote function that puts intermediaries in competition and b) shall carry out the transaction with the intermediary that offers the best conditions. The adopted Bloomberg applications provide for storing RFQ and execution activities, thus allowing to verify best execution ex post.

4.6 Exchange traded products

In general, BGFML - in relation to the type of transaction and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., with its registered office in Trieste, Via Machiavelli n. 4, as the single intermediary to which orders are to be transmitted for their execution.

Banca Generali will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, in consideration of the adopted operating procedure, BGFML will, in particular, emphasize monitoring and revision activities in order to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the aforesaid broker is not available, BGFML may employ, for the execution of the aforesaid orders, a back-up intermediary; the latter was identified - on the basis of the criteria defined herein - as UBS AG with its registered office in 1 Finsbury Avenue, EC2M 2PP LONDON.

4.7 Shares or stocks of funds

BGFML subscribes the shares or stocks of funds directly from the corresponding issuing entities or buys or sells them within secondary markets. The transaction is carried out on the basis of the NAV on the day of subscription/negotiation. In relation to each transaction and to the type of the customer, BGFML always seeks the best commission class applicable to it.

4.8 Impossibility to transmit

If it is not possible to transmit the order to an intermediary for its execution due to force majeure reasons or because of the suspension or restriction to trading (e.g., in case of a suspension in trading due to excess rise/drop or of a suspension or restriction to trading for announcements about the issuers' situation) of the instruments subject to the trading orders, BGFML does not guarantee the prompt transmission of the orders.

5 TRANSMISSION AND EXECUTION POLICY REVISION PROCEDURES

The Board of Directors, with the support of the competent corporate departments, reviews the measures and the transmission strategy at least once a year and every time significant circumstances occur which are such as to influence the management company's ability to continue to obtain the best possible result for the managed funds.

The management company obtains the prior approval of the investment company with regard to the execution policy. The management company makes available to shareholders adequate information about the established policy and every (significant) amendment thereto. Every essential change made to this Policy will be notified to the funds Investors by publishing the updated version of the policy on the website located at www.bgfml.lu.

BGFML has no obligation to provide any other notice of the changes made.

ANNEX 1

List of intermediaries for the transmission and/or execution of orders relative to derivatives instruments traded OTC:

- MERRILL LYNCH INTERNATIONAL, London
- GOLDMAN SACHS INTERNATIONAL, London
- MORGAN STANLEY, London
- NOMURA INTERNATIONAL PLC, London
- ROYAL BANK OF SCOTLAND, London
- DEUTSCHE BANK AG, London
- CACEIS BANK, Luxembourg