Best Execution Policy – Principles of execution of trade decisions

I. INTRODUCTION

Another major goal of UCTSG\(^1\)/AIFMG\(^2\) is the best execution (hereinafter referred to as the “best execution”) of trade decisions of UCITS/AIF and for the benefit of the customers. The applicable specifications are part of this Best Execution Policy. The present policy establishes the principles of execution, in accordance with which Scarabaeus Wealth Management AG (hereinafter referred to as „Scarabaeus“) makes trade decisions in order to ensure the best execution for the investor.

II. SCOPE OF APPLICATION

The Best Execution Policy applies to all UCITS\(^3\)/AIF\(^4\) and customer assets managed by Scarabaeus, for which Scarabaeus makes trade decisions. Where the investment decision has been delegated to a third party, Scarabaeus will guarantee that such a third party will eventually comply with these principles.

Within the portfolio management for UCITS/AIF/customer various financial instruments may be acquired. The scope of the admissible subjects of investment is regulated by the UCITSG for UCITS. In essence, the portfolio may comprise the following instruments:

- securities
- money market instruments
- units of UCITS and other collective investment schemes
- Derivative financial instruments
- OTC products

III. OTC-PRODUCTS

The so-called “OTC products” (otc = over the counter) are financial instruments that are directly entered into with the counterparty. The scope of application for the best execution of trade decisions is presented also in this respect. The difference compared to financial instruments traded on a stock exchange is that there is no place of execution. More specifically, trade is carried out by virtue of an agreement between Scarabaeus and the counterparty, which is either a broker or the depositary.

The criteria set out in paragraph IV are not relevant for the speed or probability of execution of a trade decision. Instead, tradement is in compliance with the respective constitutional documents and is as negotiated with the depositary. This is so because regardless of the presence of a framework agreement or the third party’s creditworthiness, the depositary must start business relations with the counterparty.

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\(^1\) Law of 28 June 2011 on Certain Collective Investment Undertakings in Transferable Securities
\(^2\) Alternative Investment Fund Manager Act of 19 December 2012
\(^3\) Undertakings for Collective Investment in Transferable Securities (also UCITS)
\(^4\) Alternative investment funds as per Footnote 2
IV. **Execution of Trade Decisions**

Scarabaeus will take all reasonable steps to achieve the best possible result for UCITS/AIF/customers. However, the execution of trade decisions depends on several factors:

- market rate (exchange rate) of the financial instrument being acquired
- costs of execution of the order
- speed of execution
- the probability of execution or the settlement
- the scope and type of the order
- as well as other information related to the execution of the order

The relative weight of these factors is determined with the help of the following criteria:

a) the objectives, policies and risks specific to UCITS/AIF, as specified in the prospectus or, eventually in the contractual terms and conditions or the articles of association of UCITS/AIF, resp. specified in the contract with the customer

b) characteristics of the order
c) characteristics of the financial instruments that are subject of this objective
d) characteristics of the places of execution, to which the order may be directed

For the execution of individual trade decisions Scarabaeus shall also take into account factors such as:

- approved investment instruments in UCITS/AIF
- the investment policy of UCITS/AIF
- objective and strategy for the execution of the investment policy
- the internal procedures for risk and the investment process management

For the processing of trade orders Scarabaeus shall take into account the criteria specified herein below, in the sequence of the list:

a) price of the financial instrument
b) order execution costs
c) speed of execution
d) probability of execution
e) amount of the order
f) length of acceptance of the order
g) orientation of the customers of the agent/business partner
h) remaining trading time, resp. waiting time until the opening of the place of trade

In case of large number of possible trade decisions in certain cases a different selection of factors may occur. Scarabaeus explicitly reserves its right in such specific events to make another proposal for the evaluation. Such a deviation may be present, in particular, in case of difficult market situations or in the presence of a market-oriented approach.
4.1. **Joint Trade Orders**

Primarily in view of minimization of the costs of Scarabaeus, buy or sell order are joined to the extent they are basically identical in terms of, e.g. volume or type of business. Joining of trade orders means that the order, e.g. the acquisition of a financial instrument refers to more collective investment schemes or customer portfolios. The possibility of partial executions is taken into account as the number of securities is distributed pro-rata to the collective investment schemes or customer portfolios in question. This shall exclude trade orders for the benefit of the assets of Scarabaeus itself.

The principle of partial executions in joined trade orders shall also refer to IPOs (initial public offering = first issue of financial securities on the stock exchange).

4.2. **Transactions Between Managed Collective Investment Schemes**

There is a general possibility for Scarabaeus to perform transactions in financial instruments between the collective investment schemes, resp. customer portfolios managed by it. The reasons for this may be different (inter alia, to save costs for broker’s commission fees or due to lack of a trading portfolio). In any case such a transaction shall only be performed if the participating collective investment schemes resp. the customer portfolios will not suffer any negatives compared to another types of execution of the order. This includes also respecting of the investors’ interests.

V. **Working Procedure Upon Execution of Trade Decisions**

Within this best execution policy every order shall be treated equally. Every order shall be relocated, upon observation of the established principles of execution of orders, after the establishment of the respective place of trade immediately thereto. If a trade contract is performed within an OTC transaction (off-market), a disclosure shall be made and documentation shall be prepared in accordance with the legal requirements.

All funds used for this purpose, as well as the received funds, shall be kept by the depositaries and shall be respectively documented.

For the purposes of effective execution of trade decisions, the methods of ordering and settlement are established by Scarabaeus before the commencement of UCITS/AIF or other customer relations.

VI. **Places of Trade and Business Partners**

For the implementation of a trade decision Scarabaeus has different places of trade. The main places of trade are the depositaries of UCITS, of AIF, resp. the bank that keeps the account of the customer, which may in turn use various places of trade. In addition, it is possible to use a certain security dealer or broker. The selection of places of trade is summarized in a general review, which may be received free of charge in Scarabaeus.

Upon the selection of trading platforms and business partners, Scarabaeus must take note that all the necessary information and data for order execution through these trading platforms and business partners are available in advance. This information includes e.g. the process of order execution, prices of fees for orders, bid or ask prices, trade volumes.

The presence of these material selection characteristics is verified on a regular basis. The result from this study requires in the individual cases adaptation of the viewpoint of the trade centres and business partners.
VII. Collection of Trade Orders

All data for performance of trade for UCITS/AIF/customer is systematically collected and archived within Scarabaeus. For this purposes electronic records are kept and physical depositing is made.

VIII. Regular Monitoring of the Best Execution Policy

In order the guarantee that the best execution policy is up-to-date Scarabaeus makes an inspection and update on an on-going basis (at least once a year) of the consistency of the contents in terms of the legal requirements.

Furthermore, the places of trade and business partners are constantly checked with respect to the criteria they must satisfy.

The lessons learnt are taken into account in favour of the investors in UCITS/AIF and the other customers of Scarabaeus in this policy.

IX. Contact

The up-to-date Best Execution Policy is available to all investors and customers free of charge, upon request. You may make an inquiry by telephone, e-mail or fax to Scarabaeus.

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