Best Selection and Best Execution Policy

Background

As part of its portfolio management activities, Capital Fund Management SA ("CFM") processes all trading activities on behalf of its clients on a systematic basis. Such electronic trading systems require the availability of a sophisticated infrastructure which may only be maintained with a limited number of trading counterparties. CFM thus conducts materially all trading activities as member of exchanges or other execution venues, or through executing brokers with whom it has established electronic links. In this context, CFM must act in the best interest of its clients and the funds it manages when providing portfolio management services. It has designed and implemented a policy for selecting and assessing the entities that provide trade execution services and then take all reasonable measures to obtain the best possible results for its clients or for the funds it manages.

Regulatory requirements

As an investment manager, CFM is, under EU Directive 2014/65 on Markets in Financial Instruments, as amended from time to time ("MiFID"), required to, inter alia:

- act in accordance with the best interests of its clients when choosing execution venues and brokers ("Best Selection");
- process orders that result from decisions by CFM to deal in financial instruments on behalf of those clients:
  - in accordance with the best interests of its clients, when placing orders with brokers for execution; and
  - taking all reasonable steps to obtain the best possible result for its clients, when directly executing orders on an execution venue ("Best Execution").

In order to comply with the above obligations, CFM is required to take all reasonable steps to obtain the best possible result for its clients, taking into account the "execution factors" specified by MiFID, being price, cost, speed, likelihood of execution and settlement, size, nature, or any other consideration relevant to the order.

Best selection of brokers and execution venues

CFM only directs trades to reputable execution parties that provide high liquidity (for execution venues), low cost, low latency, high level of straight through process and a high likelihood of settlement. The liquidity requirement is dealt with by considering the main execution venues for each type of instrument that CFM transacts in. The cost considerations are evaluated separately for each asset class as the structure of costs differ in different types of markets. CFM is continuously working to reduce the latency of its trading activities. When choosing execution venues and brokers, CFM considers reputable institutions that process a significant volume of trades in the respective markets covered. The level of STP required is high and the institution needs to be focused on eliminating any manual intervention in the trading process. For execution parties that fulfil the above criteria, CFM also considers their regulatory standing, possible counterparty risks as well as the country and currency risks related thereto. CFM maintains an approved broker list; any change to the list must be approved by the board of directors of CFM.

Best execution of trades

As CFM achieves low cost, low latency and a high level of control over execution quality when trading using its memberships directly on an execution venue (using its own connectivity), CFM has a policy of giving priority to execution venues where it trades using a membership and has the ability to use its own technology to connect to market infrastructure. In addition, CFM has a policy of not levying any commission when executing trades on behalf of clients on execution venues where it trades using a membership.

Exceptionally, execution of certain trades can be carried out manually in markets where electronic connectivity to execution parties is not available or where the cost of executing manually is more favourable to clients. CFM has developed a trading infrastructure for manual trading, which is intended to control the manual trading process in accordance with a similar workflow to that applied when trading electronically. CFM's trading systems are built to continuously take into account the total cost of trading defined as execution rates, price, commissions, exchange fees and clearing costs when generating orders. Certain trading systems also take into account the cost of financing at the point of executing a trade. The management of cost of trading is thus an integral part of CFM's trading activities. The volume of trading and the type of orders will change as a function of the cost of trading.

CFM has an obligation to monitor the effectiveness of its order execution arrangements; the monitoring process involves a periodic review (generally quarterly) by CFM's Internal Control team of a sample of transactions within each class of instrument to ascertain whether the best possible result was obtained in respect of those transactions, taking into account the relevant execution factors. CFM is continuously working on the improvement of its post-trade monitoring process, including statistical analysis of execution prices. On a quarterly basis, Compliance tests the execution ratios of CFM's trading activity for each asset class traded. The focus is to establish a stable trading pattern, where execution ratios and the lifetime of orders only evolve slowly over time.

Proxy voting policy

Background

CFM acts in a fiduciary capacity with respect to each of its advisory clients and shall seek to act in their best interest. CFM generally has the authority to vote proxies on behalf of private fund clients. Clients that are managed accounts generally retain the right to vote proxies themselves. This proxy voting policy seeks to detail CFM's policies and procedures in relation to proxy voting of securities for private fund clients that have authorized CFM to vote proxies on their behalf ("Proxy Clients").

Policy

CFM's trading activities are based on quantitative signals that aim to predict prices on different time scales. The securities portfolios CFM manages are generally designed to be highly diversified and do not generally include controlling stakes. Consequently, CFM must, when it is mandated to do so, endeavor to vote proxies in the best interest of its clients. CFM has appointed an unaffiliated external service provider (the "Proxy Agent") to analyze proxy voting situations, deliver recommendations and process proxy votes in accordance with the instructions of CFM. Except in exceptional circumstances as discussed below, CFM will vote proxies in line with recommendations of the Proxy Agent. CFM must upon request provide an investor in a Proxy Client the proxy voting records with respect to its securities.

Processing clients complaints

Complaints

Any statement alleging any specific, inappropriate conduct on the part of the CFM or one of its employees that states or could support a claim of a violation of law, duty or contract constitutes a complaint. Clients and investors can file complaints free of charge with CFM. Each complaint shall be properly recorded by CFM's Chief Compliance Officer ("CCO"), acknowledged within 10 business days, and responded to within two months. Complaints made by investors in EU-domiciled funds can be made, and will be responded to, in one of the official languages of the EU Member State in which the fund is sold. Information on a management company's policy on complaints handling shall be made available free of charge to investors upon request.

Any CFM employee receiving a complaint, whether oral or written, from any Client or from any investor in a private fund must promptly bring such complaint to the attention of the CCO. Employees should not attempt to respond to or resolve any complaint by themselves. All responses to such complaints must be handled by the CCO, except that complaints related to the CCO should be brought to the attention of the CEO of CFM SA. The CCO will maintain records of any complaints and accompanying responses for at least five years.

CFM does not generally admit retail investors and does not expect to have any MiFID-eligible complaints.

Mediation

Where a Client or investor deems CFM's response unsatisfactory, they can reach out free of charge their relevant local complaints authority, including:

1 *France*

Médiateur de l'Autorité des Marchés Financiers
17 place de la Bourse, 75082 Paris Cedex 2
https://www.amf-france.org/Le-mediateur-de-l-AMF/Presentation

2 *UK*

The Financial Ombudsman Service
Exchange Tower, London E14 9SR
complaint.info@financial-ombudsman.org.uk
+44 20 7964 1000
http://www.financial-ombudsman.org.uk/

3 *Japan*

Counseling Office for Financial Services Users
Financial Instrument Mediation Assistance Center (FINMAC)
Daisan Shoken Kaikan, 2- 1- 13, Kayaba-cho, Nihonbashi, Chuo-ku, Tokyo
0120-64-5005 (toll-free)
http://www.finmac.or.jp

4 *Australia*

Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001
info@afca.org.au
+65 1800 931 678
https://www.afca.org.au/

5 *USA*

Securities and Exchange Commission
Office of Investor Education and Advocacy
100 F Street, N.E.
Washington, DC 20549-0213
Fax: +1 202 772-9295
https://www.sec.gov/oiea/Complaint.html

Note: The summary of CFM policies described above is updated whenever each relevant policy changes. The policies can be obtained upon request to Capital Fund Management SA.

For further details

Call us +33 1 49 49 59 49
Email us cfm@cfm.fr

Based in Paris with offices in London, New York and Tokyo, we work in partnership with our clients worldwide. Find out more at: **www.cfm.fr**