

## **Best Execution Policy of UniCredit Invest Lux S.A.**

January 2026

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## 1. Background

UniCredit Invest Lux S.A. is authorized as management company (hereinafter referred as either the “Management Company” or “UCIL”) pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments. UCIL is also authorized as an alternative investment fund manager (“AIFM”) pursuant to Chapter 2 of the Law dated 12 July 2013 relating to alternative investment fund managers.

This policy relates to the execution of decisions to deal and placing orders.

The investment management activities of UniCredit Invest Lux S.A. may be performed internally or delegated to appointed investment managers within the UniCredit Group or externally.

Information on the investment management activity is available within the Prospectuses of the Funds under administration.

The Best Execution Policy gives the framework according to which principles UniCredit Invest Lux S.A. (“UCIL”) will conduct the purchase and sale of financial instruments taking the protection of Funds investors into consideration.

## 2. Regulatory Framework

Article 25 and Article 26 of the Commission Directive 2010/43/EU foresee an obligation for management companies to act in the best interest of the Funds (and, accordingly, of their investors) when:

- executing decisions to deal on behalf of the UCITS in the context of the management of their portfolios.
- placing orders to deal on behalf of the managed UCITS with other entities for execution, in the context of the management of their portfolios.

Article 27 and Article 28 of the Commission Delegated Regulation (EU) N. 231/2013 (“Delegated Regulation”) foresee for alternative investment managers to take all reasonable steps to obtain the best possible result for the AIFs they manage or their investors, whenever an alternative investment fund manager buy or sell financial instruments or other assets for which best execution is relevant.

Article 27 and Article 28 of the DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU foreseeing the obligation to execute orders on terms most favourable to the client as well as client order handling rules.

Pursuant to CSSF Regulation 10-4 as well as the Delegated Regulation, UniCredit Invest Lux S.A. is required to establish, implement and maintain an effective Best Execution policy (hereinafter referred as the “Policy”).

Pursuant CSSF Circular 18/698, UniCredit Invest Lux S.A. is required to implement, monitor and periodically review the internal best execution policy as well as implement controls in regard to best execution for delegated portfolio managers.

### 3. Principles of Best Execution (the “Principles”)

“Best execution” is a determination of facts and circumstances that depends, among other things, on the nature of the transaction, the price and availability of the investment instrument, the size of the order, the terms of the order, the market in which the transaction is effected, and the extent to which it is possible to select from among multiple broker-dealers capable of effecting the transaction

The principles of best execution (the “Principles”) as set out in this Best Execution Policy apply to the execution of orders on behalf of UniCredit Invest Lux S.A.’s Funds:

- Where UCIL undertakes the investment management activity itself, it shall comply with the Principles as set out in this Policy.
- Where UCIL delegates the investment management activity for the Funds to appointed external investment managers (“Investment Manager”), the obligation to ensure that best execution is achieved and that the handling of orders is undertaken in a prompt, fair and expeditious manner in compliance with the applicable Regulations has been delegated by UCIL to each Investment Manager as part of the delegation of the investment management activities. UCIL remains responsible for monitoring the implementation and regulatory compliance at the level of the appointed investment managers and examines whether the appointed investment managers make adequate provisions for their part to enable Best Execution of the orders. In line with UCIL’s delegation oversight framework, UCIL’s Delegation Oversight function supported by UCIL’s investment management function, monitors on a periodic basis whether appointed Investment Managers comply with the best execution requirements and whether adequate arrangements are in place to achieve best execution.

### 4. Counterparty Selection

In general, UCIL does not pass trading decisions directly on to the relevant trading venue. Instead, these trading decisions are generally executed by counterparties (brokers, agents etc.). The orders are executed by the intermediary in observance of and with the objective of achieving best execution. By carefully selecting and monitoring the counterparties, UniCredit Invest Lux S.A. influences the best execution of the transactions.

UCIL has set-up a Counterparty selection process with the aim to compile a list<sup>1</sup> (“Counterparty List”) with accredited brokers, agents etc., which were assessed and selected by UCIL, and which will provide a consistent and best-possible execution. In these cases, the execution will be handled according to the respective execution principles of the relevant broker, agent or counterparty. Onboarded counterparties (intra- and extra Group), are regularly subject to an alignment assessment against the defined best execution principles.

The selection of counterparties and execution venues is made on the basis of the order of importance of the criteria mentioned below in par. 5, so as to identify those that provide the best possible result for the UCITS/ AIF orders.

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<sup>1</sup> 1 The counterparty list is available at UniCredit Invest Lux S.A. and can be provided upon request.

The selected counterparties must be subject to the best execution discipline regulations, or a similar discipline, and be able to ensure a high quality of execution of the orders originated by UCIL.

The Counterparty List will be communicated to the Depositary function in case of changes, at least on an annual basis.

It should also be noted that UCIL does not receive any remuneration, discounts or non-monetary benefits for directing orders to a particular trading or execution venue.

Where orders are executed with UniCredit Group entities or other related counterparties, or where financial instruments issued by group entities are traded, potential conflicts of interest may arise in the context of trade execution. Such (potential) conflicts of interest are identified, managed and monitored in accordance with UCIL's Conflicts of Interest Policy. In this context, UCIL's Compliance function maintains a register of potential- and actual conflicts of interest and performs regular controls on the effectiveness of the organizational measures implemented to mitigate these.

The Counterparty Selection Criteria are available at UniCredit Invest Lux S.A. and can be provided upon request.

## 5. Execution Factors and Criteria

In terms of executing or transmitting to counterparties the orders concerning financial instruments on behalf of the managed Funds, UCIL considers the following *criteria* for best order execution to ensure the Principles and the regulatory framework:

- price;
- costs (e.g. transaction costs);
- speed and type of execution;
- likelihood of execution and settlement
- size and nature of the order
- time of the order
- type of financial instrument or asset
- place of execution
- settlement security
- quality of settlement
- liquidity
- any other consideration relevant to the execution of orders.

In addition, for OTC derivatives:

- contract quality;
- creditworthiness of the counterparty;

The prioritization of these criteria is determined by UCIL with reference to the following factors:

- objectives, investment policy and risks specific to the UCITS/AIF, as described in the prospectus or offering memorandum as the case may be in the fund rules or articles of association,
- characteristics of the order,
- characteristics of the financial instruments that are the subject of that order,
- characteristics of the execution venues or intermediaries to which that order may be transmitted.

Depending on the type of financial instrument and trading order, these criteria can be variously weighted so that a selection of the intermediaries can be made, however, as a general rule price and cost have the highest priorities.

Orders for financial instruments that are traded on a regulated market or on a multilateral trading system are generally carried out at one of these venues, as these guarantee the best possible pricing based on time and locality.

If based on the assessment of UCIL an execution at these venues is not appropriate, due to the nature of the financial instrument or the volume of the order, other execution paths, such as the OTC market are used.

If a financial instrument is traded on several stock exchanges or MTFs, the execution takes place at a place of execution, which can provide consistently the best possible execution in terms of legal requirements for this category of financial instrument. If several of such selected execution venues offer best possible results, UCIL will make a selection after consideration of the obligatory due diligence criteria.

## 6. Exceptions to the Execution Factors and Criteria

A deviation from the execution factors and criteria is only possible when a buy or sell order deviates significantly in type and / or volume from the market standard based on an assessment by UCIL. Deviation from the principles has to ensure the best interest of the investors. Potential examples for deviation would be in case of a large illiquid order (prioritized factor would potentially shift to size/likelihood of settlement) or in case of highly volatile market conditions (prioritized factor would potentially shift to speed/likelihood of execution).

## 7. Handling of Orders

UniCredit Invest Lux S.A. and its appointed Investment Manager have established procedures and arrangements to:

- ensure that orders executed on behalf of Funds are promptly and accurately recorded and allocated;
- ensure orders are executed sequentially unless prevailing market conditions make this impracticable or the interests of the Funds require otherwise
- ensure financial instruments/sums of money received in settlement of the executed orders shall be promptly and correctly delivered to the appropriate account;
- ensure that there will not be a misuse of information relating to pending orders, and take all reasonable steps to prevent the misuse of information. Always fair allocation of aggregated orders, including how the volume and price of orders determine allocations and the treatment of partial executions should be ensured. In so doing, the following factors are considered:
  - unlikely that the aggregation will negatively impact or generate disadvantage for the Fund;
  - in case of aggregation or partially execution, related trades shall be allocated diligently, efficiently and fairly;
  - in any case trades and trade allocation should not be detrimental to the Funds and the investors.

To ensure the best execution of orders, an initial determination for market placement has to be made:

- if it takes place through a broker, agent, counterparty, or

- by UCIL itself.

When UCIL instructs a broker, agent or counterparty to place the order on the market, UCIL has to select the broker, agent or counterparty.

## 8. Allocation of Orders

UniCredit Invest Lux S.A. and its appointed Investment Managers are not permitted to carry out orders in aggregate with an order on behalf of the managed Funds or another counterparty, unless the following conditions are met:

- The aggregation of orders is unlikely to work overall to the disadvantage of any managed Fund or counterparty whose order is to be aggregated.
- In case of aggregation of orders, the orders are allocated between the parties in a fair and equitable manner based on volume and price;
- Where the aggregated order include transactions on behalf of the managed Funds as well as internal orders, the allocation of the trades shall not be detrimental to the other Funds or counterparties;
- Where the aggregated order is partially executed, the orders done on behalf of the managed Funds shall be allocated in priority over those made for UCIL's account.
- ensure that in case of only partially executed orders, combined trades will be allocated between the parties in a fair and equitable manner;

In general, if UCIL has reasonable grounds in case of order aggregation to allocate the order, the allocation is carried out proportionally, primarily dependent on the volume of order.

If UCIL has reasonable grounds that it would not have been able to carry out an order on such advantageous terms without aggregation, it may allocate proportionally in accordance with the points mentioned above.

## 9. Applicability of the Principles for Particular Financial Instruments/Services

A business agreement between the counterparty and UCIL takes place for the execution of orders in non-standardized derivatives / OTC derivatives. In this case no special places of execution are available, but the transactions will be conducted bilaterally with selected counterparties and are generally concluded by means of standardized master agreements.

The execution policy shall not apply to the issue or redemption of fund shares. These take place via the relevant investment company or custodian. If the investor wants to run the transaction over an execution venue, the investor will issue an instruction to UCIL regarding an execution venue.

## 10. Client Instructions

Instructions from investors have always priority and UCIL will follow such instructions.

Investors are hereby advised, that in the event of such an instruction, UCIL will conduct the transaction according to the instruction and is therefore not obliged to perform the transaction according to the Best Execution principles.

## 11. Partial Execution / Block Trades / Cross Trades

UCIL will combine multiple orders, when equality between the investors is ensured, and/ or no disadvantage is expected for the Funds or portfolio. Such block trades are deals in a single financial instrument on behalf of several Funds or portfolios that are executed in a single transaction.

In addition, as a general rule, UCIL will combine the subscription orders for a number of funds and portfolios in order to maintain the above equality in the scope of issuance of new financial instruments.

In partial transactions, the financial instruments of UCIL will always be allocated pro rata to the volume of the orders for each fund or portfolio.

Transactions between funds, managed by UCIL ("called cross trades"), will take place, when the performance is beneficial. UCIL cross trades are carried out at fair market prices and according to internal procedures to safeguard the prospective investors.

## 12. Overview

The following conditions apply when UCIL is placing orders on the market:

### Fixed income:

- Subcategories:
  - Bonds;
  - Covered Bonds;
  - Bond similar participation certificates;
  - Convertible Bonds;
- Order Route: pensions are almost exclusively traded over the counter ("OTC") because of the typical trading volumes of the Funds. The selection of trading partners is made via the existing counterparty list. Upon receipt of an order, a selection of specific counterparty takes place for each order individually and according to these execution principles.

### Stocks and Certificates:

- Order Route
  - Stocks are usually traded on an exchange with the involvement of a broker.
  - Securitised certificates with listing on a specific execution venue are usually traded through a broker with access to the place of execution, but may also be traded by the custodian of the fund, on whose behalf the order is executed or by the respective issuer.

### Derivatives:

- Subcategories:
  - Standardized derivatives;
  - Non-standardized derivatives / OTC derivatives ;
  - Other financial instruments.
- Order Route :
  - Standardized derivatives are available through the respective home exchange, normally by using technical means through a service provider
  - Standardized derivatives can be traded with the involvement of a suitable broker



- Non-standardized derivatives and currency futures are traded with counterparties of the existing counterparty list

The above list is not to be considered as exhaustive list.

Where deficiencies, execution issues or deviations from the expected execution quality are identified, UCIL will follow its internal escalation process, involving Portfolio Management, Delegation Oversight and Compliance as appropriate.

### 13. Policy Review

UCIL continuously monitors the effectiveness of the measures and strategies for the execution and placement of orders and maintains evidence of their application, providing proof if required.

UCIL controls the effectiveness of the strategies adopted by the selected counterparties and their consistency with the principles set out in this policy. UCIL shall also maintain comprehensive records of all best execution reviews and underlying documentation in accordance with the applicable regulatory requirements and internal policies.

The Best Execution Policy is regularly reviewed by UniCredit Invest Lux S.A., at least once a year, to determine its effectiveness and is updated if any deficiencies are discovered. An examination also takes place in the event of regulatory changes as well as material changes in market conditions which can impair the attainment of best results within the context of this Policy.

The policy is subject to the approval of the Conducting Officers as well as to the approval of the Board of Directors of UniCredit Invest Lux S.A.

Furthermore, UniCredit Invest Lux S.A. requests from the appointed Investment Manager periodic reports including inter alia indicators of execution oversight to ensure compliance with the Best Execution Principles.