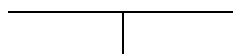


Appendices: D- Order Handling Procedures Exchange Traded Derivatives

January 2021





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(I) PURPOSE

This order handling procedures manual provides information on when, where and how Pictet Asset Management (PAM) delivers best execution when it executes or places Exchange Traded Derivatives (ETD) orders (including exchange-traded futures and options and exchange traded contracts for differences) on behalf of Professional Client.

This manual should be read as a supplement to the PAM Best Execution Policy, which is available from your usual contact, on request.

(II) ORDER GENERATION AND CAPTURE

The best execution process for ETD orders starts with the Portfolio Manager selecting the order type, which most closely reflects their objective and urgency for the trade. The order type along with any additional order instructions provided by the Portfolio Manager informs the trader as to the Portfolio Manager's intentions for the trade.

This information enables the trader to select the most appropriate trade implementation strategy for the order ensuring best execution is provided.

(III) ORDER HANDLING

The order will arrive in the PAM OMS (Order Management System). The order is claimed by a trader, who is then responsible for assessing the pre-trade execution factors to determine the most appropriate method of execution and trade implementation strategy.

(a) Pre- Trade Analysis

PAM believe that keeping the direct costs of trading low (such as commissions and fees) is only part of the best execution process and that making good pre-trade decisions on how to minimise the implicit costs (such as market impact and opportunity cost) are of equal or greater importance.

In addition to the execution factors set out in section 4 of the PAM Best Execution Policy, the trader will also take into account various pre-trade execution factors that influence the execution method and the trading strategy selected. These include:

- › The liquidity profile of the instrument and the underlying;
- › The urgency of the order;
- › The investment style of the fund or account to which the order relates.

In addition, the trader may take into account the following pre-trade execution factors as these may also influence the execution method and trading strategy selected. These include:

- › Market Flows
- › Open interest
- › Current positioning/exposure



- › Expiries
- › ETD price relative to underlying price

The relative importance of each execution factor is particular to the circumstances surrounding each order. The trader will make their assessment of the pre-trade execution factors with the objective of optimising the method of execution.

Ordinarily, price and costs together will merit high relative importance in obtaining best execution, but this may be tempered, for example, where the size of the trade is large compared to the liquidity available, or where speed of execution is paramount.

(b) Setting the Trading Strategy

Before ETD orders are executed or placed, the trader will consider the various execution methods in order to determine the most appropriate trade implementation strategy (and associated fees).

This decision will be based primarily on the characteristics of the order and the relative importance of the execution factors (see above).

If there is sufficient liquidity on the exchange order book, the trader will place the order with a broker (ie: Care Order), either by giving instructions to the Broker-Dealer or by utilising Algorithms offered by the Broker-Dealer.

Typically, the trader will use an algorithmic trading strategy (ie: Electronic Trading) for orders that do not require a 'high-touch' (ie: Care Order) execution service from our brokers. In this instance, the broker's smart order router (SOR) will define the optimum amount to trade at the best price and on which execution venue, subject to the parameters the trader has adopted within the algorithmic strategy chosen. The primary objective of the SOR is to achieve the best outcome for our client.

PAM has access to a variety of broker offered algorithmic trading strategies with different urgency settings. These allow for a range of execution factors to be addressed as deemed appropriate. These algorithms are typically offered at a lower cost than worked orders (ie: Care Orders) and provide a higher degree of anonymity. PAM will usually select brokers for algorithmic trading based on previous execution performance and the transparency of their order handling processes.

Where the provision of on-screen liquidity is not sufficient to allow for an order to be placed:

- A. The trader will typically use request for quote (RFQ). The trader usually transmits RFQs via a MTF or directly to selected counterparties based on market data and the trader's experience; or
- B. If the trader deems that other factors, such as size, anonymity, signalling, current exposure, make a RFQ potentially harmful to the execution of the whole order then they may determine that impact may be minimised by entering into bi-lateral negotiations with a single counterparty.

(c) Execution Venue Selection

Once the trader decides on the most appropriate trading implementation strategy, they can choose to either execute the order directly on an execution venue or place all, or part, of the order with an approved counterparty.

Execution Venues

The trader may use one or more of the following execution venue types:



- › Regulated markets;
- › Multilateral trading facilities;
- › Organised trading facilities;
- › Systematic internalisers; and
- › Third party investment firms acting as market makers or other liquidity providers.

The execution venues PAM route the majority of its ETD orders through are listed within Annex A of the PAM Best Execution Policy.

Brokers and Counterparties

Our policy is to take sufficient steps to determine that when placing orders with a broker or other entity to execute, the entity has adequate arrangements that will enable PAM to comply with its best execution obligations.

If the broker or other entity is subject to the MiFID requirements, the trading desk will obtain and review appropriate information on their order execution policy and execution arrangements and ensure that PAM is treated as a Professional Client of that entity.

If the broker or other entity is not subject to MiFID, the trading desk will take sufficient steps to satisfy themselves that the entity has execution arrangements that allow PAM to comply with its overarching best execution obligations. In any event, where the desk cannot satisfy themselves of the above matters, they will not use that entity.

PAM has a network of approved brokers and other counterparties for which the relevant 'give-up' arrangements for ETD are established. The trader will select the most appropriate broker or counterparty based on their access to the relevant execution venues, their expertise and their understanding of PAM's trading objectives, as well as their ability to minimise market impact and manage the explicit and implicit cost of trading. Brokers will also be selected based on the quality of service they provide and their reputation in the industry, including their regulatory status and history.

ETD orders are typically sent to approved brokers or routed directly to the execution venue. There are in-built checks and limits within the routing mechanism to reduce operational risk and prevent over-trading. Execution fill data is received electronically via FIX.

(IV) MONITORING TRADING EFFICIENCY

(a) Real-time Monitoring of Orders

The traders conduct real-time monitoring of each order throughout its lifecycle using a variety of order and market monitoring tools, including our order management system (CRD) and execution management systems.

Traders also have access to real-time market data, which can be used to determine the estimated difficulty of the order, which enables them to set the most appropriate trade implementation strategy.

(b) Post-Trade Monitoring

Post-Trade monitoring comprises of TCA where available/relevant, hit rates for options as well as various order handling exception reports (e.g. cancelled trade reports).



Executed Orders

Our independent external TCA supplier carries out quantitative analysis on our Futures trade/order data. The results of this analysis help inform the execution strategy the trader selects. Fund and account data is formally analysed and reviewed on a quarterly and ad-hoc basis by the trading desk.

Hit rates are used as a guide to which counterparties are most successfully able to execute our orders, e.g. what percentage of RFQs a broker is successful with.

Placed or Transmitted Orders

Regular quantitative and qualitative reviews are performed with our key counterparties. Quarterly reviews are conducted with our Top 10 counterparties, ad-hoc reviews with others.

When analysing the performance of individual algorithms, the weighting of factors will vary according to the trading strategy and urgency associated with the order.

Sanctions may be used against under-performing brokers ranging from temporary bans or market restrictions to removal from the approved counterparty list.

PAM Equity Trade Execution Committee

The purpose of the PAM Equity Trade Execution Committee is to oversee PAM's trade management Policies and Procedures. The committee also assesses and evaluates the trading strategies adopted by PAM traders and brokers to ensure that the explicit and implicit costs of trading are being managed / controlled effectively across the desk.

The Committee, which comprises of senior representatives from the Investment Management, Operations, Compliance and Trading departments meet on a quarterly basis to review and discuss, the quarterly transaction cost analysis (TCA).

In addition to our own execution venue analysis, we evaluate the published data provided by the execution venues we interact with in order to make comparisons and decisions around preferred routing logic.

VERSION CONTROL

VERSION NUMBER	DATE	RATIONALE FOR CHANGE	PERSON RESPONSIBLE
1	January 2018	Introduction to Policy	Simon Greaves
2	January 2019	Annual Review	Simon Greaves
3	January 2020	Annual Review	Simon Greaves
4	January 2021	Annual Review	Simon Greaves