

Investcorp Credit Management EU Limited – Order Execution Policy

Introduction

For certain regulatory clients, Investcorp Credit Management EU Limited (“ICMEU”) is under an obligation to achieve "best execution" when undertaking transactions in financial instruments¹. This includes transferable securities which are financial instruments such as shares or bonds that are typically traded on a regulated market or exchange. Under MiFID II, best execution is defined as taking all sufficient steps to obtain the best possible result for clients. This can be in terms of price but may involve consideration of other factors such as cost or the need for timely execution.

Although the legal obligation to provide best execution depends on the type of relationship ICMEU has with its client and the instrument managed or traded, the Firm nevertheless seeks to act in the best interests of all its clients.

This document sets out the execution policy and approach to providing best execution for ICMEU.

Achieving the best results for clients

When executing orders in transferable securities on behalf of clients, the Firm will take all sufficient steps to achieve the best possible execution result. This means that in the absence of express instructions from the client, ICMEU will exercise its own discretion in determining the factors that it needs to take into account for the purpose of providing clients with best execution.

Execution factors

ICMEU’s delivery of best execution is a key element in its commitment to act in the best interests of its clients, as well as being a regulatory requirement. ICMEU is required to take all sufficient steps to obtain the best possible result for its clients when it executes, places or transmits orders on their behalf, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (referred to as the ‘execution factors’).

Price and cost achieved will generally be regarded as the most important execution factors. However, in some circumstances (e.g. when dealing in illiquid instruments), we may determine, using our commercial knowledge and experience that other execution factors are more important than price and cost in achieving the best overall result for the client. In determining the relative importance of the execution factors for each individual order, we will take into account:

- the client we are acting for (including its categorisation);
- the characteristics of the order, including where the order involves a Securities Financing Transaction;
- the financial instruments involved; and
- the execution venues to which that order could be directed.

¹ Specified in Section C of Annex I to MiFID II

ICMEU may execute clients orders directly or indirectly based upon the relevant asset classes. Direct orders refer to orders that are traded directly with counterparties or directly with execution venues without going through a broker. Indirect execution occurs when an order is submitted to a broker who is then responsible for execution.

This policy covers ICMEU's approach to best execution in both instances. However it should be noted that the Firm will normally execute orders indirectly by instructing brokers or investment banks when dealing in transferable securities. These brokers or investment banks should be contractually bound to achieve best execution for ICMEU.

The Firm or its broker will take into consideration a range of different factors which include not just price, but may also include such other factors as the cost of the transaction, the need for timely execution, the liquidity of the market (which may make it difficult to even execute an order), the size of the order and the nature of the financial transaction including whether it is executed on a regulated market or over-the-counter.

Order Execution

In selecting the most appropriate venues for the purpose of executing orders, ICMEU will take into account the factors that it considers relevant to the order and that it reasonably assesses to be in the best interests of clients in terms of executing their orders, including the ability of the venue to manage complex orders, the speed of execution, schedule of auctions, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

Execution venues are stated below for each class of financial instrument in which we execute orders. These include regulated markets, Multilateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs), systematic internalizers, market makers or other liquidity providers.

It is recognised that different strategies and different asset classes require different considerations, however best execution must be achieved on a consistent basis in all scenarios. This policy is intended to serve as a reference point for the investment team to ensure that appropriate considerations are taken into account during the execution process.

The relative importance of the execution factors is judged on an order-by-order basis in line with the Firm's industry experience and prevailing market conditions however common key factors for relevant asset classes have been identified as follows:

Fixed Income

Where the Firm executes orders in fixed income securities directly (e.g. when executing over the counter ("OTC") transactions), key factors will be price and transaction costs.

With respect to ICMEU's trading of bonds and Floating Rate Notes ("FRN"), such instruments generally trade in an illiquid market. For indirect orders, selecting the best venue with respect to price may not be

possible due to there not being any more than one venue selling such instrument. Therefore, costs and existing broker relationships will typically be important considerations.

Where the Firm deals in OTC products, it must take into account external market data and externally verifiable reference prices (where available), typically by checking screen prices, RUNS, ALLQ, QMGR, liquidity and frequency of quotes, and in so doing will determine whether such transaction should be dealt electronically or by voice (IB chat, phone, VCON).

Loans

Whereas loans do not typically fall within the MiFID II definition of financial instruments, ICMEU seeks to provide a comparable standard to that expressed under MiFID II to use all sufficient steps to achieve best execution when undertaking discretionary portfolio management services in loan markets.

Execution is under standard Loan Market Association (“LMA”) Par documents for performing loans but a distressed sale may be executed under LMA distressed documents which is market convention.

For issues of primary loans for which there may only be one venue available for execution, best execution is considered to be achieved where there are no other available execution venues.

For issues of secondary loans, these may be bought or sold OTC, generally through a participating bookrunner, facility agent or arranger, whereby the Firm will receive a best bid/ask from the relevant counterparty. Generally, the Firm will accept the best bid/ask received across all participating counterparties.

However, a variety of factors are taken under consideration which include, but are not limited to, best price, ability to execute, size of the order.

Derivatives

The Firm trades a relative small number of direct derivative orders (i.e. perfect asset swaps, FX forwards and interest rate caps). In the majority of circumstances, due to the limited number of trade counterparties offering to transact in these instruments, preference will be given to existing counterparty relationships. However, in situations where pricing and overall transaction costs would deem the trade uneconomical and no viable alternatives exist, the Firm would typically not proceed with the trade. When there are alternative counterparties available, quotes are obtained from all parties in order to ensure best execution on pricing is obtained.

All orders must be placed with a broker from the Firm's Approved Broker List. In addition to the execution factors outlined above, the Firm may take into account certain factors when choosing the execution venue in respect of each class of financial instrument, where there are multiple choices including the costs for the Firm's clients for executing orders. These have been summarised below:

Instrument Type	Order Type (Direct vs. Indirect)	List of Execution Venues	Key Factors Affecting Choice of Venue
Fixed Income			
Fixed Income (including conventional bonds and floating rate notes)	Direct	N/A	Scheduled auctions; reversion analysis; breadth of market coverage; willingness to put balance sheet at risk for non-centrally cleared OTC transactions
	Indirect	ICMEU trades OTC or uses Bloomberg MTF as the primary venue of execution	Ongoing reliability; willingness to execute difficult transactions; execution of an ISDA Master Agreement with the Firm's clients; Anonymity of trading activity
Derivatives			
Futures and options admitted to trading on a trading venue	Direct	N/A	Clearing schemes; breadth of market coverage; liquidity analysis.
	Indirect	N/A	Accurate and timely execution, settlement, clearance and error/dispute resolution processes; market intelligence regarding trading activity
Perfect Asset Swaps, FX Forwards, Interest Rate Caps and other derivatives	Direct	OTC	Clearing schemes; breadth of market coverage
	Indirect	N/A	Reputation, financial strength and stability; willingness and ability to locate and/or commit capital to complete transactions; execution at a desired time for the transaction; execution of an ISDA Master Agreement

The Firm manages assets on behalf of its clients on a discretionary basis and as such it does not receive specific instructions from clients. It should be noted however that if specific instructions are received, ICMEU will give priority to that instruction over the provision of this policy. Specifically, in relation to the Credit Loan Obligations (CLOs), the instructions would have to be in accordance with the investment vehicle documentation which outlines majority unanimous consent. While the Firm will attempt to provide best execution as far as possible, any such instructions may prevent the Firm from taking steps that it has designed and implemented in this policy to obtain the best possible result in relation to the execution of those orders with respect to the elements covered by those instructions.

Timely execution

Once a decision to deal has been taken, the order should be executed as soon as reasonably practicable. In the case of unquoted investments, delays in completing transactions are unlikely to expose clients to the risk of adverse price movements but must be avoided wherever possible in the interest of efficiency. For quoted investments, and other transactions where the price can vary over a short period of time, orders should be placed so as to minimise the period in which clients are exposed to price movements. In exceptional circumstances, it may be appropriate to postpone execution of an order.

Provision of policy to clients

ICMEU continually (and formally at least annually) reviews the effectiveness of this policy and its execution arrangements to identify and, where appropriate, incorporate any changes to enhance the quality of execution obtained.

ICMEU provides all its clients with a copy of its Order Execution Policy and confirms their consent in writing (or by email) to it prior to the provision of services.

ICMEU shall notify its clients of any material changes to this policy. A change is material where it would affect the best execution parameters and/or its disclosure is necessary to enable clients to make a properly informed decision about whether to continue utilising the services of the Firm.

Publication of top execution venues and summary analysis of execution quality

On an annual basis, ICMEU summarises and makes public, for each class of financial instrument, the top five entities in terms of trading volumes where the Firm transmitted or placed orders for execution in the preceding year.

In addition to the above, ICMEU publishes for each class of financial instrument, a summary of the analysis conducted and conclusions drawn from the monitoring of the execution venues utilised. Specifics of what the analysis is to cover include:

- relative importance the Firm gave to the execution factors when assessing quality of execution;
- description of any close links, conflicts, common ownerships with respect to any execution venues used;
- description of any specific arrangements with execution venues regarding payments made/received, discounts, rebates or non-monetary benefits;
- explanation of factors that led to a change in the list of execution venues used by the Firm;
- explanation of how order execution differs according to client categorisation; and

- an explanation of how the Firm has used any data or tools relating to quality of execution published by execution venues.

ICMEU publishes this information on the Firm's website in a machine-readable electronic format available for download by the public.

Allocation and aggregation

Where the purchase of transferable securities is suitable for more than one client, all clients for whom the investment is suitable should be given the opportunity to participate in the transaction. In certain circumstances, not all clients will wish to participate. This is acceptable provided the rationale for non-participation is justifiable and can be evidenced. With respect to other financial instruments, such as unlisted shares, allocation is normally on the basis of predetermined proportions, so further allocation issues should not arise.

For quoted investments, the circumstances may differ from transaction to transaction, but the approach to order construction and allocation should be fair in each case and in accordance with relevant FCA rules.