

Guidelines for execution of orders

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1. Introduction

This document (“the Guidelines”) describes the process that MFEX Mutual Funds Exchange AB (“MFEX” or “the Company”) follows when executing or forwarding an order in financial instruments on behalf of both its Professional Clients and its Eligible Counterparties. MFEX is taking appropriate measures in accordance with these Guidelines in order to achieve the best possible result for its clients. Even though the process described in these Guidelines is expected to achieve the best possible result for its clients, as described below, there is no guarantee that it will be achieved in all circumstances and for each individual transaction.

The process described in this document is the “best possible execution” in compliance with, Te Securities Market Act and the Commissions Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing MiFID II. When the client asks MFEX to engage in a transaction, the client consents to the transaction to be processed according to these Guidelines.

The same order can be executed in parts by using one of the methods described in the Guidelines.

The definitions used in these Guidelines have the same meanings as defined in Swedish and EU financial legislation.

2. Specific instruction

If a client instructs MFEX to execute an order or part of an order in a specific way, the order will be executed according to that instruction. MFEX may in this case be unable to follow the procedures described in these Guidelines and can therefore not guarantee the best possible result for the client as stated in these Guidelines.

The execution will still be processed according to the best possible result given the circumstances.

3. Various factors of importance when executing an order

MFEX needs to take all sufficient steps to obtain the best result possible for its clients when executing orders.

MFEX shall not accept any remuneration, discount or non-monetary benefit for routing a client’s order to a particular execution venue which could trigger a conflict of interest or inducements.

When executing client orders, MFEX is taking into account the following factors:

- The price and the costs of order executions
- The speed and probability of execution and settlement of orders

- The order size and type, and its effect on the market
- All other considerations MFEX finds relevant for execution of the order (incl. liquidity)

MFEX is taking these factors into consideration when choosing the best execution method and considers these factors at the time of execution according to the client characteristics, the financial instrument at stake and existing market circumstances. However, the price shall be awarded the greatest significance when choosing the execution venue. MFEX seeks the best possible result for the client in terms of the total amount the client shall pay or receive.

4. Financial instruments being executed by MFEX on behalf of clients

MFEX only executes orders in mutual funds and selected hedge funds.

5. Place of execution

Orders are placed directly with the fund's official registrar (as designated in the fund prospectus), which can be the fund company itself, or an external, designated transfer agent.

MFEX aims to execute the order directly with the fund's official registrar, which in turn means that the fund units are held in MFEX's nominee account at the official registrar. In certain rare circumstances, however, it is not possible to trade and hold the units directly with the official registrar. In such cases, MFEX places orders through, and holds the units with, a third-party broker/custodian, selected in accordance with the factors listed in the aforementioned paragraph, "various factors of importance when executing an order."

A third-party broker/custodian is for example usually required where the mutual fund is traded on an exchange.

MFEX shall inform its clients of where the order has been executed.

MFEX shall at the end of each year publish information on its website explaining that MFEX only executes orders with the fund companies and their selected TA's. The legal obligation is to publish the top five venues used in the previous year, but MFEX only execute orders directly with the fund companies and their TA's.

6. Price

The price of a fund is the same for all clients, regardless of the order method or broker used. This price is the Net Asset Value (NAV) as determined by the fund's transfer agent and published through the transfer agent and information providers (such as SIX, Telekurs, or Morningstar). All clients placing orders according to MFEX contract receive the same price. Most funds establish a daily NAV, but some price weekly, monthly or quarterly, as in the case of hedge funds.

In rare occasion, mutual fund companies will mandate that a front-load be charged (typically 1 to 2%). In these instances, the load will be added to the execution price (orders in shares), or built-in (orders in amount, where the load gets deducted from the gross execution price).

For funds traded on an exchange, the price is the “NAV + premium,” the premium being calculated by the fund manager in order to take into consideration the impact of the daily volume of orders on the market. The pricing principle, however, remains the same as above, i.e. the price is the same for all clients placing the order according to MFEX contract, regardless of the broker.

7. Client order handling – aggregation

MFEX executes each client order quickly, effectively and fairly. All client orders received before the contractual cut-off time for each fund are aggregated according to category (buy amount, sell amount, buy shares and sell shares – note that the categories themselves are not netted). The result from this aggregation process further ensures equal treatment of all clients. MFEX then executes the order in its own name, as nominee for its clients, and holds the fund units with the fund’s registrar (or the third-party custodian) in its own name, as nominee for its clients. MFEX reserves the right to send an individual un-aggregated order to the Transfer Agent or Broker where it deems necessary, for example in the case of a very large order in order to minimise execution risk.

“All Sub-Distributor orders are received electronically. Order methods available are SWIFT, Web service, file (SFTP) or trading web and are pre-defined in advance with each Sub-Distributor at implementation or if methods are changed.

MFEX sends orders to Fund Companies and Transfer Agent six times a day. To initiate an order job Back office first imports all orders into MFEX Main and system validations are executed on the imported orders.

MFEX Main next automatically aggregates all fund orders of the same order type in the same fund into one order called a Super Fund Order (SFO). Once all SFOs are created the final step is to send all orders to the fund companies by SWIFT, Email or Fax.

Each Sub-Distributor has upon becoming a client with MFEX decided if they want to have their placed orders included in a single or in multiple order jobs.”

8. Disturbances in the market, flaws in accessibility of the technical systems, etc.

In rare cases, for example trading suspension or other such market disturbances, or where technical systems may be inaccessible, MFEX can assess whether the best interest for the

client is to execute or forward the order in some other way. MFEX will then take all sufficient steps to achieve the best possible result for the client. If the circumstances result in serious disturbances in the market MFEX will contact the clients whose orders were not yet executed in order to get further instructions. If MFEX doesn't receive further instructions from the client, MFEX will take reasonable measures to act in the client's best interest and the client will be bound by the result.

When a Transfer Agent or Fund Company cancels or changes an executed order MFEX clients are bound by such decisions even if MFEX has previously confirmed the order to the client. The fund's registrar/transfer agent is always legally entitled to refuse to execute an order, at its own discretion, and MFEX, as well as its clients, are bound by such decisions.

9. Changes and updates of the Guidelines

These Guidelines can be changed. The Guidelines, trading places, companies to which the orders are forwarded and the processes for execution of orders as well as the results of the order execution will be reviewed regularly in order to ensure the best possible result for the MFEX clients. If any substantial changes are made in the Guidelines or in the systems, MFEX shall notify its clients. MFEX will publish the latest version of these Guidelines on its website.

MFEX shall, per request from the Sw. FSA, prove that it follows applicable rules and regulations regarding best execution.
