



Global Best Execution and Best Selection Policy

2026

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Version 112

Attributes	
Purpose	The Policy aims to describe the Best Execution and Best Selection principles that must be followed by all regulated Entities belonging to Group H2O AM, Employees
Scope	H2O AM Europe H2O Monaco SAM
Last Update	28/09/2026

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1. Key Considerations

Summary

This document sets forth the Group H2O AM's Global Best Execution and Best Selection Policy.

Clients' Information

This Policy is made available through the H2O AM's website.

Document Category within Group H2O AM

☒ Group Policy	☐ Non- Group Policy
☐ Group Procedure	☐ Non- Group Procedure

Scope of Staff/Employees

☒ All Staff	☐ All H2O AM's Representatives	☐ Restricted to:
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2. Business Structure

H2O Asset Management Group includes **5 entities** and 3 of them are asset management companies:

- **H2O AM Europe**, registered in France as an asset management company and regulated by the Autorité des Marchés Financiers ("AMF");
- **H2O Monaco** registered in Monaco as an asset management company and regulated by the Commission de Contrôle des Activités Financières ("CCAF");

H2O AM LLP is not regulated anymore - service provider only.

H2O AM Asia H2O AM Asia is not regulated – marketing and distribution only.

H2O AM Switzerland is a subsidiary of H2O AM Europe and is not regulated – marketing and distribution only.

Each of these H2O entities will be hereafter individually referred to as the "Firm", Entity" and collectively referred to as the "Group H2O AM", "Firms", "Entities" or "we".

3. Regulatory framework and references

3.1. Regulatory framework

Best execution of orders is an essential part of Markets in Financial Instruments Directive (Directive 2014/65/EU, known as MiFID II), mainly designed to improve security, transparency, and the functioning of financial markets and to reinforce protection of investors.

Best execution is defined in Article 27(1) of the MiFID II directive as the obligation to « ...take all sufficient steps to obtain, when executing orders, the best possible result for their clients... ». In line with this article, the best possible result is based on seven factors listed by the ESMA authority: price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other consideration relevant to the execution of the order.

3.2. Regulatory references

- MiFID II directive: Directive 2016/61034/EU of the European Parliament and of the Council of 23 June 2016 modifying Directive 2014/65/EU – in particular articles 64 to 66
- Article L.533-18 and L533-22-2-2 of French Financial and Monetary Code.
- Articles 321-110 to 321-114 of AMF General Rules
- AMF Position – Recommendation N° 2014-07 updated on 27 July 2020: Guidance for best execution.

4. Best Selection

4.1. Principle

H2O AM is not a market member and, as such, does not execute itself orders relating to financial products traded on the organized or regulated markets. The "**best execution**" principle then takes the form of "**best selection**", and consists in selecting, for each class of financial instrument, the entities to which orders are transmitted for execution.

H2O AM has generally opted for the status of "**professional client**" by market intermediaries within the meaning of MiFID2, to benefit from a sufficient level of protection and assurance as to the best execution of orders it transmits to them.

The Best Selection Policy applies to the following asset types:

- **Listed Derivatives:** *Futures, Options,*
- **Cleared OTC incl. IRS, Swaption**

- **OTC incl. FX** (Fx spot, Fx forward, Fx swap, NDF, FX option), TRS, CFD
- **DVP -Delivery Versus Payment: Bonds, Equities**
- **Treasury bills (T-Bills)**

This list is not exhaustive, it states most representative asset types traded.

H2O AM cannot transmit any order for execution to a broker/counterparty that is outside the list of authorized brokers or on an exceptional basis as part of a one-off operating process (*Refer to Appendix 1*).

H2O AM does not receive any payment or non-monetary benefit from third parties in connection with the execution of its orders that would be contrary to Article 24(9) of Directive 2014/65/EU.

4.2. Selection of market intermediaries

The selection of market intermediaries is based on their ability to meet the following criteria:

- ✓ Reputation, experience, financial solvency and recognition to guarantee a continuity of the execution service (pre-requisite: entities must be supervised & regulated)
- ✓ Quality and transparency of Pricing / execution (TCA -Transaction Cost Analysis)
- ✓ Coverage: time zone coverage or not/ sales service/quality of trading information/ Market info/ideas
- ✓ Quality of operational support (Legal and Middle-Office)

The quality of research - when provided by brokers that execute orders - to support investment decision is not part of the criteria as research fees are entirely supported by the company, not by the funds themselves. This information is disclosed each year in the document "compte-rendu sur les frais d'intermédiation" for H2O AM Europe in the section Regulatory Information on H2O website.

The execution fees paid by the funds are aligned, they are negotiated with counterparties the same way, at the fairest prices to benefit the unitholders of the funds.

For the equities & CFD, a decreasing brokerage applies with identical thresholds for all counterparties. Considering this similar pricing applied by all brokers, the costs are not a differentiation criterion.

NB: Listed market transactions often bear commissions and fees that are billed in addition to the execution price.

Market intermediaries are selected according to each asset class. For each asset type, H2O AM defines the venues and criteria influencing the choice of execution system, so that, the best possible result can be obtained for order execution.

See factor matrix at the end of this policy (section 5).

The on-boarding of a new market intermediary is possible only after completion of due diligence procedures, confirmation that legal contracts, Give-Up Agreements and operational set-up are in place, and then, approval of the Broker Committee¹ organized semi-annually.

Removal from the list of authorized brokers between two Broker Committees is possible if H2O AM is aware of any significant information affecting the relationship with the broker or main deficiencies in quality of service provided. In such case, the broker committee members are informed and decision to remove the broker from the list can take effect immediately without waiting until the next committee.

On exceptional basis, a new broker could also be used during the year and between two committees, but this must be reported to the Broker Committee for approval by broker committee members.

The exclusions required by clients who entrusted H2O AM with a mandate apply.

The updated list of counterparties is maintained in our systems to guarantee trades only occur with authorized counterparties.

This list of authorized market intermediaries is available on request as well as the list of authorized portfolio managers.

4.3. Periodic assessment

List of Market intermediaries is reviewed twice a year by the "Broker Committee", made up of representatives of the Investment Management, Middle Office, Legal, Risk Management and Compliance teams plus the Counterparties Relationship Manager and the Broker Committee Chair who is also an executive committee member.

5. Best Execution

5.1. Scope

As mentioned previously, H2O AM has no direct membership with exchanges (CME, EUREX, NYSE...). For Over-The-Counter "OTC" transactions, H2O Portfolio Managers are requested to select venues and methods of execution that ensure the best possible results. For transactions on listed markets, when executed through a broker, H2O AM relies on brokers best execution policies.

5.2. Best execution modalities

H2O AM enters into OTC financial contracts only with authorized counterparties, i.e. with whom ISDA/CSAs have been concluded. Trading execution is mainly made under a competitive basis, where best price available, is the first criteria considered in the choice of counterparty. Other criteria are disclosed in the factor matrix. In some situations, the best execution requires to ask for execution price on a non-competitive basis, i.e. to only one selected counterparty; for instance, when there is a reduced liquidity due to some market contexts or counterparties risk management. Portfolio managers are required to select between competitive or non-competitive price requests,

¹ Broker Committee Terms of Reference are available.

to the best of their sole assessment, in a view to execute the trade in the best possible way while always keeping in mind the ultimate interest of the fund's holders.

5.3. Periodical assessment

Main Counterparties on each asset class are assessed on a semi-yearly basis during the "Broker Committee". H2O AM considers the results of the assessment in the allocation of OTC volumes and the continuation of its business relationships with the referenced counterparties, a control is in place to check the counterparty exposure.

Best execution and best selection framework is subject to an annual control, it is part of the Compliance Control Plan. These 2nd level controls are intended to ensure compliance with this policy and the documents attached as appendices.

6. Factor Matrix

H2O AM takes all necessary measures to ensure the best execution of orders. The criteria are:

- prices offered,
- associated costs,
- speed of execution,
- probability of execution and settlement,
- size and nature of the order,
- any other consideration related to the execution of the order. Example : In bilateral FX trading, some counterparties may require the H2O AM Fund to post an Independent Amount (IA). If a fully exited position is closed with a different counterparty from the original one, an IA may be required on both legs until forward maturity, tying up significant Fund cash. Wherever possible, the position should therefore be unwound with the original counterparty to allow netting and release of the IA upon close-out.

N.B :

- In order to achieve the best possible execution, the aggregation of orders from different portfolios is permitted.
- In the event of a partial allocation, orders must be allocated on a pro rata basis whenever quantities allow.

The factors are detailed in the following table by asset type.

Asset type	Trading Venue ²	Execution strategy	Factors by relative importance (1. High; 2. To be considered; 3. Low)
Cash Equities	Orders sent to brokers and banks who execute mainly on Regulated markets (ex: Euronext; LSE...) but also have access to multi trading facilities ³ such as dark pool (rarely) to provide additional liquidity when needed	Orders transmitted either by trading platform EMSX or by electronic connection (IB chat)	- Type of order - US market => Give up agreement - Algorithm - Other types: market orders, limit orders, stop orders... The broker is selected at initial stage, so best selection applied. - Broker reactivity/ execution speed
Bonds	Multi trading facilities OTC	- Request For Quotes (RFQ) sent directly to selected intermediaries (mini 3 when possible) - Ex of channels: Bloomberg Allquotes / IB chat, MARKET AXESS, TRADEWEB	- Price - Broker reactivity/ execution speed - Order size - Likelihood of execution
Auction/Syndication (primary market)	Market dealers	Order sent to one bank (auction) or to the pool of banks (syndication) Channels: IB chat	- Likelihood of execution and/or settlement Volume - volume The price is part of investment decision process
Listed derivatives Futures Options	Regulated markets (ex: Euronext Liffe, Eurex) Multilateral trading facilities	- Market Makers solicited by selected broker on options strategies. - Trades executed in platform (Ex: FIDESSA, Bloomberg...)	- Order size - quality of execution - type of order
FOREX products SPOT Forward SWAP, TRS FX OPTIONS CFD	OTC Multilateral trading facility	According to currency pair liquidity, the process may vary. Both seek best exe via RFQ process. - For liquid currencies, the FX authorized brokers are in competition in FXALL or BIDFX, both are multi-brokers platforms. - For less liquid currencies or large-size orders, the portfolio manager privileges trades via IB chat or FX all. For CFD, orders transmitted either by trading platform EMSX or by electronic connection (IB chat) and for CFD traded on US market: Prime Broker only.	- total price - counterparty risk management - speed - liquidity offered FXALL, BIDFX or any other platforms ensure the best execution, list of competitors' quotes are accessible to challenge the best execution application

² The Directive (EU) 2014/65 on markets in financial instruments defines three types of trading venues: the regulated markets (RM) operated by a market operator, the multilateral trading facilities (MTF) and the organised trading facilities (OTF) operated by a market operator or an investment firm.

³ Multilateral Trading Facility is a system used to organize the confrontation of buy/sell orders on Financial Instruments without having the quality of a regulated market.

7. Monitoring

- a) At each Broker Committee, the main counterparties are assessed by Investment, Operations and Compliance Teams according to the following criteria:
1. **Quantitative aspects** (*provided by Compliance*)
 - Analysis based on reputational checks or results of broker due diligence if this review took place before the broker committee. The gift & entertainment register is checked as well to make sure that elements listed do not generate any conflict of interest.
 2. **Qualitative aspect** (*provided by Investment teams*)
 - Pricing: best execution
 - Sales service/ Coverage: quality of interaction, responsiveness, 24h coverage
 - Information provided: quality and quantity of highlighted market information (news, primary market, flow analysis, ...)
 3. **Technical rating⁴** (*provided by the Middle Office*)
 - Quality of confirmations (matching and give ups)
 - Settlement quality
 - Claim management
 - Regulatory reporting
 - Quality of billing updates

The criteria provided by the Investment team are preponderant as well as Compliance analysis if red flags are identified. Operational ratings provided by middle office are taken into consideration in the decision to decrease counterparty exposure / trading activity. However, this is discussed by the broker committee members and shall remain discretionary.

- b) The monitoring of levels of brokerage fees is also ensured once a year in Broker committee.
- c) To avoid any concentration risk, internal limits are set and monitored for each counterparty.

8. Policy revision

This policy is reviewed once a year and when necessary if there is a significant change affecting the ability to ensure the best possible result in terms of execution.

⁴ Ratings may differ according to the asset class

9. Related documents

- Broker Due Diligence Questionnaire
- Broker Due Diligence Questionnaire light: for listed company
- H2OMS User Guide (the OMS handles, among other things, the pre-allocation of orders)
- One Off Broker operating process