

GarantiBank International N.V.

Order Execution Policy

(Effective as of 1st of January 2018)

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1. INTRODUCTION

1.1. Purpose of the Policy

GarantiBank International N.V. (hereafter referred to as “GarantiBank” or “Bank”) is a duly authorized bank having its seat in Amsterdam, the Netherlands, registered with the Trade Register of the Chamber of Commerce and Industry under number 33225009. GarantiBank is subject to the control and supervision of the Dutch Central Bank (De Nederlandsche Bank).

The Order Execution Policy reflects the requirements set by the Directive on Markets in Financial Instruments (Directive 2004/39/EC, Directive 2006/73/EC, Regulation 1287/2006 EC and Directive 2014/65/EU, collectively “MIFID”) and the Dutch legislation implementing MIFID in the Netherlands; the Act on Financial Supervisions (“Wft”).

1.2. Scope of the Policy

The Order Execution Policy (hereafter referred to as “Order Execution Policy” or “Policy”) applies to GarantiBank, together with its branches and representative offices, and sets out the Bank’s standards for best execution when executing orders on behalf of its clients, receiving or transmitting an order in a Financial Instrument and arranging for any such orders to be executed with or through the agency of an intermediate broker.

Please refer to Annex I of this policy for an overview of the Financial Instruments as defined by MIFID and are provided by GarantiBank.

This overview outlines the conditions under which GarantiBank strives to achieve the “Best Execution”.

The Order Execution Policy may be amended from time to time and will be updated on a regular basis (at least annually).

In addition to this Policy, the applicable terms of business, as amended from time to time (“Terms of Business”), the “General Terms and Conditions” of GarantiBank, as amended from time to time (the “General Conditions”) shall apply to any investment and/or service falling under the scope of MIFID, except as specified otherwise herein. In the event of any inconsistency between the provisions of the Order Execution Policy, the Terms of Business and the General Conditions, the following precedence of order shall apply (i) this Policy, (ii) the Terms of Business; and (iii) the General Conditions.

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The Order Execution Policy does not create any obligation on GarantiBank that it does not have under MiFID or the Wft.

2. WHAT IS BEST EXECUTION?

“Best Execution” is the obligation for investment firms, when executing client orders for financial instruments, to take all sufficient steps to obtain the best possible results for their clients on a consistent basis. In order to do so, GarantiBank takes a number of factors into account which are mentioned in this policy.

Aside from the best execution factors mentioned in this policy, GarantiBank has the duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

3. POLICY STATEMENTS & APPLICATION

The Order Execution Policy applies to GarantiBank’s dealings only with the clients which qualify as “Professional” Clients in Financial Instruments (regardless of whether the clients are classified as “per-se” or “elective” professional, meaning; via an opt-up mechanism), **but not to any client which qualifies as “Eligible Counterparty”**.

This policy and therefore GarantiBank’s obligation for Best Execution will **not** be applicable when;

- GarantiBank has classified the client as “Eligible Counterparty”;
- GarantiBank executes an order or a specific aspect of an order pursuant to specific and direct instructions from the client related to the order or a specific aspect of an order;
- GarantiBank provides a highly structured and/or tailor-made Financial Instrument and where there is no other Financial Instrument to compare with;
- GarantiBank faces abnormal market conditions or in the event of internal or external system failures;
- GarantiBank provides quote (regardless of continuous quoting or at the client’s request for a quote) and the client accepts the quoted price provided by GarantiBank acting in a principal capacity, provided that there is no reliance placed upon GarantiBank by the client, as elaborated in Section 3.2. of the policy.

3.1. Client Specific Orders

Where a client gives GarantiBank any specific instruction to execute an order in a particular way, GarantiBank will make every effort to execute that order in accordance with the client's specific instruction.

Upon acceptance of a client order and provided that there is no specific client instruction regarding the execution method, GarantiBank will execute an order in accordance with the Order Execution Policy.

However, specifics of the instruction given by the client may prevent GarantiBank from taking the steps that the Bank has put in place in order to obtain the best possible result for the execution of the client's specific order(s).

In cases where the specific client instruction covers one aspect of the order, GarantiBank's Best Execution obligation will be applicable for any aspect of the client's order that is not covered by the client's specific instruction.

In the absence of express instructions from its client, GarantiBank will exercise its own discretion, having regard for the terms of the client's order, in determining the factors that it needs to take into account for the purpose of providing the client with Best Execution.

3.2. Request for Quote

When providing a service in a Financial Instrument on a Request for Quote basis where the quote is requested and accepted by the client, GarantiBank will be acting as counterparty to the client as principal, on its own account with the client and not on behalf of the client. In such cases, the Order Execution Policy will **not** be applicable.

For "Request for Quotes", GarantiBank may undertake an analysis of the European Commission's four-fold test on a transactional basis to determine whether below questions are satisfied:

- i. which party initiates the transaction: Where it is GarantiBank that "initiates" a transaction, the client is more likely to place 'legitimate reliance' on GarantiBank. In this context, "initiate" means where GarantiBank approaches the client regarding a potential transaction;
 - ii. questions of market practice and the existence of a convention to "shop around": In certain wholesale markets there is a common practice or convention to "shop around" and obtain quotes from a number of dealers prior to the client executing any transaction. The existence
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- of such a practice indicates that a client is less likely to place “legitimate reliance” upon GarantiBank for best execution of the order (for example, wholesale bond markets and OTC markets feature “shop around” practices);
- iii. the relative levels of price transparency within a market (i.e. where clients do not have ready access to prices while GarantiBank does): In certain markets transparent prices may not be readily available to clients and this indicates that the best execution obligation is more likely to apply; and;
 - iv. information provided by GarantiBank about its services and the terms of any agreement between the client and the Bank: The Terms of Business/other information provided to clients should make it clear whether best execution applies or not. This must reflect the economic reality of the relationship.

Based on the outcome of “four-fold test”, in cases where GarantiBank concludes that the client is not legitimately relying on the Bank, Best Execution obligations will **not** be applicable.

3.3. Highly Structured and Customized Transactions

The Order Execution Policy shall **not** apply to any high structured and tailor-made Financial Instrument, where there is no other Financial Instrument with which to compare.

4. BEST EXECUTION FACTORS AND CRITERIA

In order to achieve the best possible result on an on-going basis in relation to executing the clients’ orders (provided that GarantiBank has the obligation of Best Execution as defined in this policy), GarantiBank will take into account a range of different Execution Factors, which are (in the order of importance);

- Price of the financial instrument
 - Cost of execution
 - Likelihood of execution and settlement
 - Size and nature of the order
 - Speed of execution and settlement
 - Likelihood of execution and settlement
 - Execution venue
 - Any other consideration deemed relevant to the execution of an order
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The importance of the Execution Factors will be determined taking into account the following criteria in line with GarantiBank's experience and considerations of available market information at the relevant time;

- (a) the characteristics (e.g. investment profile and risk appetite) of the client as well as the nature of the execution services provided;
- (b) the characteristics of the client order (e.g. at best, at limit, whether for investment, hedging or speculation, size and level of urgency);
- (c) the characteristics of financial instruments that are the subject of that order, including but not limited to the type of instrument, availability, price and impact on the market price of instrument when that order is executed;
- (d) the characteristics of the execution venues which the order can be directed (e.g. liquidity and transparency, commissions and charges, ability to handle complex orders, speed of execution, whether access is direct or via another intermediary, time zone differences, quality of regulation, quality of clearing and settlement, creditworthiness, default protection etc.);
- (e) any other consideration relevant to the execution of the order.

Taking these factors into account, GarantiBank will make every effort to achieve the best execution result possible for its clients while executing an order. Clients may give GarantiBank specific instructions that differ from the principles of the Policy (see Section 3.1.: Client Specific Orders). In such cases, GarantiBank will either execute the client's order in line with the given instructions, or, if the Bank is not able to carry on the instruction, the Bank will promptly notify the client about the situation.

Executing specific client orders that do not comply with the principles of GarantiBank's Order Execution Policy may result in a transaction that is more expensive (or not in the best interests of the client in any other way) than it would cost should it have been executed in line with GarantiBank's Best Execution principles.

Generally speaking, GarantiBank will regard price of the financial instrument as the most significant factor in the execution of a client's order. However, there may be circumstances where other Execution Factors should be prioritized over price. In such cases, GarantiBank will use its commercial judgement and experience in light of available market information to achieve the best result across a range of different execution factors.

5. EXECUTION VENUES & SELECTION CRITERIA

GarantiBank executes orders for the Financial Instruments by using one or more of the selected execution venues to enable the Bank to obtain the best possible result on a consistent basis when executing an order on behalf of the clients.

The main criteria taken into account by the Bank for selecting the execution venues are (in the order of importance);

- Reputation and credit-worthiness;
- Promptness of execution and settlement;
- Cost of execution;
- Quality of the execution and service;
- Maximum likelihood of the execution and settlement;
- Access to markets, alternative markets and trading venues;
- The size and nature of the client order;
- Market liquidity of the specific financial instrument;
- Clearance and settlement efficiency and capabilities;

A list of execution venues selected by GarantiBank in respect of each financial instrument will be provided to the clients upon request.

GarantiBank reserves the right to use other execution venues at such time that the Bank considers it appropriate in the execution of client orders in order to achieve the best possible result.

It should be noted that GarantiBank's choice for the execution venue may be constrained by the fact that there may be only one venue where the client's order can be executed due to the nature of the client's orders.

For the execution of certain financial instruments, GarantiBank may choose only one execution venue. In such cases, GarantiBank, in line with the principles of this policy and other execution arrangements it employs, will ensure that by doing so, it is able to obtain the best possible result for its clients on a consistent basis.

For example, there may be circumstances where a particular execution venue will deliver the best possible result on a consistent basis or where the costs of including more than one venue in the policy or arrangements will outweigh any price improvement to be gained by doing so.

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GarantiBank does not have access to all execution venues that provide a price for a particular financial instrument. This is due to the fact that the costs of connecting to some of these venues or executing client transactions on some of these venues may increase the total cost of transaction for the client, which contradicts with the best execution principle. GarantiBank maintains a low cost profile for executing customer transactions overall while a better price might be available on another venue that GarantiBank does have access to. This, however, shall not mean that GarantiBank structures or charges its commissions in such a way as to discriminate unfairly between execution venues.

GarantiBank does not have any direct access to regulated markets. Therefore when executing an order, GarantiBank may either act as riskless principal (i.e. GarantiBank is authorized by the client to go into the market and executes a transaction in its own name as principal with a counterparty that has access to an execution venue, for and on behalf of the client), may act as agent (i.e. GarantiBank transmits the client's order to a counterparty which will execute the order on behalf of the client) or may accept an order to obtain the best results it can on behalf of its clients by filling the order from its own book using its own capital risk rather than by trading directly with another party (own account best execution).

GarantiBank executes orders only via counterparties which enable the Bank to comply with the regulatory requirements on order execution. For this purpose, GarantiBank has implemented internal procedures in order to monitor on an ongoing basis whether its execution venues and counterparties meet the regulatory requirements in terms of order execution. In addition to this, GarantiBank applies due diligence process to all its execution venues/counterparties.

As at the time of this publication, for client orders in relation to financial instruments that are executed on an over-the-counter (OTC) basis, GarantiBank directly executes these (in its name and behalf, based on a back-to-back transaction with the client) either with preferred counterparties providing single bank platforms or with other counterparties through use of multibank platforms provided by Bloomberg and Reuters on a best-quote basis.

In cases where the orders of the clients may be executed outside a trading venue, the Bank will inform its clients about such possibility. For the orders to be executed outside of a trading venue, the Bank will obtain prior consent of its client before proceeding the execution either in the form of a general agreement or in respect of individual transactions. Furthermore, the Bank will inform its clients about the possible consequences (e.g. counterparty risk) arising from execution outside a trading venue.

When executing orders on and OTC basis, the Bank shall check the fairness of the price proposed to its client, by gathering market data used in the estimation of the price of the relevant product and, where possible, by comparing with similar or comparable products.

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GarantiBank will not receive any fees, commissions, discounts or non-monetary benefits for routing client orders to a particular trading venue or execution venue which would infringe the Bank's commitment and regulatory requirements on Conflicts of Interest or Inducements.

For further information on GarantiBank's Conflict of Interest Statement, please visit our corporate website (<http://www.garantibank.eu/>).

In cases where GarantiBank applies different fees depending on the execution venue, the Bank will explain the difference in the fees to the clients in a fair, clear and non-misleading manner in order to allow the clients to understand the advantages and the disadvantages of their choice of execution venue and to prevent the clients from choosing one execution venue rather than another execution venue on the sole basis of the pricing policy applied by the Bank.

6. Order Aggregation

In principle, all orders of clients will be executed immediately. GarantiBank is allowed, but not required to, aggregate orders of its clients and allocate the investment or proceeds acquired among the participating clients. In cases where GarantiBank aggregates client orders, it does so in a fair and proportionate manner and in accordance with any applicable rules. If the entire order is not executed for the same price, GarantiBank may average the prices paid or received and charge the client's account with the average price. Details about average execution prices will be furnished to a client upon request.

GarantiBank will make every effort so that the aggregation of orders does not disadvantage a client, however aggregation of orders may work to the disadvantage of an individual client in relation to that particular order. In such cases, the possibility of disadvantage will be communicated to the client, prior to the execution of the order.

7. Monitoring, Policy Review & Update

GarantiBank will monitor the effectiveness and efficiency of its Order Execution Policy and other execution arrangements to identify and, where appropriate, remediate any deficiencies in the policy and arrangements, will assess whether the execution venues it has selected provide the best possible results for the orders it executes on behalf of its clients on a regular basis (at least annually) and will apply changes and improvements in case it is deemed necessary. Any such changes will be reflected to this policy and will be published on our corporate website (<http://www.garantibank.eu/>).

GarantiBank shall further;

- (i) ensure that the execution venues with which GarantiBank places client orders or to which client orders are transmitted for execution have execution arrangements that enable GarantiBank to comply with its obligations under this policy when it places or transmits orders to that entity for execution;
- (ii) monitor on a regular basis the effectiveness of the policy;
- (iii) review the policy (at least) annually or whenever a material change* occurs that affects GarantiBank's ability to continue to obtain the best possible result for its clients.

8. Provision of Information to Clients

GarantiBank will promptly provide its clients with;

- (i) essential information concerning the execution of a specific order, including on which venue the order was executed;
- (ii) upon request of the client (or competent authorities), the details of a transaction explaining how the execution has complied with the Policy;
- (iii) upon request of the client, information about the status of their order.

Where a client makes reasonable and proportionate requests for information about the Bank's order execution policies or arrangements, the Bank shall answer within a reasonable time frame.

In case you wish to further discuss the application of this policy to your orders, please contact your Relationship Manager.

9. Abnormal Market Conditions and Price Slippage

The Order Execution Policy will **not** apply at times of severe market conditions, or in the event of internal or external system failures. In such cases, the clients will be notified forthwith of the situation when they place an order to be executed.

*Any significant event of an internal or external nature that could impact the Bank's Best Execution factors, or any other consideration relating to execution of an order.

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Clients should be aware of the following risks associated with volatile markets (especially at or near the opening or closing times of the standard trading session) which may give rise to a slippage in prices; for example market data latency, speed of connectivity, execution at a substantially different price from the quoted bid or offer or the last reported sale price at the time of order entry, as well as partial executions or executions of large orders in several transactions at different prices, locked and crossed markets and price volatility are factors that can affect order execution. Such movements could be in the client's favor or to its disadvantage.

To the extent possible, GarantiBank will make every effort to fulfill its best execution obligations in case of abnormal market conditions.

10. Agreement and Consent

When the client gives an order after receiving this policy, the client will be deemed to have read, understood and agreed to GarantiBank's Order Execution Policy.

ANNEX I - FINANCIAL INSTRUMENTS

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;
- (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls;
- (8) Derivative instruments for the transfer of credit risk