HSBC
Investment Funds (Luxembourg) S.A

Best Execution Policy

Version: 1.2

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Next review: Q2 2027

Owner: HIFL Regulatory Compliance

REVISION HISTORY

Date / version	Drafted by	Reviewed / approved by	Comments
NOV19/ v 0.1	HIFL Regulatory Compliance	HIFL's Board of Directors	Approved by HIFL Board on 29 April 2019
APR21/ v 0.2	HIFL Regulatory Compliance	HIFL's LMC	Approved by the LMC on 29 April 2021
APR21/ v 0.2	HIFL Regulatory Compliance	HIFL's LMC	Presented for noting at the HIFL Board meeting held on 24 June 2021 No significant changes have been made to the documents since these were last approved by the Board in 2019. The only change made was that the exhaustive list of Funds under management has been replaced by some generic wording
APR23/ v 0.2	HIFL Regulatory Compliance	HIFL Board of Directors	Approved by the HIFL Board on 3 April 2023. No changes have been made to the documents since these were last approved.
MAY23/ v 0.3	HIFL Regulatory Compliance	HIFL Board of Directors	Approved by the HIFL Board on 3 May 2023. The policy was updated to include the best execution observations contained in the ESMA common supervisory action on the supervision of costs and fees of UCITS CSSF feedback report (20 October 2022) related to Securities Financing Transactions (SFT) and Efficient Portfolio Management (EPM) techniques, and to related parties' transactions with entities of the same group.

FEB24/ v 1.0	HIFL Regulatory Compliance	HIFL Board of Directors	Approved by the HIFL Board on 13 February 2024. The policy was updated to provide a description on the organizational arrangements and a high-level overview of the oversight activities in place allowing HIFL to control the best execution process, including share class FX hedging arrangements. More details on best execution activities are outlined in the Best Execution procedure owned by HIFL Operations team (FLOD).
May 2025/ v 1.1	HIFL Regulatory Compliance	HIFL Board of Directors	Approved by the HIFL Board on 13 May 2025. The policy was updated to extend its application to HIFL Branches.
May 2026/ v 1.2	HIFL Regulatory Compliance	HIFL Board of Directors HIFL LMC	Approved by the HIFL Board on Approved by LMC on 30 March 2026 No changes have been made to the documents since these were last approved.

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1. Regulation

This policy is aligned to meet the requirements of:

- CSSF Regulation 10-04 (articles 28 to 32);
- Directive 2011/61/EU of the European Parliament and of the Council;
- Commission Delegated Regulation (EU) No 231/2013 (article 45);
- Point 417 of the CSSF Circular 18/698;
- RBWM FIM B.2.7 Best Execution;
- Compliance FIM D.29.1 Dealing, managing and executing trades appropriately (optimal execution): Supporting Material;
- ESMA Common Supervisory Action on the Supervision of Costs and Fees of UCITS - CSSF Feedback Report (20 October 2022).

2. Purpose

This policy aims to outline the arrangements put in place by third party service providers to which the portfolio management activities have been delegated (the "Investment Manager", hereafter the "*IMs*", or the "*delegates*") in respect of Best Execution and handling of orders, as well as defining HIFL's responsibilities from an oversight perspective. The policy is consistent with the HSBC Group Best Execution framework and supplemented with additional information to enable HIFL and its Branches to comply with its local regulatory requirements.

3. Application

HIFL and its delegates must take sufficient steps to ensure, on a consistent basis, the best possible result for the managed Funds / investors when executing orders on behalf of managed Funds / investors or placing orders with or passing orders to third parties for execution. This is otherwise known as "Best Execution" "BE").

HIFL is an authorised Investment Fund Manager ("IFM) and Alternative Investment Fund Manager ("AIFM") (hereafter, "management company") and the policy applies to the Funds under management and to all HIFL employees, including those in the Branches, irrespective of position and length of employment.

4. Policy arrangements for Best Execution

HIFL in its role as management company is required to act in the best interests of the Funds it manages and their investors when executing decisions or placing orders to deal on behalf of the managed Funds in the context of the management of their portfolios.

5. Appointment of delegates

HIFL has delegated the function of portfolio management to other HSBC Group entities ("Related Parties"). The responsibility for the day-to-day fulfilment of best execution lies with the executor of the trade, the IMs.

As Management Company, HIFL remains ultimately responsible and shall, therefore, be able to demonstrate that the appointed IMs take all reasonable steps to obtain the best possible results for the Funds under management.

6. Arrangements in place at the level of the delegates

6.1 Governance framework and responsibilities

A Local Business Best Execution Policy is established and maintained by the IMs and describes how the business seeks to obtain best execution on a consistent basis. The Policy is owned by the Front Office Management Committee ("FOMC") and is reviewed once a year and additionally whenever a material change occurs. Changes are notified to the HSBC Global Asset Management's ("AM") Global Dealing Oversight Committee ("GDOC").

Unless otherwise stated, Local IM's Front Office Dealing Team is responsible for dealing decisions and therefore for obtaining best execution.

Front Office Dealing Supervisors maintain professional standards and monitor the ethical conduct of their teams. Supervision is performed through review of relevant reporting and/or other system enforced controls covering areas like:

i. Appropriate post trade monitoring frameworks in place for the identification, escalation and resolution of issues related to best execution. This includes reviews of relevant management information (including post trade monitoring analyses) by the FOMC;

ii. Results and documentation of trades are maintained in line with HSBC Group records retention standards and Best Execution framework to ensure entities can evidence consistent delivery of best execution;

iii. All relevant employees receive role specific training in relation to Best Execution.

6.2 Handling Orders

When executing portfolio transactions on behalf of the Funds the IMs must ensure that:

i. The orders are promptly and accurately recorded and allocated;

ii. Orders are sequentially and promptly executed, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the Funds require otherwise;

iii. The financial instruments or sums of money received in settlement of executed orders are promptly and correctly delivered to the account of the appropriate Funds; and

iv. The information relating to pending orders is not misused by any relevant person.

6.3 Aggregation of orders

The IMs is not permitted to carry out an order in aggregate with an order of another Fund or Fund Investor or with an order on their own account unless the following conditions are met:

i. It must be unlikely that the aggregation of orders will work to the disadvantage of any Fund or Fund Investor whose order is aggregated;

ii. An order allocation policy is established and implemented covering fair allocation of aggregated orders, how volume and price of orders determine allocations and the treatment of partial executions;

iii. If an order is partially executed, the IMs shall allocate the related trades in accordance with its order allocation policy;

iv. The related trades should not be allocated in a way that is detrimental to the Fund or Fund Investor;

v. The IMs allocates the related trades to the Fund or other client in priority over those for its own account, except if it can be demonstrated on reasonable grounds that it would not have been able to carry out the order on such advantageous terms without aggregation, or at all, the transaction may then be allocated for its own account proportionally, in accordance with its policy.

6.4 Best Execution checks

All trades are monitored by an automated best execution surveillance tool that benchmarks executions against set quality standards. Alerts are reviewed by the IM's Dealing team regularly to enhance the trading process. Post trade monitoring is undertaken by IM's Dealing team on intra-day basis. Governance oversight is provided by the Front Office Management Committee ("FOMC").

HIFL must put in place best execution oversight controls in relation to EPM techniques and ensure that the managed funds obtain the best possible result as regards not only to the revenues generated by the EPM techniques (e.g. securities lending fee), but also to the costs / fees charged to the UCITS when employing such transactions.

HIFL should monitor the best execution transaction with Related Parties (e.g. share class FX hedging arrangements set-up with HSBC Bank plc and other transactions with entities of the same group) to avoid any conflict of interest and obtain optimal results for the managed Funds and underlying investors. For this purpose, HIFL may use the services of third parties (e.g. MJ Hudson Amaces), to receive periodic benchmarking and analysis reports enabling it to better assess and monitor the best execution transaction with Related Parties.

More details are outlined in the Best Execution procedure owned by HIFL Operations team.

6.5 Documented Instructions

The IMs must ensure that all orders and instructions are captured timely, accurately and completely. This includes both instructions from the fund manager to dealer and from the dealer to broker. To ensure orders and instructions are captured timely, accurately and completely, KPIs (including dealing errors and cancelled and amended trades) are reported to HIFL on a monthly basis, for review and further analysis, where required.

6.6 Broker or Counterparty Selection, Usage and Management

Brokers are selected following pre-defined local approval processes, which are described in detail in the HIFL Risk Management policy and procedures and take into account the Brokers' execution capability, including, but not limited to, price, the size and type of transaction, the markets for securities to be purchased or sold, execution, the timing of the transaction taking into account market prices and trends, efficiency, settlement capability, the reputation, experience and financial condition of the Brokers, the quality of the Brokers' portfolio execution on a continuing basis and reasonableness of brokerage commissions.

The relative importance of such factors shall be determined by reference to the following criteria:

- the objectives, investment policy and risks specific to the Funds, as indicated in the Fund's limited partnership agreement, the private placement memorandum or offering documents;
- the characteristics of the transaction;
- the characteristics of the financial instruments that are the subject of that transaction; and
- the characteristics of the execution venues to which the order can be directed.

HIFL periodically reviews brokerage rates for execution and compares them to rates received by industry peers in order to ensure proper pricing. For this purpose, and notably regarding the share class FX hedging arrangements, HIFL may rely on the benchmarking services provided by third parties (e.g. MJ Hudson Amaces).

The counterparties are reviewed annually and HIFL Risk team receives the list of approved counterparties on an annual basis attached hereto as Appendix 1.

7. Local Oversight

7.1 First line of defence

Best execution is overseen locally by IA's Front Office Management Committee (FOMC) which reviews relevant management information (including post trade monitoring analysis) and holds Teams accountable for their activities. The FOMC is chaired by Legal Entity's Chief Investment Officer, and its members include representatives from Risk Team and Compliance Team.

Best execution is overseen globally by HSBC Global Asset Management's (AMG's) Global Dealing Oversight Committee (GDOC) which reviews relevant management information (including post trade monitoring analysis) and holds Teams accountable for their activities. The GDOC allows AMG to identify and share best practice between its affiliates. The GDOC is chaired by AMG's Global Chief Investment Officer, and its members include AMG's Global Head of Risk and Global Head of Compliance.

7.2 Second line of defence

IM's Compliance Monitoring and Testing Team (CMAT) carries out independent, risk-based monitoring of order management policies and processes.

7.3 Third line of defence

HSBC Group Audit carries out independent, risk-based monitoring of IM's order management policies and processes.

8. HIFL oversight framework

The best execution framework is supervised by the HIFL Conducting Officer in charge of Portfolio Management and the HIFL operations team, who provide monthly reports to the HIFL Local Management Committee and quarterly reports to the HIFL Board of Directors.

In the context of the ongoing monitoring in place on the IMs, HIFL Operations receives monthly KPIs reports from each IM covering the compliance with the best execution principles.

In addition to KPIs, the following control monitoring is in place:

1. The FOMC of each investment advisor under the coordination of AM Global Dealing team provides on a quarterly basis confirmation on whether there were any best execution policy breaches on any HIFL trade for the previous quarter, as applicable.
2. AM Global Dealing team providing Fixed income and Equity MI packs for HIFL on a quarterly basis, as applicable.

Furthermore, as part of its due diligence review on IMs (initial and ongoing), HIFL will also review the effectiveness of the IMs' policy and its content in relation to order execution and trading.

The list of existing approved entities with which orders may be placed is maintained and overseen by the HIFL Portfolio Management function.