

PHILLIPCAPITAL BEST EXECUTION POLICY

1. Executive Summary

- 1.1 Under the MAS Notice and Guidelines on Execution of Clients' Orders, holders of a Capital Markets Services licence ("CMS") that conduct the regulated activities of dealing in capital markets products, fund management and/or real estate investment trust management under the Securities and Futures Act must establish and implement written policies and procedures to place and execute orders on the best available terms ("Best Execution").
- 1.2 This document sets out PhillipCapital's Best Execution policy and its approach to providing Best Execution when executing orders on clients' behalf or placing clients' orders with, or passing clients' orders to, others for execution.
- 1.3 When undertaking trades on behalf of clients, PhillipCapital¹ will take all reasonable steps to obtain the best possible result for clients, taking into account a range of factors which may include price, costs, speed, likelihood of execution and settlement, size and nature of order, or any other considerations relevant to the placement or execution of the order. This overarching obligation to obtain the best possible result for clients is referred to, in this document, as the obligation of Best Execution.

2. Scope

- 2.1 The Best Execution policy relates to orders in respect of capital market products given by clients to PhillipCapital regardless of whether:
 - PhillipCapital acts as an agent or principal to the client;
 - clients' orders are executed directly on an execution venue OR placed with another capital markets intermediary or a person who is licensed, authorised, regulated or otherwise exempted in relation to dealing in capital markets products in a foreign jurisdiction, for execution;
 - clients' orders are executed on exchange or off exchange.
- 2.2 The Best Execution obligation does not apply to dealing with institutional clients on the basis that such clients are sufficiently sophisticated.
- 2.3 In dealing with a client who is an accredited investor or expert investor, PhillipCapital shall assess and determine the circumstances under which such client does **not** rely on PhillipCapital to place or execute order(s) on the best available terms. PhillipCapital may consider circumstances such as whether the client is the one who initiates the order or whether the client specifies the venue and price which the order should be executed. Best Execution obligations are also unlikely to apply where these clients have asked for a quote (Request-for-Quote or RFQ) for products such as Fixed Income, FX, OTC Derivatives and it is determined that there is no legitimate reliance placed on PhillipCapital to meet the relevant Best Execution requirements. Nevertheless, PhillipCapital endeavours to provide competitive pricing to its clients.

3. Best Execution Obligation

- 3.1 Best Execution obligation arises when PhillipCapital is 'acting for or with a client', when PhillipCapital is able to exercise discretion when executing a client's instruction or order (e.g. in discretionary fund management) and where the client is relying on PhillipCapital to protect its interest in relation to the order.

¹ In this policy, refers to a member company of the PhillipCapital group of companies in Singapore that holds a CMS licence to deal in capital markets products and/or carry out fund management activities. These companies include Phillip Securities Pte Ltd, Phillip Nova Pte Ltd, Phillip Capital Management (S) Ltd, Phillip Tokai Tokyo Investment Management Pte Ltd and Phillip Private Equity Pte Ltd.

- 3.2 Best Execution is generally owed when PhillipCapital accepts an order to execute a transaction on client's behalf, or place client's order with, or place client's order to, others for execution or in other circumstances where PhillipCapital otherwise expressly agreed to accept such Best Execution obligation.
- 3.3 The best execution obligation is also applicable when PhillipCapital is acting in a principal capacity and client is placing a legitimate reliance on PhillipCapital to protect the client's interest in relation to the execution of the transaction.
- 3.4 PhillipCapital's commitment to Best Execution does not mean that it owes its clients any fiduciary or other responsibilities beyond the specific regulatory obligations placed on it and may otherwise be contracted between PhillipCapital and any particular client.

4. Client's specific instruction

- 4.1 To the extent that PhillipCapital follows specific instructions received from a client, PhillipCapital is deemed to satisfy its best execution obligations when it places or transmits the client's order in accordance with those instructions. Examples of such transactions may include, but are not limited to, requests to execute on a particular venue or to execute an order over a particular timeframe.
- 4.2 However, where the client's instructions relate to only part of an order, PhillipCapital will continue to apply the policy of Best Execution to those aspects of the order not covered by specific instructions.

5. Best Execution Factors

- 5.1 Where PhillipCapital has the obligation to provide Best Execution, it will execute a client's order taking into consideration the following factors-

Price – this is the price at which the order is executed, including execution venue fees, clearing and settlement costs and related fees but excludes PhillipCapital's execution fees.

Speed and likelihood of execution – this refers to the rate at which PhillipCapital is able to progress the order and the likelihood that the order will be filled, or at least a substantial part of it, in its entirety. Where client's instructions dictate or imply a rate at which PhillipCapital should progress the order, PhillipCapital will follow such instructions unless there is an immediate and substantial conflict with the price. Where the instructions do not refer to speed, PhillipCapital will progress the order at a rate which PhillipCapital believes represents a balance between creating market impact and executing the order in a timely fashion so as to reduce execution risk. This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way. For example, if the security itself is illiquid or if client provides a limit price which is not marketable.

Costs – costs incurred from entering into the transactions

Likelihood of settlement: PhillipCapital expects executed transactions to settle in a timely fashion. If PhillipCapital becomes aware that a particular execution strategy may compromise the likelihood of settlement, that strategy may not be pursued even if it would result in a better price.

Order size – the size of the order may affect the price of execution.

Nature of the order - characteristics of a request for quote or resultant order might affect the performance.

Any other relevant considerations: e.g. relevant to the efficient execution of the client's order such as the nature of the relevant market, local regulatory requirement, prevailing market conditions, potential market impact and what might have been agreed with the client.

Some of the above factors are considered more important than others; however, there are situations where the relative importance of these factors may change in accordance with instructions that client provides or broader market conditions.

6. Application of Best Execution Factors

- 6.1 The above execution factors indicate the importance of being able to exercise appropriate judgements in the best interests of the client given the differing needs and requirements of each client's transaction and the broader market.
- 6.2 PhillipCapital uses its expertise, commercial judgement and experience to determine the relative importance of each factor. For most orders, it will primarily be a case of achieving the best price, although other features of the order, like cost of execution, size, liquidity, speed of execution and other matters, may be considered where relevant. In determining the relative importance of the factors, PhillipCapital may take into consideration the following general criteria:
- the characteristics of the client (including the regulatory categorization of client);
 - the characteristics and nature of the order, including any specific instructions received;
 - the characteristics of the financial products that are the subject of the order. For example, for transactions in illiquid securities, the likelihood of execution and settlement becomes more important; and
 - the characteristics of the execution venues to which the order can be directed.
- 6.3 When undertaking transactions for clients, any specific execution factors specified by the client will be paramount in ensuring best execution is provided. PhillipCapital reserves the right to intervene in the execution if a client's orders will result in adverse market movement (e.g. large orders).

7. Execution Venues

- 7.1 In meeting its Best Execution obligation, PhillipCapital will monitor which execution venues are likely to provide, on a consistent basis, the best available terms for clients. However, PhillipCapital may not connect to all venues or sources of liquidity.
- 7.2 For certain financial instruments, there may only be one execution venue available and in executing a trade in such circumstances, PhillipCapital will assume that the selection of that venue satisfies the Best Execution factor for venue selection.

8. Affiliates, Third Party Brokers, Counterparties and Note Issuers

- 8.1 In executing trades for clients, PhillipCapital may utilize affiliates², third party brokers, counterparties and note issuers. Where PhillipCapital uses a third party broker, counterparty or note issuer to execute transactions, it retains an overarching Best Execution obligation.
- 8.2 PhillipCapital performs periodic due diligence assessments and reviews on affiliates, third party brokers, counterparties and note issuers.

9. Monitoring and Review

- 9.1 PhillipCapital will review its Best Execution policy annually or whenever a material change occurs that affects its ability to obtain the best possible result for the execution of its orders on a consistent basis.
- 9.2 PhillipCapital will also monitor the effectiveness of its policy periodically to identify and where appropriate correct any deficiencies. PhillipCapital carries out monitoring of execution quality against the execution factors, which includes monitoring as to the continuing suitability of third party brokers and counterparties viewed in light of their execution performance.

² This refers to member companies of PhillipCapital in countries outside Singapore, the list of which can be found on www.phillip.com.sg.

10. Disclosure

10.1 PhillipCapital's Best Execution policy is provided to clients via the PhillipCapital entity's website.

11. Execution Principles in relation to Specific Capital Markets Products

11.1 Exchange-Traded Products

11.1.1 Unless specified otherwise by clients, **price and speed/likelihood of execution** are typically considered highly ranked execution factors for exchange-traded products (e.g. equities, exchange-traded funds, exchange-traded derivatives) while the other execution factors (order size, likelihood of settlement, nature of order) will be considered depending on the circumstances of the trade. However, in more illiquid markets, the primary execution factors may vary and non-price factors such as likelihood and speed of execution and settlement as well as size or nature of the order may be as important as the price factor.

11.1.2 When a client's order is accepted, it will generally be placed immediately through PhillipCapital's automatic routing system on the exchange where the product is traded, where such PhillipCapital company is an exchange participating member.

11.1.3 For products traded in markets where PhillipCapital is not an exchange member, the client's order will be transmitted to an affiliate or third party broker which has an agreement with PhillipCapital to execute the orders on the relevant exchange or market. PhillipCapital will take all reasonable steps to ensure that the affiliate or third party broker executes the orders in accordance with its policy in order to obtain the best possible result for the client, having regard to prevailing market practices and regulatory requirements associated with the affiliates and the market concerned.

11.1.4 In certain situations, some regulated markets permit the execution of an order outside the central order book based on market specific parameters such as timing of order submission (e.g. outside exchange trading hours). In such situations, PhillipCapital will look to secure the best possible results for clients, leveraging on its relationship with liquidity providers or market makers.

11.1.5 Where a client chooses and agrees to execute an order with PhillipCapital **as principal**, the price that is quoted by PhillipCapital will be fairly determined and benchmarked to the pricing/liquidity of the market for the relevant product. This may apply also to listed products traded off exchange (OTC).

11.2 Bonds and Fixed Income Instruments

11.2.1 Generally, the most important execution factor for clients will be the **price** at which the relevant instrument is executed. PhillipCapital will take reasonable steps to obtain available quotes for bonds and fixed income instruments, by putting in place a process whereby it reaches out to a list of approved counterparties.

11.2.2 However, in more illiquid markets, the primary execution factors may vary and non-price factors such as likelihood and speed of execution and settlement as well as size or nature of the order may be as important as the price factor.

11.2.3 PhillipCapital typically acts as principal in the trade and will disclose this fact accordingly to the client.

11.3 OTC Derivative Contracts

11.3.1 As OTC derivative contracts (such as CFDs) are bilateral contracts, clients will be entering into the transaction directly with PhillipCapital as principal and not as agent. PhillipCapital may in turn trade in the underlying reference asset to hedge its position with clients.

11.3.2 PhillipCapital takes into consideration a number of execution factors such as liquidity of the underlying, maturity of the transaction, counterparty credit risk and platform/technology dependencies. As such, the non-price execution factors such as **likelihood and speed of execution and settlement** as well as size or nature of the order (including instrument liquidity) may be as important as the **price and costs** factor.

11.3.3 PhillipCapital determines and passes on quotes to clients at a price that is generally benchmarked to the pricing and liquidity of the underlying asset traded on the relevant market or exchange. The spreads that PhillipCapital applies to the quotes, which vary for different types of contracts, form one of the core charges that clients pay for the trade. PhillipCapital is committed to fair, transparent prices and constantly reviews its spreads to keep down transaction costs for clients. When liquidity in markets is high, PhillipCapital may adopt tighter spreads and when markets experience very high levels of volatility, we have slightly wider spreads.

11.4 Spot and Leveraged FX Contracts

11.4.1 Generally, the most important execution factor for clients is the **price** at which the relevant financial instrument is executed. However, in more illiquid markets, the primary execution factors may vary and the non-price factors such as size, likelihood and speed of execution and settlement as well as nature of the order (including instrument liquidity) may be as important as the price and cost factor.

11.5 Dealing in Unlisted Unit Trust Funds

11.5.1 Due to the characteristics of unlisted unit trust funds, there is limited discretion in defining the parameters of execution of these orders, and some obligations are considered to be fulfilled per se.

11.5.2 Dealing in funds can normally be effected daily on any day that is a dealing day for the relevant funds. Clients' orders for subscription and redemption of unit trust funds should be received before the standard fund order cut-off time on the relevant dealing day. The price applied will generally be the daily net asset value and price calculation per unit provided by the relevant fund house, and this price is the same across different investors both in and outside of PhillipCapital.

11.6 Discretionary Fund Management Service

11.6.1 Although the relative importance of the execution factors may vary depending of the specific characteristics of the order, PhillipCapital generally expects **price and costs** to be the most important execution factors for the majority of client orders that it executes under its discretionary fund management service.

11.6.2 Client orders are passed to the various product execution desks for trade execution. In other words, trades that are executed under discretionary portfolio management are no different from other trades, and are subject to the same Best Execution obligations as detailed in other sections in this policy.

11.6.3 Client orders under a particular management mandate may be aggregated with other client orders if:

- the characteristics of the client order make them suitable for aggregation;
- if in PhillipCapital's opinion it is unlikely that the aggregation of client orders will work overall to the disadvantage of any client whose order is to be aggregated; and
- PhillipCapital complies with its approved order allocation procedures.