

Order Execution Policy



Kempfen

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1. Introduction

When executing orders, investment firms are held to take all sufficient steps to obtain the best possible result for their clients. Kempen Capital Management N.V. (KCM) has a duty to ensure that it obtains the best possible result for its clients; the so called “best execution”.

This policy describes how KCM seeks to provide best execution to her professional clients on a consistent basis. For execution of orders for client portfolios’ KCM operates a dedicated Trading Desk, responsible for the execution of transactions initiated by KCMs clients portfolio managers.

Transactions for client portfolios are done in different types of asset classes. Orders can be i) executed directly with other parties (a counterparty, broker(dealer), OTC counterparty, futures merchant counterparty, counterparty or intermediary, collectively referred to as “Counterparty” or “Counterparties”) or placed or transmitted with a Counterparty for execution, depending on the type of asset.

When executing orders, KCM takes all sufficient steps to obtain the best possible result for the client. However, whenever KCM receives specific instructions on execution from a client, the orders are executed as instructed, and KCM cannot ensure the best execution anymore.

Best execution can be assessed in different ways, and in executing transactions KCM considers the following criteria of particular importance: price, costs, speed and likelihood of execution / settlement and size and nature of the order.

The importance of the above-mentioned criteria can differ per class or type of financial instrument (i.e. shares, bonds, derivatives, etc.) and in determining the factors and criteria that are important in achieving this, KCM gives consideration to the characteristics of the client and the portfolio guidelines, the order, the type of financial instrument and available ways of execution and execution venues.

In this policy, specific execution factors per type of instrument are captured, including per type which criteria are deemed most important.

2. Execution Factors per Asset Class

KCM divides financial instruments into the following groups:

2.1 Equity

KCM in principle transmits orders in shares to Counterparties that have direct access to the relevant markets). The Counterparty in principle determines which execution venues will be used in order to execute the order, in accordance with its own order execution policy.

KCM has access to multiple Counterparties, selected based on review of trading quality offered. Per trade the best Counterparty is selected, given the specifics of the order.

When trading in shares a distinction can be made in:

- 'Liquid' securities: (mostly Large Caps and ETFs), where the main factors in determining best execution for trading are price and cost. For ETF's this is transaction costs expressed as the front-end and back-end load compared to net asset value at purchase or sale (the 'spread'). Furthermore, liquidity, speed and likelihood of execution are of importance.
- 'Less Liquid' securities: (mostly Small Caps and REITs), where the main factors in determining best execution for trading are price and liquidity. Furthermore, costs, speed and likelihood of execution are of importance.

2.2 Funds

For trading in Funds, a distinction can be made between Exchange Traded Funds (ETFs) that trade continuously during Market hours and Non Exchange Traded funds and Listed open-end mutual funds that trade on NAV, on fixed times only.

Orders in ETFs are executed following the principles for Equity (*see under 1*) and transmitted to Counterparties for execution.

Non-exchange traded (mutual) funds and Listed funds that trade on NAV are traded with the fund via the transfer agent of the fund, or using a Counterparty or platform like Fundsettle.

- The main criteria are likelihood and speed of execution, and costs, as these funds in general trade on NAV with a set Anti-Dilution Levy or Swing Price.

2.3 Bonds

Not all listed bonds are traded on a regulated market on a daily basis. Bonds are traded OTC directly with professional Counterparties, or on the Bloomberg MTF. For each order it is checked if a fair price can be realised, by comparing quotes of multiple counterparties.

For the trades in Bonds a distinction can be made between:

- Government Bonds, where the main criteria is price. Furthermore speed and likelihood of execution, costs and the order size are of importance.
- Credits and Structured credits, where the main criteria are price and liquidity. Furthermore, costs, speed and likelihood of execution are of importance.

2.4 Derivatives

Derivatives are, depending on the type, transmitted for execution by a Counterparty, or, or directly executed with a Counterparty.

For trading in Derivatives, a distinction can be made between :

- Standardized derivative contracts (f.i. Interest Rate-, Currency- and Index Futures). For these type of derivatives the regulated markets offer the highest liquidity and consequently the best likelihood of the best prices and swift execution. These types of derivative contracts are therefore placed for execution by Counterparties on regulated markets. Price and costs are the main criteria.
- Non-standardized Derivative Contracts (f.i. Swaps, Forwards and CDS) are in general executed directly with a financial institution as a counterparty, or, In case of FX trades, via a specific platform (an MTF). The main criterion is price and the other criteria (in order of importance) are financial quality of the counterparty, likelihood and speed of execution.

3. Selection and review process

Client transactions may be executed only with or through counterparties that meet requirements applied by KCM. An Approved counterparty list is compiled based on counterparty reviews.

KCM continually considers the quality of execution and services provided by counterparties. This is reflected in a semi-annual review process, based on a quantitative and qualitative aspects.

In the review process, KCM considers aspect like:

- The outcomes of a post-trade analysis where we monitor execution prices against industry benchmarks where available and evaluate the trading practises
- The quality and effectiveness of a Counterparty's execution policy
- Trust, by which we mean: is a counterparty able to maintain the confidentiality of an order and do they know where to expose an order and where not
- The Counterparty's ability to provide the best price and to maximize the opportunity for price improvement
- Ability of our counterparty to commit their capital to our trades and/or obtain natural liquidity to minimize market impact
- Clearance and settlement capabilities
- Commission rates and other costs
- The Counterparty's ability to provide favourable access to 'new issues'
- Access to specific markets (e.g. Taiwan, Korea)
- Hit ratio's for Fixed Income transactions
- Quality and Quantity of information flow
- Offering of a program trading platform
- Any other relevant factor

4. Consent

This order execution policy will also be send along with the Investment Management Agreement (IMA). As stated in the IMA, Client consent regarding this execution policy is assumed implicitly, including future changes. This also includes consent in our execution of orders on clients behalf outside of Regulated Markets. Clients will be informed in the event of any material policy changes. Kempen will always publish the latest version of its policy on its website

5. Monitoring and review

KCM monitors compliance with and effectiveness of the order-execution policy at least every six months, consisting of a quantitative analysis and a qualitative analysis (including a review of the counterparty's 'trading knowledge' and algorithms). The results of this monitoring will also be used in the selection of counterparties. KCM will evaluate this order-execution policy at least once a year, and will amend it where necessary.

6. Conflict of interest

KCM does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular counterparty which would infringe the requirements on conflicts of interest or inducements. Moreover, from 3 January 2018, Services received from counterparties, such as the provision of investment research are paid by KCM and not using transaction commissions or fees.

In executing orders for client portfolios the leading principle is the fair and equal treatment of clients and client orders. In the KCM Trading Principles, these have been further specified for situations that could give rise to conflicts of interests, like in aggregating client orders, allocation of executed orders and cross-trades.

7. Review of this Policy

In principle, the order execution policy will be reviewed at least once a year and if deemed necessary brought up-to-date. In doing so, particular attention will be paid to:

- Reporting on the counterparties most used during the previous period;
- Results from monitoring of execution quality offered by counterparties
- Adjustments in the relative importance of the criteria for order execution.

This version was reviewed in H2 2020. Updated versions will be made available on the website: www.kempen.nl under Asset Management

8. APPENDIX: Counterparty list H2 2020

EQUITY	FIXED INCOME	(LISTED) DERIVATIVES
ABNAMRO	ABN Amro	JP Morgan
Berenberg	Banca Imi	Kempen & Co
Bernstein	Barclays	Socgen
BoA Merrill Lynch	BNP	
Carnegie	BoA Merrill Lynch	
CBOE BIDS	Calyon/Credit Agricole	
CITI	Citigroup	
CLSA	Commerzbank	
Credit Suisse	Credit Suisse	
Commerzbank	Danske Bank	
Danske	Deutsche Bank	
Degroof Petercam	DZ Bank	
Equita Sim	Goldman Sachs	
Exane BNP	HSBC	
Goldman	HVB/Unicredito	
Goodbody	ING Bank	
Greenstreet	Jefferies	
Handelsbanken	Jane Street	
Hauch & Aufhaeuser	JP Morgan	
Helvea	Mizuho	
ING	Morgan Stanley	
ITG	Mitsubishi	
Jefferies	Natixis	
JP Morgan	Nomura	
Kempen & Co	Nordea Bank	
KBC	Rabobank	
Kepler	RBC	
Liquidnet	RBS/Natwest	
Mediobanca	Santander	
Mizuho	Societe Generale	
Morgan Stanley	Swedbank	
Numis	UBS	
Oddo	Wells Fargo	
RBC		
Peel Hunt		
Raymond James		
Santander		



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