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Execution Policy

Direct Investment Unit

Contents

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Introduction

Background

The Direct Investment Unit (‘DIU’) executes orders in a broad range of financial instruments on behalf of its clients where it has a fiduciary obligation to take all sufficient steps to seek to obtain the best possible trade execution result for its clients (known as best execution). This Execution Policy (‘Policy’) describes how the DIU meets these obligations.

The Policy is a key component in the DIU’s ongoing effort to provide transparency to our clients on our business practices. Due to the global footprint of the DIU this document describes the generally accepted principles of Best Execution while taking the local jurisdictions and regulations into account. Annex 1 shows the relevant jurisdictions and local regulatory requirements to which the DIU adheres.

The DIU will act in accordance with the best interest of its clients and take sufficient steps to obtain the best possible results for its clients when it executes orders, considering the execution factors described in this Policy. The DIU has established and implemented robust and effective execution arrangements, including this Policy, designed to meet these objectives.

Scope

The scope of the Policy is set out below:

Entities:
The Policy applies to the following legal entities:

- Cardano Risk Management BV (‘CRMBV’), located in Rotterdam, The Netherlands, is an investment firm and is authorized by the Dutch Financial Markets Authority to provide services to professional clients with respect to advising, managing and dealing in investments. These permissions relate to MiFID II financial instruments.
- Mercer Risk Management Limited (‘MRML’), located in London, United Kingdom, is authorized and regulated by the Financial Conduct Authority (‘FCA’) to provide services to professional clients with respect to advising, managing and dealing in investments. These permissions relate to UK MiFID II financial instruments.
- Mercer Investment Solutions LLC (MIS), located in New York, New York, USA, is regulated by the U.S. Securities and Exchange Commission (‘SEC’) as an SEC-registered investment adviser subject to the Investment Advisers Act of 1940.

Activities:
This Policy applies when the DIU carries out order execution or order transmission services in financial instruments on behalf of its clients. Where orders are transmitted and not executed by the DIU, this Policy applies to the transmission of orders only.

Client scope:
The Policy applies to Professional Clients and Eligible Counterparties only, as defined in Annex II of MiFID-II[1]. With respect to MIS, this policy applies to all MIS clients and counterparties.

Instruments:
The Policy applies to all financial instruments traded by the DIU on behalf of its clients.

Objective

When executing orders on our client's behalf in relation to financial instruments, the DIU will take all sufficient steps to achieve "best execution" of our clients' orders. This Policy describes the procedures that are designed to obtain the best possible result for our clients' orders, subject to and considering any specific instructions, the nature of the orders and the nature of the markets and products concerned.

Execution of Orders

The DIU will act in the best interest of its clients and will take sufficient steps to obtain, when executing orders, the best possible result for its clients taking into account factors relevant to the execution of the order (See section titled "Execution factors" for further information on these factors). To meet this duty, the DIU has established execution arrangements in such a way that the intended execution outcomes can be achieved on an on-going basis.

Execution arrangements are all arrangements that contribute to the ability to execute orders in the best interest of clients, including but not limited to:

- connection to trading platforms;
- trading documentation;
- experience of the trading team;
- knowledge of financial markets and the traded instruments;
- processes and systems for order instruction;
- execution and settlement; and
- validated pricing models.

The DIU engages in monitoring of not only the execution quality obtained but also takes a wider perspective to evaluate to adequacy of its execution arrangements. The section titled "Monitoring" contains further information on monitoring of the best execution process and the execution quality.

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[1] Directive 2014/65/EU, commonly referred to as MiFID-II (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065) and implemented in the UK as UK MIFID

Order handling

The DIU considers it to be in receipt of an order and to be acting on a client's behalf when it receives an execution instruction that establishes contractual or agency obligations between us and the client, or when it executes an order on a client's behalf in the exercise of discretionary management services.

The DIU has procedures in place to ensure the appropriate and timely execution of trade orders and the allocation to clients. When carrying out orders, we will:

- ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;
- carry out otherwise comparable orders by either aggregating them together, or if aggregation is not possible or not expected to achieve the best outcome for all clients, then carry out orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise;
- take all reasonable steps when overseeing or arranging the settlement of an executed order, to ensure that any financial instruments or funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client;
- not trade for our own accounts and never act as a counterparty to transactions;

Additionally, when orders have been transmitted by us to a third party, we will monitor whether execution of that order took place in line with the instructed parameters and restrictions in such order transmission.

Details of the execution will be reported to clients in a manner as mutually agreed and / or required by local laws and regulations.

Client Specific instructions

Where a client has given specific instructions in relation to the entire order, or any particular aspect of the order, the relevant part of that order will be completed in accordance with these instructions. If a client provides the DIU with a specific instruction, this may prevent us from taking some or all the steps we have designed and implemented in this Policy to obtain the best possible result for the execution of orders. The DIU will still be deemed to have taken all sufficient steps to provide the best possible result in respect of the order or aspects of the order which are not covered by the specific instructions.

If a client requires the order to be executed in a particular manner and not in accordance with our execution policy, the client must clearly state their desired method of execution when placing the order. To the extent that specific instructions are not comprehensive, we will determine any non-specified components in accordance with our order execution policy.

Exceptions

Whilst the DIU will take all sufficient steps to ensure that it has execution arrangements in place that can reasonably be expected to lead to consistently deliver the best possible result for clients, we cannot guarantee that it will always be able to achieve the best possible result. This holds, in particular, where clients have given specific instructions. Additionally, under extraordinary circumstances such as significant market volatility or unique conditions relating to a specific financial instrument, the DIU may deviate from its Policy to pursue the best possible outcome for the client.

Counterparties & trading venues

Available trading venues

In taking all sufficient steps to obtain the best possible result when executing orders, we assess available execution methods. The methods of execution available and that enable the DIU to meet these obligations are collectively referred to as ‘trading venues’ and are listed below:

- Regulated Markets (RM);
- Request for Quote Trading Facilities[2];
- Electronic Communication Networks (ECN);
- 3rd party Investment Firms, i.e. banks, or other liquidity providers not included in the above categories;
- The providers of collective investment vehicles.

For the avoidance of doubt, orders may be executed bilaterally outside an organised trading venue (RM or request for quote trading facility).

A list of the organised trading venues on which the DIU places significant reliance in connection with the execution of orders is in Annex 2. The Dealer Committee approves new counterparties to be onboarded and monitors counterparty credit risk for over the counter[3] (“OTC”) trades. The composition of the Approved Counterparty list is subject to change and may be revised from time to time.

[2]Multilateral Trading Facilities and Organised Trading Facilities in the EU and UK which are a defined under MIFID II

[3]Trades ultimately undertaken outside of a regulated market, such as bilateral or on a Request for Quote Trading Facilities.

Choice of counterparty

A list of Approved Counterparties is maintained. The DIU can only use counterparties on the Approved Counterparty list and is responsible for choosing the counterparty for execution in financial instruments from the approved list.

The following considerations are considered, in no particular order:

- Nature of the financial instrument, e.g. traded on a Regulated Market or only OTC;
- Available counterparties, e.g. availability of trading documentation and operational set-up;
- Available prices and liquidity;
- Axes, i.e. known positioning in the market;
- Results of previous transactions with a particular counterparty;
- Ongoing reliability;
- Market circumstances;
- Counterparty risk and concentration;
- The Execution Factors and Criteria as mentioned in the sections titled “Execution factors” and “Execution criteria”; and
- Any other relevant factor.

The DIU does not receive any monetary or non-monetary benefits for routing orders to a particular execution method which would infringe the requirement to manage conflicts of interest and may also breach local ‘payment for order flow’ rules.

Best Execution

Execution factors

In the absence of specific instructions from our clients, we will consider the following factors when executing or transmitting orders, in no particular order:

- Price or spread;
- Transaction costs, including explicit costs such as fees, commissions and tax, and implicit costs such as market impact;
- Counterparty risk, creditworthiness and liquidity;
- Document and collateral flexibility for OTC derivatives;
- Speed of execution of the order;
- Likelihood of execution, completion and settlement of the order;

- Size and nature of the order; and
- Any other consideration relevant to the efficient execution of the order, e.g., clearing arrangements or rules on trading intervention.

Execution criteria

The DIU will determine the relevant importance of the above-mentioned execution factors based on the following criteria:

- The characteristics and nature of the client, including regulatory client categorization;
- The characteristics and nature of the order, including any specific client instructions;
- The characteristics of the financial instruments in the order and market liquidity;
- The characteristics of the available counterparties;
- Any other criteria relevant in a transaction order.

In determining the relative importance of the execution factors for a given set of execution criteria, the DIU will apply its commercial judgement, expertise and experience. Ordinarily, price will merit a high relative importance in obtaining the best possible result for professional clients. However, depending on the abovementioned criteria, other factors may outweigh this factor.

Specific asset class considerations

The following sections summarise considerations for specific asset classes and explain how the DIU will execute orders. Please note that within each asset class, the nature of the relevant instrument, varying market circumstances and client considerations may call for varying weights attached to the execution factors. Consequently, the information provided below should be regarded as general guidance. In practice, the execution strategy will be customized to pursue the best possible outcome based on specific execution criteria.

As part of monitoring of the quality of execution, the DIU employs independent and / or internal Transaction Cost Analysis (‘TCA’) for various asset classes. This involves assessing transactions against various benchmarks, such as spread from mid at point of execution, slippage from arrival price and market impact. These analytics are also used to evaluate the performance of Counterparties, which in turn feed into Counterparty selection for future transactions. Further background on TCA usage is available in the section titled “Transaction Cost Analysis”.

Foreign exchange

In foreign exchange transactions, key execution factors typically include price, liquidity, size and speed of execution, particularly for the more liquid currency pairs. For less liquid pairs, factors like information leakage also play a prominent role.

For larger transactions, it is not cost-effective or feasible from the perspective of liquidity to execute at once. On such occasions, we may split transactions into smaller orders or utilize execution algorithms to consume market liquidity in a more gradual way. In such circumstances, we may choose to limit the set of involved liquidity providers potentially down to one. We will use available pre-trade market information to determine whether the conditions provided by the relevant liquidity provider are competitive and acceptable under the circumstances.

To maximise likelihood of settlement, we prefer to process FX transactions electronically. Settlement risk is mitigated by using continuous linked settlement (“CLS”) (a type of Payment-versus-Payment settlement system) to the extent possible. If CLS in unavailable, the likelihood of settlement and potential costs of non-settlement are considered as additional factors.

Fixed income & rates

In fixed income and interest rate derivatives, the dominant execution factors revolve around price, liquidity and size, particularly for the more liquid instruments within this extensive asset class. In less liquid areas, factors such as information leakage and market impact may also become significant. In certain situations, other factors may carry greater weight, including but not limited to likelihood of settlement.

In fixed income markets, a common execution method is “request-for-quote”, often on an organised trading platform. This approach involves multiple counterparties competing by providing simultaneous quotes for a financial instrument. Price is typically the most relevant factor for best execution, demonstrated through the presence of competing quotes and checking against the pricing in the market.

To account for liquidity and price factors, we may opt to divide larger orders into several smaller transactions to enhance the overall outcome for the client. However, as this type of market activity may lead to information leakage and, subsequently, to worse trade outcome on subsequent trades, we may choose to trade a large-sized order at once, or to work with one counterparty to execute the remainder of the order. This decision aims to strike a balance between achieving optimal execution and minimizing the risks associated with information leakage. Similar considerations may be taken when trading in less liquid instruments or under certain market circumstances. We will use available pre-trade market information to determine whether the conditions provided by the relevant counterparty are competitive and acceptable.

For transactions in the primary markets, we will rely on the lead managers / primary dealers involved in the issuance of new or existing debt instruments.

Equity

Equity transactions include instruments like ETFs, shares and depositary receipts. We use brokers to transmit and execute orders in equity and equity like instruments. Orders in liquid instruments are usually bundled in Program Trades and transmitted to a broker’s Program Trading desk or executed by us through broker algorithms. The broker generally acts as an agent.

Orders in illiquid instruments or orders composing a large percentage of Average Daily Volume are usually executed through brokers algorithms or Direct Market Access (DMA). Other sources of liquidity include Riskless Principal trades, executable IOI's, Dark Pools and Electronic Crossing Networks.

For every trade, regardless of size and liquidity, the trader assesses the market conditions and determines which execution factors and criteria are leading.

Instruments such as ETFs are typically executed on a request for quote organised trading platforms in direct competition, where the best price is selected based on competing quotes.

Exchange-traded derivatives

For exchange-traded derivatives (traded on a regulated market) such as interest rate, equity or currency futures and options, price, size and speed of execution typically are dominant execution factors. Given the fact that regulated markets are accessed via brokers, costs such as broker fees are also considered. Depending on liquidity in the exchange-traded derivative on the relevant exchange, we may choose to execute via direct market access, block trades or utilize execution algorithms.

OTC derivatives

By definition, OTC derivatives are those not traded on a regulated market and may not be admitted to trading on a request for quote trading platform. Therefore, when OTC derivatives are traded, additional factors come into play during the execution process including counterparty risk.

For us to trade OTC derivatives with counterparties, the necessary ISDA (International Swaps and Derivatives Association) documentation must be in place, providing the legal framework for these derivatives throughout their lifetime. This limits the available counterparties for OTC derivative trades. To mitigate counterparty credit risk, collateral is exchanged between parties. Tolerance for concentration in counterparty credit risk and flexibility in collateral agreements are also relevant factors when selecting counterparties in OTC markets.

We will clear OTC derivatives via a central clearing counterparty when this is either required by law, when this is in the client's best interest or upon specific client instruction.

When executing orders in OTC derivatives, we check the fairness of the price pre-trade. For OTC derivatives where market reference price data is available such as swap rates, yield curves, FX rates, etc., we analyse this data to establish an independent mid-market reference price. For more bespoke OTC derivatives, where reference prices may not be readily available, we utilize in-house models based upon independent third-party market data to determine the mid-market reference price. Once a reference price is established, orders are typically executed on a Request for Quote basis. A trade is executed with the counterparty offering the best result, based on the appropriate execution factors and available Counterparties, and benchmarked against the reference price. In certain cases, we may choose to work with only one counterparty if it is deemed in the best interest of the client.

In some financial instruments, there may only be one trading platform available. In such cases, we strive to provide the best possible result considering the nature of these types of financial instruments.

Finally, we ensure our independence from any product provider in the OTC derivatives market and do not supply any OTC products ourselves.

Crossing transactions

Occasionally, we may encounter situations where some client(s) have an interest to sell certain securities whilst other client(s) have an interest to purchase those same securities. In these cases, we will determine whether it is in the best interest for both (groups of) clients to facilitate a 'cross trade'. This involves transferring the security form one client to the other at a fair market price that is independently determined.

Before proceeding with a cross trade, we will carefully consider whether such transaction would benefit all clients involved and aligns with their respective mandates. As cross-trades potentially give rise to a conflict of interest, the Compliance Team must be notified in advance and provided with information on the proposed transaction including how the fair market price is to be determined. The objective should be to obtain a better price for buyer and seller by avoiding transaction costs.

In practice, cross-trades are catered for via an independent third party, such as a common counterparty. This ensures that the cross-transactions is conducted at arms-length at a fair market value. Typically, this is a mid-market price determined using independent market information.

Monitoring

The DIU regularly monitors the execution quality achieved and the overall appropriateness of our execution arrangements. The objective of such monitoring is to ensure that trade outcomes align with the intended objectives for clients, both at the aggregated level and on an individual trade basis.

We consider monitoring of execution quality, as explained in subsequent sections, to be the foundation for continually evaluating the adequacy of our execution arrangements. Additionally, we regularly examine the market landscape, taking into account various factors such as available trading platforms, counterparties, execution protocols, trends in financial markets, and trade execution in relevant financial instruments. If it is determined, through this ongoing monitoring of execution quality or market landscape assessment, that improvements are necessary in the execution arrangements, we will make efforts to implement such improvements to the best of our ability.

Execution quality is reviewed in the first instance by the DIU, and is then monitored by the Compliance & Execution Committee (CEC). Transaction Cost Analysis serves as a vital tool in this monitoring process. Subsequent sections provide detailed descriptions of each of these elements mentioned above.

Transaction Cost Analysis

We employ Transaction Cost Analysis (‘TCA’) as part of our best execution monitoring. TCA allows us to assess the quality of execution by comparing trades against various independent benchmarks. The specific benchmarks used may vary depending on the asset class and instrument traded.

Benchmarks can include market prices at the point of execution, order placement in the market and specific time-points after execution. In addition, volume or time weighted average prices during the execution period, or independent reference prices, such as Markets-On-Close or fixings (such as WM Reuters FX rates) can be incorporated. By analysing trades in this manner, we gain insights into the execution quality of individual trades as well as for broader samples.

TCA is an extremely valuable tool in identifying trends in realized transaction costs and assists in determining whether changes in execution arrangements are necessary over time. Depending on the financial instrument, we may utilize both internal TCA and / or information form independent 3rd party TCA providers. In cases where direct market prices or benchmarks are unavailable, we examine competing quotes from the (sub-) set of available counterparties and, if feasible, establish an independent price based on internal pricing models as a benchmark for analysis.

DIU trading review

The DIU is responsible for providing best execution to our clients and adhering to the procedures designed to consistently deliver the best possible results. On a regular basis, the trading team conducts product-specific Execution & Dealer Reviews. During these meetings, the team reviews the aggregated execution quality obtained in terms of the documented execution factors. They employ independent and/or in-house TCA, to compare execution results against relevant benchmarks and identify relevant trends. In particular, the worst performing trades (‘outliers / exceptions’) are reviewed.

Additionally, the performance of counterparties is reviewed. This review includes quantitative factors such as hit ratios and traded volumes, as well as qualitative factors like reliability and the level of service provided. The analysis serves multiple purposes, including providing tailored feedback to counterparties, maintaining the quality of liquidity provided, and monitoring of counterparty concentration and turnover. The minutes and conclusions from the quarterly meetings are shared with the CEC.

By engaging in these activities, the team ensures transparency, accountability and ongoing enhancement of execution practices.

Compliance and Execution Committee

The CEC serves as the second check. Its purpose is to provide oversight of the effectiveness of the execution arrangements of the DIU and its members are from the Trading, Risk and Compliance departments. The CEC performs a review of the execution quality obtained. This involves a thorough examination of high-level execution results, discussions on worst performing trades or exceptions that may have arisen. The conclusions and minutes from the CEC meetings are shared more broadly within the DIU and Senior Management.

The CEC plays an important role in ensuring the integrity and effectiveness of our execution arrangements, providing an additional layer of oversight.

Policy Review

We will review this order Execution Policy on an annual basis or whenever material changes occur in the interim, ensuring that the Policy remains up-to-date and effective. By regularly reviewing and updating the policy we demonstrate our commitment to maintaining a robust and adaptive framework that aligns with industry best practices and the evolving financial markets landscape.

Annex 1: List of regulatory requirements from all relevant jurisdictions for entities in scope

Mercer Risk Management Limited (MRML), located in London, United Kingdom, is authorized and regulated by the Financial Conduct Authority (FCA) to provide services to professional clients with respect to advising, managing and dealing in investments. These permissions relate to MIFID II financial instruments.

Requirement	Link
COBS 11.2A Best execution – MiFID provisions	COBS 11.2A Best execution – MiFID provisions - FCA Handbook
Articles 24 and 27 (and recitals) of the UK Markets in Financial Instruments Directive (UK MIFID)	EUR-Lex - 02014L0065-20220228 - EN - EUR-Lex
Regulation 48 of The Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018	The Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018
Section 5 of the UK MiFID Org Reg / Commission Delegated Regulation (EU) 2017/565	Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Text with EEA relevance)
ESMA Questions and Answers On MiFID II and MiFIR investor protection and intermediaries topics	ESMA35-43-349 Q&As on MiFID II and MiFIR investor protection and intermediaries topics

Cardano Risk Management BV (CRMNL BV), located in Rotterdam, The Netherlands, is an investment firm and is authorized by the Dutch Financial Markets Authority to provide services to professional clients with respect to advising, managing and dealing in investments. These permissions relate to MiFID II financial instruments.

Requirement	Link
MiFID II Direct 2014/65/EU; Article 27	MiFID II
Commission Delegated Regulation 2017/565: Articles 64-66	Commission Delegated Regulation

Commission Delegated Regulation 2017/575 (RTS 27)	Commission Delegated Regulation 2107/575 RTS 27
Commission Delegated Regulation (EU) 2017/576 (RTS 28) artciles 3-8	Commission Delegated Regulation 2017/576 (RTS28)
ESMA Questions and Answers On MiFID II and MiFIR investor protection and intermediary's topic	Q&A ESMA

Mercer Investment Solutions LLC (MIS), located in New York, New York, USA, is regulated by the U.S. Securities and Exchange Commission ('SEC') as an SEC-registered investment adviser subject to the Investment Advisers Act of 1940 (the 'Advisers Act').

Requirement	Link
As fiduciaries under the Advisers Act, investment advisers owe their clients a duty of care. The duty of care includes, among other things, the duty to seek best execution of a client's transactions where the adviser has the responsibility to select broker-dealers to execute client trades. See Commission Interpretation Regarding Standard of Conduct of Investment Advisers, SEC Release No. IA-5248 (June 5, 2019), 84 FR 33669. The Interpretation became effective on July 12, 2019.	www.sec.gov/rules/interp/2019/ia-5248.pdf

Annex 2: Names of the trading platforms used across entities

A list of trading platforms considered is set out below. We may use other trading platforms, add or remove any platform from the list where we determine it is appropriate to do so.

Instrument	Platform	Selection criteria
Interest rates	Tradeweb, MarketAxess, BTFE, Eurex, CBOT, CME, ASX Group, ICE, Montreal Exchange, Bloomberg TSOX	Liquidity and pricing
Currencies	FX All, CME, BTBS, FX Connect, Bloomberg FXGO	Liquidity and pricing
Commodities	CME, ICE, Bloomberg EMSX	Liquidity and pricing
Equity	Regulated Markets (covering MSCI ACWI) via intermediate brokers, Liquidnet EU Ltd, Virtu Financial Ireland Ltd, TP ICAP, CBOE Bids, Bloomberg EMSX, ITG Triton	Liquidity and pricing
Debt cash	Tradeweb	Liquidity and pricing

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