



ORDER EXECUTION POLICY

**ALCENTRA NY, LLC
ALCENTRA LIMITED**



VERSION #	1.3
MODIFIED DATE	04.12.2020
CLASSIFICATION	Public
APPROVED ON	Dec 2020



DOCUMENT CONTROL

Document owner

NAME	TITLE	VERSION
Chris Barris	Co – Chief Investment Officer	All
Graham Rainbow	Co – Chief Investment Officer	All

Distribution

NAME	TITLE	VERSION
	All employees and contractors (Employees)	Final
	Direct and Indirect Investors	Final

Revision history

REVISION NO.	DATE	SUMMARY OF CHANGES	CHANGES MADE BY
0.1	01.10.2018	Baseline Version	Max Van Baasbank
0.2	15.03.2019	Updated template and inclusion of Alcentra NY, LLC policy requirements	Arjun Sumra
0.3	09.04.2019	Updated cross trades section following comments by James Algar and clarified applicability to syndicated loans and Direct Lending	Arjun Sumra
0.4	10.04.2019	Feedback re scope for ANYLLC from Steven Levinsons	Mohit Sarda
0.5	10.04.2019	Tidying up language, edits to the cross trades section made by James Algar	Mohit Sarda
0.6	10.04.2019	Edit in the Cross Trades section for illiquid instruments – comment by Amy Lattimore	Mohit Sarda
0.7	11.04.2019	Edit in the Cross Trades section for illiquid instruments – comment by Steven Levinson re applicability of rule 17a-7	Mohit Sarda
0.8	24.05.2019	Edits to section 6	Mohit Sarda
0.9	02.07.2018g	Responses to Nilima's Comments	Mohit Sarda
1.0	18.07.2019	Changes to cross trades section – incorporating Amy's Comments	Mohit Sarda
1.1	14.11.2019	Changes to cross trades section	Steve Levinson
1.2	11.12.2019	Changes to section 8, 'Roles & Responsibilities' and appendix III and other formatting changes	Mohit Sarda
1.3	22.01.2020	Changes to Roles & Responsibilities	Mohit Sarda
1.4	04.12.2020	Addition of FX best ex factors for limited counterparties	Ben Woodley

Related documents

REFERENCE	TITLE
	Alcentra Global – Allocations Policy



DOCUMENT CONTENT

DOCUMENT CONTROL.....	2
Document owner	2
Distribution.....	2
Revision history	2
Related documents.....	2
1. SCOPE	5
2. PURPOSE	5
3. EXECUTION VENUE AND BROKER SELECTION	6
A) SELECTION PROCESS.....	6
B) EXECUTION METHODS.....	6
C) SPECIFIC INSTRUCTIONS	7
4. ORDER EXECUTION	7
A) EXECUTION FACTORS	7
B) ORDER EXECUTION PER ASSET CLASS.....	8
Debt Instruments.....	8
Structured Finance Instruments	9
Equity Instruments	9
Foreign Exchange	10
Derivatives.....	10
5. ORDER EXECUTION OUTSIDE OF TRADING VENUES	11
6. CROSS TRADES	11
A) AGENCY.....	11
B) INTERNAL.....	12
C) MONITORING	13
7. RESTRICTIONS	13
8. PERIODIC MONITORING	13
9. REPORTING	14
A) CLIENT REPORTING	14
B) PUBLIC REPORTING REQUIRMENTS.....	14
10. GOVERNANCE.....	14
11. ORDER HANDLING.....	14
A) GENERAL CONSIDERATIONS	15
B) AGGREGATION AND ALLOCATION	15
12. DIRECTED BROKERAGE	15
13. ADDITIONAL INFORMATION	15
ROLES AND RESPONSIBILITIES	15
APPENDIX I – Definitions	16
APPENDIX II – Instruments	17



APPENDIX III – Execution Venues	18
APPENDIX IV – Strategies.....	19



1. SCOPE

This Policy will apply to transactions entered into by the following list of Alcentra entities:

- Alcentra Limited
- Alcentra NY, LLC

This Policy will apply where an Alcentra entity listed above either executes a transaction on behalf of a client or transmits a client order to a third party for execution.

This Policy will also apply where an Alcentra entity passes an order for execution to any non-EEA broker-dealer, in which case Alcentra will have a duty of best execution and will require the executing counterparty to provide best execution.

In the case of Alcentra Limited, this Policy applies to transactions executed with professional clients, as defined by MiFID II. Clients should have received a formal notification from us informing them of their categorisation. Alcentra Limited's permission do not allow it to deal with Retail clients but these MiFID II restrictions do not apply to Alcentra NY LLC.

Where Alcentra executes an order for a professional client, the importance of each one of the Execution Factors (outlined in section 4) and how they are treated may vary depending on the following:

- The nature of the client's instructions;
- The characteristics of the transaction;
- The characteristics of the financial instrument; and
- The characteristics of the execution venues to which the transaction can be directed.

This Policy will apply in respect of the financial instruments listed in [Appendix II](#) where Alcentra:

- Receives and transmits client orders for execution; and
- Executes orders and requests for quotes on behalf of clients.

2. PURPOSE

This Order Execution Policy (the "**Policy**") has been designed to also provide clients with information on the arrangements implemented by Alcentra to manage the execution of their orders as required by various regulations in the UK and US.

Best execution of client transactions are among the specific obligations that are derived from an adviser's fiduciary duties. As an investment adviser, Alcentra must execute transactions for clients in such a manner that the transaction represents the best overall execution for the client under the prevailing circumstances.

This Policy provides information as to how Alcentra will handle orders and requests for quotes where we owe an obligation of best execution.

Terms used in this Policy but not otherwise defined have their meaning set out in [Appendix I](#).



3. EXECUTION VENUE AND BROKER SELECTION

A) SELECTION PROCESS

Where required by regulations (for instance MiFID2 in the EU/UK) or where advisable from a liquidity perspective, Alcentra utilises a number of execution venues:

- Regulated Markets (RMs);
- Multilateral Trading Facilities (MTFs);
- Organised Trading Facilities (OTFs); and
- Systematic Internalisers.

To the extent Alcentra has discretion over the choice of one execution venue over another, the selection of the execution venue will be made based on which venue (or venues) provide for the best overall result for the client. This also applies where we rely exclusively on one venue to effect certain types of transaction for specific instruments. In all cases we will uphold our regulatory obligation to take all sufficient steps to obtain the best possible results for our clients and consistently achieve the best execution results for them.

Alcentra does not charge commission for execution.

Alcentra relies on an internal Trading & Portfolio Management Oversight Committee, which, on an annual basis, validates the list of trading venues that the firm uses. As part of this validation process, the committee will perform on-going assessments of the execution venues, in order to determine (i) whether existing venues continue to provide for the best possible result for clients and (ii) the suitability of new execution venues. In making this assessment, Alcentra will utilise information derived from its own internal best execution monitoring tools, processes and Management Information (MI), as well as execution quality data reported by execution venues¹.

The following factors, which are consistent with the ex-ante and ex-post controls used by the firm to monitor compliance with our Order Execution Policy, will be taken into account during the above assessment:

- Price;
- Liquidity;
- Execution and clearing costs;
- Clearing arrangements such as settlement reliability;
- Execution venue trading controls;
- Qualitative factors such as clearing schemes, circuit breakers, information leakage or any other relevant consideration.

A list specifying which execution venues are used for professional clients is set out in [Appendix III](#).

B) EXECUTION METHODS

Alcentra may opt for different execution strategies depending on the nature of the instrument and the order in question. We may place orders directly with execution venues or execute through brokers. The brokers, who themselves may be subject to best execution requirements, may execute the transaction either on their own account or through another venue. In some cases our counterparties may operate as

¹ Essentially the RTS27 reports as mandated by MiFID 2 or similar



Systematic Internalisers² for specific instruments, meaning that they deal on their own account for those instruments on a frequent, substantial and systematic basis. Alcentra may also request a quote to trade over the counter with a counterparty on behalf of a client, which is a common method of dealing in fixed income markets. In all cases we will employ that method of execution that will enable us to achieve the best possible execution for the client.

C) SPECIFIC INSTRUCTIONS

Where a client communicates specific instructions to Alcentra related to the execution of an order, we will execute or transmit the order in accordance with those instructions. Where a client communicates specific instructions to Alcentra related to a particular aspect of an order, we will apply our Order Execution Policy to those parts that are not covered by the instructions.

It is important to note that, where a client provides specific instructions with regards to the execution or transmission of an order, this may prevent Alcentra from achieving the best possible result for the execution and transmission of the order, in respect of the elements covered by those instructions.

4. ORDER EXECUTION

A) EXECUTION FACTORS

When providing portfolio management services to clients, Alcentra must act in accordance with the best interests of its clients. This applies when placing orders with counterparties or using venues for the execution of trades which result from Alcentra's execution decisions. Alcentra is required to take all sufficient steps necessary to obtain the best possible result ('best execution') for its clients, taking into account all relevant factors, including:

- Price;
- Costs (implicit and explicit);
- Size;
- Speed;
- Likelihood of execution;
- Likelihood of settlement;
- The nature of the order; and
- Any other considerations.

The relative importance of each of these factors within our dealing process will vary depending upon a number of criteria, namely:

1. The investment intent of the investment manager who created the order at Alcentra;
2. The characteristics of the client order, including where the order involves a securities financing transaction (SFT) and/or repo;
3. The characteristics of financial instruments that are the subject of that order; and

² systematic internaliser - has the meaning in article 4(1)(20) of MiFID and means an investment firm which, on an organised, frequent, systematic and substantial basis, deals on own account by executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system.



4. The characteristics of the execution venues to which that order can be directed.

Generally, we will consider Price as the most important execution factor, although at times we may use other factors when dealing in different markets and asset classes. Factors might vary between the choices of counterparties and investment desks. In some markets price volatility and/or liquidity may mean that timeliness of execution is a priority. In other markets, where low liquidity is prevailing, the fact of execution may itself constitute best execution. In other cases, our choice of counterparty may be limited because of the nature of the order or where a Client has limited access to counterparties for trading.

B) ORDER EXECUTION PER ASSET CLASS

Alcentra's policy allows us to trade a wide variety of Financial Instruments across different strategies. An overview of the strategies can be found in [Appendix IV](#).

The following section provides, for each asset class relevant to Alcentra's investment strategies, an overview of the execution methods and most important execution factors to consider. It is important to reiterate that Price will commonly be given the highest degree of importance from a best execution perspective.

Debt Instruments

Scope:

- High Yields Bonds
- Floating Rates Notes
- Syndicated Loans (traded on the secondary market)
- Money Market instruments (Commercial Paper, Certificates of Deposits, short dated bonds)

Execution Method:

Alcentra will decide on a case-by-case basis whether to execute a transaction via an execution venue or directly with a counterparty in order to ensure the best possible execution for the client. With regards to debt instruments, Alcentra tends to adopt either of the below methods:

- The trading desk may opt to undertake the transaction directly with a counterparty, soliciting bids/offers either via phone or an electronic trading platform to obtain the best execution price.
- The trading desk may also opt to proceed via a Request For Quote (RFQ) model, which is carried out via an electronic dealing system and enables Alcentra to recreate an auction process to obtain the best execution price.

The trading desk will obtain a minimum of three quotes for liquid debt instruments in order to ensure best execution.

Execution Factors:

Many transactions undertaken by Alcentra involve illiquid debt instruments, such as, syndicated loans that may be thinly traded on the secondary market. As such, where Alcentra identifies only one counterparty to execute a transaction, it shall ensure that the achieved price is fair and in line with best execution requirements. Price is the factor that will be given the highest level of importance. Other factors may be taken into account such as, but not limited to, the liquidity of the instrument, the urgency of execution and certainty of execution.



Structured Finance Instruments

Scope:

- CLO Securities

Execution Method:

Alcentra will decide on a case-by-case basis which execution method will ensure the best possible execution for the client. With regards to structured finance instruments, Alcentra tends to adopt either of the below methods:

- The trading desk may opt to undertake the transaction directly with a counterparty, soliciting bids/offers either via phone or an electronic trading platform.
- The trading desk may solicit either bids or offers during a Bid Wanted in Competition (BWIC) process, which is similar to a secondary auction process.

The trading desk will leverage market scanning tools for pre-trade checks in order to ensure that the quotes negotiated with the counterparty represent a fair price. Where available, in the case of a BWIC process, the trading desk will also analyse competing quotes to assess best execution.

Execution Factors:

As for debt instruments, the way structured finance transactions are executed depends very much on the liquidity of the instruments. Most structured finance transactions are arranged over-the-counter, hence Price is the factor that will be given the highest level of importance. Other factors may be taken into account, such as but not limited to, certainty of execution, information leakage and liquidity of the instrument

Equity Instruments

Scope:

- Equities
- ETFs
- Warrants

Execution Method:

Alcentra transmits all of its Equity orders to a broker for execution. The broker owes Alcentra a duty of best execution, and charges Alcentra a commission in line with standard market practice for their execution services. Alcentra reviews these fees on an annual basis.

Execution Factors:

With regards to liquid instruments, Alcentra typically expects Price to be the most important factor. However, in the case of less liquid equity instruments or large orders, emphasis can also be placed on Likelihood & Certainty of Execution. Other factors may be taken into account by the executing bank, such as but not limited to, liquidity available from an execution venue or counterparty, the order size, and the potential impact on the market the order might engender.



Foreign Exchange

Scope:

- FX Forwards
- FX Swaps

Execution Method:

Alcentra executes most of its FX transactions via the FXALL multilateral trading facility (MTF). Using an MTF allows for efficient price discovery, electronic routing and execution of the trades, thus enabling the trading desk to efficiently compare competing quotes in order to execute at the best available rate. Due to the nature of its business, Alcentra conducts a vast majority of its FX transactions as part of its wider hedging strategy. For some strategies due to the illiquid nature of portfolio investments and/or the size of client portfolios, it may not be possible for the investment manager to agree trading terms with more than one counterparty. This is due to counterparty specific credit risk restrictions on acceptable levels of collateral when entering into foreign exchange derivative transactions with clients' portfolios. This means that clients may be restricted to one counterparty for all foreign exchange hedging transactions and as such the Investment Manager may not be able to source competing market quotes for currency hedging transactions.

Execution Factors:

Generally there is a high degree of price transparency inherent to the FX instruments we trade so trading desks usually have access to a selection of counterparties. In such cases **Price** is the factor that will be given the highest level of importance. Other factors may be taken into account, such as but not limited to, the liquidity of the instrument, the timing of the execution, the urgency of execution and prevailing volatility. In cases where, due to the nature of the proposed transaction and/or the unique situation of our client, we are limited in the selection of counterparties we will consider other factors like certainty of execution as more important.

Derivatives

Scope:

- Options
- Futures
- Perfect Asset Swaps
- Credit Default Swaps
- Interest Rate Swaps

Execution Method:

Alcentra will decide on a case-by-case basis, and subject to counterparty risk considerations, which execution method will ensure the best possible execution for the client. With regards to derivative instruments, Alcentra tends to opt for the below method:

- The trading desk may opt to undertake the transaction directly with a counterparty, soliciting bids/offers either via phone or an electronic trading platform.

With regards to over the counter (OTC) derivatives, Alcentra will make sure that all the required and appropriate documentation is in place. Alcentra will also take the necessary actions to ensure OTC transactions are executed at a fair price. This will notably be done by analysing historical quotes, as well as quotes obtained from other counterparties and third party providers, on the basis of availability.

**Execution Factors:**

Price is the factor that will be given the highest level of importance. Other factors may be taken into account, such as but not limited to, counterparty risk, the liquidity of the instrument, the urgency of execution and prevailing volatility.

Securities Financing Transactions**Scope:**

- Bond Repos

Execution Method:

Alcentra will decide on a case-by-case basis, and subject to counterparty risk considerations, which execution method will ensure the best possible execution for the client. Alcentra executes Repos with a limited number of available counterparties. Alcentra typically follows an RFQ-like process by contacting a defined list of counterparties who then make us a price.

Execution Factors:

Alcentra will base its choice of counterparty on a combination of factors, including but not limited to the price of the bond, financing costs (e.g. spread and potential haircut), counterparty risk as well as diversification.

5. ORDER EXECUTION OUTSIDE OF TRADING VENUES

Alcentra may decide that in certain circumstances, where a client has previously provided its consent (as required by MiFID2 for Alcentra Limited), it would be beneficial to execute all or part of an order outside a Trading Venue. This is mostly relevant in cases of low liquidity instruments where we may be constrained in the choice and availability of venues and counterparties. In such cases, where certainty of execution is deemed important, we will, subject to client consent, execute transactions outside a trading venue.

When executing orders or taking the decision to deal in OTC products, including bespoke products, Alcentra shall check the fairness of the price proposed to the client, by gathering external market data (where available) used in the estimation of the price of such products and, where possible, by comparing with similar or comparable products. Such pre-trade checks (ex-ante assessment) are undertaken on a systematic basis and embedded in our policies and practices. Any checks or controls will be calibrated according to the nature of the financial instrument and the characteristics and circumstances of the individual trade.

6. CROSS TRADES**A) AGENCY**

An agency cross transaction occurs when an adviser, if also registered as a broker-dealer or using an affiliated broker-dealer, executes a transaction between an advised client and a brokerage client for a fee. Alcentra does not engage in agency cross transactions as it is neither a registered as a broker dealer nor does it trade through affiliated broker-dealers.



B) INTERNAL

On occasions Alcentra may effect cross trades involving the funds it manages in which a security or other instrument is sold from one fund advised by Alcentra and bought for another advised fund or an affiliated fund through a book-entry, custodial transfer, or broker-dealer.

Such transfers create a potential conflict of interest because Alcentra has a duty to obtain the most favorable price for both the selling and the purchasing Fund. Accordingly, Alcentra effects such cross trades only when it is beneficial for both selling and buying funds and the Firm believes it is desirable to buy for one Fund securities or other instruments that another Fund owns and such trades are in the best interests of all Funds involved.

Alcentra will effect cross trades in securities or other instruments for which market quotations are available and will use a mid of the best selling level and best buying level to ensure that each fund equally benefits from the trade. If no market quotations are available, Alcentra will effect at a price, based on numerous factors which include, but are not exclusive to; last quote price, Markit pricing source data and Alcentra pricing committee agreed pricing, for which Alcentra believes has a reasonable basis to fair and equitable to both the buyer and seller funds, subject to Co-CIOs approval.

The benefit of the cross trade policy includes numerous factors, including but not exclusive to, trading at an equitable mid-market price, reducing trading cost of bid/offer spread, reducing Agency fees for affiliated funds, reducing Clearpar use and associated costs, allows for a more streamlined and faster settlement process as factors like short selling by counterparts and pending upstream issues are reduced.

Prior to executing a cross trade the portfolio manager is required to ensure the following conditions apply:

- At least 2 firm quotes have been sourced from the market; or where these quotes are not available, a reasonable and fair price for both buyer and seller determined using factors discussed above;
- Co-CIOs approval;
- Such transactions are not prohibited by the respective fund's investment management agreement, indenture, or other relevant documents (together "Offering Documentation");
- Specific terms of the Offering Documentation are being adhered to;
- The portfolio manager is seeking best execution and will ensure the trade equally benefits both the buyer and seller.
- Transactions between funds are not executed if they would constitute a principal trade whereby Alcentra acts as a principal for its own account, including accounts in which Alcentra has a proprietary interest;
- Alcentra does not receive any compensation in connection with the transaction;
- Transactions between funds are not executed when one fund is deemed an ERISA Fund.
- Cross trades involving registered funds must be executed in a manner consistent with Rule 17a-7.
 - Essentially this means that Cross Trades for illiquid assets involving a Registered Fund are not permissible.

The portfolio manager is required to document the rationale for the cross on the trade ticket as well as the method for determining the price for which Alcentra has a reasonable basis to believe is fair and equitable to both the buyer and seller. This is typically the average of the highest bid price which the selling fund can sell and lowest offer price the buying fund can buy from the market.

In the instance where there is no firm broker bid AND offer, the portfolio manager will determine a reasonable and fair price for both the buyer and the seller, using the factors stated above.

Order entry/execution of the trade is commensurate with price determination, and transaction costs are generally split pro-rata between the participating funds.



Exceptions to the cross trade policy outlined above may be made with the approval of the Co-CIOs. For example, cross trades executed under a Purchase and Sale Agreement will be made subject to the terms of the agreement, which will typically stipulate that the forward sale will take place at the original purchase price.

Compliance will review the adequacy of this policy on a periodic basis to ensure it remains current and meets regulatory expectations. In addition the Trading & Portfolio Management Oversight Committee will be responsible for monitoring of cross trades to ensure they are executed on terms equally beneficial to all parties and in accordance with policy.

C) MONITORING

Compliance will review the adequacy of this policy on a periodic basis to ensure it remains current and meets regulatory expectations. In addition the Trading & Portfolio Management Oversight Committee will be responsible for monitoring of cross trades to ensure they are executed on terms equally beneficial to all parties and in accordance with policy.

7. RESTRICTIONS

Where Alcentra is subject to internal trading restrictions, it may not be possible to accept a client order, in which case the client will be notified at the time of order receipt.

8. PERIODIC MONITORING

The effectiveness of our order execution arrangements is monitored on an ongoing basis. In order to monitor exceptions to agreed benchmarks across its financial instruments, Alcentra utilises the following solutions to assist in the monitoring of Best Execution.

Systematic EX-POST Monitoring	
BTCA	Bloomberg Transaction Cost Analysis (BTCA) is the TCA tool Alcentra uses concurrently with EMSX, TSOX & MarketAxess. This TCA tool enables us to monitor deviations from industry recognised benchmarks by setting clear tolerance levels across Fixed Income (excluding loans) & Equities orders.
MarketAxess	Alcentra relies on MarketAxess to execute a small portion of its bond transactions. Trades executed on MarketAxess are assessed for execution quality using BTCA.
BVAL	Alcentra relies on an offline process using Bloomberg's BVAL price benchmark to monitor the quality of executions achieved for trades executed by the Structured Credit business. The process covers both the rated and non-rated tranches.
FXAll	Alcentra relies on an offline process using FXAll's 'FXAll IQ' price benchmark to monitor the quality of it's FX executions.
We monitor our adherence to the policy and its regulatory obligations in this area through the firm's compliance risk assessment framework and monitoring program. See Section 10 to learn more about our annual best execution governance process.	



9. REPORTING

A) CLIENT REPORTING

Upon receipt of a reasonable and proportionate request Alcentra will, clearly and within 5 working days of the receipt of the request, provide clients with reports and information regarding this Policy. (This is in addition to any client reporting that Alcentra may have contractually agreed to with a client.)

B) PUBLIC REPORTING REQUIREMENTS

Alcentra Ltd is subject to Reporting obligation under MiFID II which requires Alcentra Ltd to publish quantitative details of its top five brokers and execution venues ("RTS 28 Disclosures"). The FCA rules in COBS 11 support these objectives.

In respect of our top execution venues Article 27(6) of MiFID II requires us to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes, where we executed client orders in the preceding year, together with information on the quality of execution obtained. The FCA implemented this rule in COBS 11.2A.38R.

In respect of passing orders to another firm for execution, under the MiFID II Level 2 Delegated Regulation 2017/565 (Article 65(6) of the Delegated Regulation), we are subject to an equivalent rule to the above. Where we select another firm to provide order execution services we must summarise and make public, on an annual basis, for each class of financial instruments, the top five investment firms (brokers) in terms of trading volumes where we transmitted or placed client orders for execution in the preceding year and information on the quality of execution obtained.

These reports may be accessed on Alcentra's website under "Regulatory information".

10. GOVERNANCE

Alcentra has established internal governance processes to assess its execution arrangements, order handling, and execution monitoring and reporting infrastructure.

This includes public reporting obligations for best execution under RTS 28 and (Article 65(6) of the Delegated Regulation), and the review of such reports made by other execution venues.

The Trading & Portfolio Management Oversight Committee meets regularly to assess the effectiveness of these arrangements and to determine any changes or enhancements that may be required. Where this results in a material change to Alcentra execution arrangements, which could impact the Execution Factors and their relative importance, this will be communicated to clients via an update of the Policy.

This Policy will also be subject to an annual review including an assessment of the execution venues used by Alcentra. In addition, should any material change to Alcentra's execution arrangements – which affects Alcentra's ability to continue to obtain the best possible result for its clients – be identified outside of any formal periodic review processes, this will be subject to a separate review process and notified to clients accordingly.

11. ORDER HANDLING

The section below provides further information on how orders will be handled, with the overriding objective being to ensure that orders are executed promptly, fairly and in due turn.



A) GENERAL CONSIDERATIONS

Where we receive a client order we will ensure that the order is executed promptly and will be accurately recorded and allocated.

In the event that we receive comparable orders for two or more clients, the orders will be executed promptly and sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise. Orders will not be considered as comparable if they are received via different execution channels or via two different trading desks within Alcentra or otherwise where it would not be practicable for them to be treated sequentially.

Information in respect of executed or pending client orders will be treated as confidential and we will take all reasonable steps to ensure that information of any pending orders will not be misused.

B) AGGREGATION AND ALLOCATION

It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose orders are aggregated. Where it is believed the effect of aggregation may work to the disadvantage of the client in relation to a particular order, this will be clearly disclosed.

Upon execution any aggregated order will be fairly allocated, taking into account the size of the order, underlying instrument, the relevant strategy and the price of the fills received.

12. DIRECTED BROKERAGE

None of Alcentra clients have directed brokerage or commission recapture arrangements. Should Alcentra begin managing clients with such arrangements, it will develop a policy to address this situation.

13. ADDITIONAL INFORMATION

In case you require additional information with regards to the content of this Order Execution Policy, please email investorrelations@alcentra.com

ROLES AND RESPONSIBILITIES

This policy is owned by the Alcentra Global Trading & Portfolio Oversight Committee and the Co-CIOs are responsible for its review, approval, communication and distribution.

It is the responsibility of all Employees to ensure they comply with this policy and any related procedures and to escalate any breaches or potential breaches to Compliance. Failure to adhere to this policy is a serious matter that could result in client detriment, regulatory censure or fines and may constitute a criminal offence. It may result in disciplinary action, which could include summary dismissal of the Employee.



APPENDIX I – Definitions

Term	Definition
LTD	Alcentra Limited
BNY	BNY Mellon
MiFID II	Markets in Financial Instruments Directive II
FRN	Floating Rate Note
CDS	Credit Default Swap
FX	Foreign Exchange
CDO	Collateralised Debt Obligation
CLO	Collateralised Loan Obligation
HY	High Yield
ETF	Exchange Traded Fund
TSOX	Bloomberg Execution Management Platform for Fixed Income
EMSX	Bloomberg Execution Management Platform for Equity
TCA	Transaction Cost Analysis
MI	Management Information
Haircut	Financial term referring to the difference between the market value of an asset used as loan collateral and the value ascribed to that asset when used as collateral for that loan



APPENDIX II – Instruments

Alcentra Instrument List
High Yield Bonds
Floating Rate Notes
Exchange Traded Funds
Foreign Exchange
Credit Default Swaps
Equities
Warrants
Options
Futures
Interest Rate Swaps
CLO Securities
Bond Repos
Perfect Asset Swaps
Syndicated loans traded on the secondary market ³

³ Please note that bilateral loans, as transacted by the US and UK Direct Lending strategies are considered out-of-scope for the purpose of this policy



APPENDIX III – Execution Venues

List of Execution Venues⁴

- Bloomberg MTF
- MarketAxess MTF
- FXALL MTF
- Various Systematic Internalisers (Full list pending publication by ESMA)
- Some regulated markets for Equities and Equity Derivatives are accessed via our broker arrangements

⁴ Subject to Change and Regular Review



APPENDIX IV – Strategies

Secured/Syndicated Loans Strategy

Secured Leveraged Loans are sub-investment grade corporate debt instruments that are secured against the assets of the borrower. Because of this, Secured Loans are expected to offer a higher recovery rate in the event of default than unsecured obligations like High Yield Bonds. Loan investors often receive the benefit of extensive legal covenants that provide control over borrowers in the event of weaker performance.

Secured Loans offer a floating rate of income, with a fixed margin above interbank offered rates, offering an investor protection in a rising interest rate environment and less duration risk than fixed rate assets. Due to their position in the capital structure Secured Loans display lower secondary market price volatility than High Yield Bonds.

High Yield Bonds Strategy

High yield bonds are debt securities issued by sub-investment grade rated borrowers and usually pay a fixed rate of interest. Typically they will be unsecured and in the event of a default or liquidation, investors in a high yield bond will rank behind all secured lenders. They will be repaid out of whatever liquidation proceeds remain after all the secured lenders have been repaid in full. As a result, high yield bonds will typically achieve lower levels of recovery than secured debt following default or liquidation.

However, in the last few years, issuance of senior secured high yield bonds has gained popularity. A senior secured high yield bond shares in the same security pool as a senior secured loan and for that reason is expected to achieve similar levels of recovery. Some of these bonds have been structured to pay a floating rate of interest – such bonds are referred to as “senior secured floating rate notes”.

Direct Lending & Mezzanine Strategy

Calls by regulators for banks to hold more capital has led to a squeeze in lending to corporates and has particularly affected the middle market sector. Further macro-economic instability may further decrease appetite from traditional lenders to provide funding, creating an investment opportunity for non-bank lenders like Alcentra to fill the gap as banks are disintermediated.

The middle market is a large contributor to GDP and employment, where private-sector funded lending will complement the traditional bank financing market.

Alcentra can arrange a flexible financing package for middle market borrowers, provide the capital and develop a close relationship with the management of the borrower.

Compared with secured debt, lending directly to the middle market provides investors with access to attractive returns across the capital structure and more control over terms of the financing package.



Mezzanine loans are a hybrid floating-rate product filling the funding gap between senior secured debt and equity. They are typically secured on the assets of the borrower albeit in a junior position to senior Secured Loans.

Mezzanine loans offer higher returns than senior Secured Loans to compensate for their more junior position in the capital structure. By carefully selecting investments for a diversified portfolio of Mezzanine loans, investors can benefit from these higher returns while mitigating the risk of loss. Investors receive income through a combination of cash-pay coupon, PIK ("Payment-In-Kind") and equity warrants.

Special Situations Strategy

Our Special Situations strategy seeks to invest in undervalued, sub-investment grade credit opportunities, primarily in Europe where we believe a long, drawn out deleveraging cycle has only just begun. Whilst we like to focus across the capital structure, we have a special focus on opportunities in the loan space. Today, loans are likely to form the significant majority of the overall investment opportunity and Alcentra is a significant player in this asset class where we have a clear, competitive advantage. Everything we do is focussed on value.

Structured Credit Strategy

Alcentra limits its activities in the structured credit markets to those instruments that are based on portfolios of sub-investment grade corporate debt.

Collateralised Loan Obligations ("CLOs") are tranches of debt securities backed by senior Secured Loans to U.S. and European corporates.

Following the last economic crisis, prices of CLO securities fell substantially, and have recovered more slowly than other fixed income asset classes including the loan portfolios on which they are based. As a result, Structured Credit can provide a cheap way to access the underlying loan portfolios.

Alcentra targets the mezzanine and equity tranches where we have identified the highest opportunity for capital appreciation and income.

Multi Strategy

Alcentra's multi-strategy solutions offer investors access to our U.S. and European investment strategies on an integrated basis with the additional benefits of ongoing strategy allocation, increased diversification, integrated risk management, and consolidated reporting. These tactical, outcome-focused solutions can deliver, in one vehicle, holistic exposure to liquid and semi-liquid investments such as senior loans, high yield bonds, special situations, and structured credit, and in certain circumstances, illiquid investments, including middle-market direct lending. Bespoke multi-strategy solutions can be provided for through managed accounts.