

Alcentra Limited

Order Execution Policy

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SCOPE

This Policy will apply where Alcentra Ltd (“Alcentra”) 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 Alcentra passes an order for execution to any non-UK broker-dealer, in which case Alcentra will have a duty of best execution and will require the executing counterparty to provide best execution.

This Policy applies to transactions executed with Professional Clients, as defined by the FCA Handbook. 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.

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 I](#) where Alcentra:

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

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.

Best execution of client transactions are among the specific obligations that are derived from a regulated firm’s responsibilities to its clients. As a FCA and SEC regulated Firm, 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.

EXECUTION VENUE AND BROKER SELECTION

A) SELECTION PROCESS

Where required by regulations 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.
- Approved Broker List

The Approved Broker List is maintained and held by the Operations team. Counterparties are subject to an internal approval process which involves input from Investment Risk, AML and Compliance. Alcentra exercises due care and diligence in the selection and monitoring of Counterparties with whom Alcentra trades as agent on behalf of its clients.

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 trade execution.

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.
- Collateral requirements (OTC Derivatives & Repurchase agreements)

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

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. Alcentra approved brokers may themselves be subject to best execution requirements and may execute the transaction either on their own account or through another venue. In some cases our counterparties may operate as Systematic Internalisers 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 an approved broker on behalf of clients, 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.

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 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 when selecting an execution venue, including:

- general prices available;
- whether or not the security is traded on exchange or over the counter;
- previous results from trading with Counterparties;
- characteristics of the Counterparty

- depth of liquidity/ natural order flow;
- relative volatility in the market;
- known market positioning;
- speed of execution;
- cost of execution;
- available Counterparty panel / documentation in place;
- Collateral requirements (OTC Derivatives & Repurchase agreements)
- Counterparty risk diversification (for OTC derivatives and Repurchase agreements in particular)
- quality, cost and likelihood of clearing and settlement; and

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

- The investment intent of the investment manager who created the order at Alcentra;
- The characteristics of the client order, including where the order involves a securities financing transaction (SFT)
- The characteristics of financial instruments that are the subject of that order; and
- The characteristics of the execution venues to which that order can be directed.

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. Alcentra performs its best execution obligation by taking all sufficient steps to obtain consistently over time the best possible results for our clients when executing or placing, or transmitting, client orders by assessing the relative weight and importance of various execution factors and other relevant considerations under the particular circumstances.

B) ORDER EXECUTION PER ASSET CLASS

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

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) for liquidity purposes
- Government Bonds- for liquidity purposes

Execution Method:

For debt transactions, liquidity and price are typically the primary determining factors given the nature of the instruments, as well as the size of transaction. Received broker quotes are based upon a particular size and should an order be above that size, then the order may have to be split, or the trader may decide to execute with a single broker, if a better overall price can be achieved. When a large order is split, there is potential for information leakage which may lead to the price for subsequent executions becoming less favourable. Secondary factors will also direct Alcentra to use a particular Counterparty. These include speed of execution, market positioning, previous performance of the Counterparty and the likelihood of execution and settlement. Counterparties are also selected based upon additional factors, including but not limited to, Client instruction, price or any other limit value, or the underlying market conditions.

In order to ensure the best possible execution for the client, Alcentra, in regards to debt instruments, Alcentra adopts either of the below execution 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 may solicit either bids or offers during a Bid Wanted in Competition (BWIC) process, which is similar to a secondary auction process.

Execution Factors:

Alcentra may trade in illiquid instruments i.e. may be thinly traded on the secondary market. In such scenarios, Alcentra will take into account multiple factors when executing an order including but not limited to, price availability the characteristics of the order, current market valuation of the asset, ability of the counterparty to settle the transaction as well as the current market liquidity to ensure that the achieved result is fair and in line with best execution requirements.

Structured Finance Instruments**Scope:**

- CLO securities (debt or equity tranches)
- CLO fee notes
- Other structured finance tranches / ABS tranches
- Warehouse financing notes

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 assess quotes negotiated with the counterparty to ensure they represent a fair price based upon current asset valuation and current market conditions.

Execution Factors:

As for debt instruments, the way structured finance transactions are executed depends very much on the liquidity of the instruments. Most Structured Financial Instruments are arranged over-the-counter,

A range of execution factors may be taken into account such as, but not limited to, prices available from trading counterparties, liquidity of the instrument, the urgency of execution and certainty of execution.

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.

Execution Factors:

A range of execution factors may be taken into account when determining whether to transmit an order for execution, such as, but not limited to, quoted market prices, liquidity of the instrument, size of the order, the urgency of execution and certainty of execution.

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 (under ISDAs) 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. When executing FX trades various factors will be taken into account such as collateral requirements and counterparty risk diversification, as well price. 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 and underlying client ISDA requirements, 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:

A range of execution factors may be taken into account such as, but not limited to, prices available from trading counterparties, counterparty risk, underlying client ISDA requirements, the liquidity of the instrument, the urgency of execution and prevailing volatility.

Securities Financing Transactions

Scope:

- Repurchase agreements

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 where GMRA's have been agreed. Alcentra follows an RFQ-like process by contacting a defined list of counterparties, which will also be on the Firm's Approved Broker List.

Execution Factors:

Alcentra will base its choice of counterparty on a combination of factors, including but not limited to the financing costs (e.g. spread and potential haircut), value of the bond the counterparty will lend against, financing term and reset mechanics (e.g. evergreen vs monthly resetting), counterparty risk as well as diversification.

Open-ended Collective Investment Schemes

Where the investment strategy permits investment into open-ended collective investment schemes or money market funds are used for liquidity purposes, the execution price is determined by the Fund itself and the execution venue is the appointed administrator of the Fund.

C) ORDER EXECUTION OUTSIDE OF TRADING VENUES

Alcentra primarily executes its clients' portfolio trades directly with approved brokers outside of Trading Venues (defined as a Regulated Market, A Multi-Lateral Trading Facility or an Organised Trading Facility). Alcentra primarily deals with trading counterparties in the Over The Counter (OTC) market. Clients provide a general consent (consistent with FCA requirements) to this execution approach when entering into an agreement with Alcentra to provide portfolio management services.

By having the ability to trade outside of a Trading Venue, it allows Alcentra to execute trades in such instruments as syndicated loans, structured finance instruments, OTC derivatives, Securities Financing Transactions etc as these instruments are typically traded with counterparties in the OTC markets (i.e. RFQs etc.).

Clients should be aware that executing orders outside of a Trading Venue can expose clients to the risk that a broker will fail to meet its obligations in relation to the transaction ('Counterparty Risk'). While contractual remedies would be available in these circumstances, protections which may be available when trading on venues (such as buy-in procedures) such mechanisms may not be available when trading in such instruments.

D) CROSS TRADES**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.

INTERNAL

On occasions Alcentra may effect cross trades involving the funds it manages in which a security or other instrument is sold from one client portfolio advised by Alcentra and bought for another advised client portfolio or a sponsored 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 executes 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 execute cross trades in debt and equity 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 execute 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.

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 event that no market quotes can be sourced due to market liquidity, the portfolio manager is required to document the rationale for determining the price for which Alcentra has a reasonable basis to believe is fair and equitable to both the buyer and seller taking into account last quoted price, Markit pricing source data and Alcentra pricing committee agreed pricing.

Where there is absence of two way pricing, Alcentra will solicit bids on behalf of the selling party via a Bid Wanted in Competition (BWIC) process - in which the investment team will submit bids on behalf of the buying party to determine an appropriate and fair crossing price for both the buying and selling clients. In cases where the assets are not liquid enough to trade via a BWIC process, it believes has a reasonable basis to fair and equitable to both the buyer and seller funds.

E) MONITORING

Compliance will review the adequacy of this policy on a periodic basis to ensure it remains current and meets regulatory expectations.

F) 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.

G) 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 performs monitoring on all in-scope instruments 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.
Markit	Alcentra utilizes Markit pricing for leveraged loans to identify where executed trades materially (based upon internally set thresholds) deviate from observable bid/offer spreads
FXAll	Alcentra relies on an offline process using FXAll's 'FXAll All-in IQ' price benchmark to monitor the quality of its 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.	

H) REPORTING

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.)

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.

I) 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.

J) 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.

K) 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.

L) 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 Firm's Risk Committee, who 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.

DISCLAIMER

This Policy is provided for use by professional clients and/or distributors and should not be relied upon by retail investors.

The views and opinions contained herein are those of Alcentra. This Policy is provided for information purposes only and is not intended to constitute a promotional material in any respect. This Policy is not intended as an offer or solicitation for the purchase or sale of any financial instrument. This Policy is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views expressed and the information contained in this Policy when taking individual investment and/or strategic decisions.

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Investments in sub-investment grade debt are speculative and involve special risks, and there can be no assurance that an account’s investment objectives will be realized or that suitable investments may be identified. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. An investor could lose all or a substantial portion of his or her investment. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

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