

Order Handling and Execution Policy

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1. Purpose of the policy

This Alcentra Order Handling and Execution Policy (the “**Policy**”) has been designed to provide clients with information on the arrangements implemented by Alcentra Ltd (“**Alcentra**”, “**us**” or “**we**”) to manage the execution of client orders as required by the revised Markets in Financial Instruments Directive Article 27 (1) 2014/65/EU and implementing measures as transposed into national laws and regulations (“**MiFID II**”), to the extent applicable.

Alcentra is required to take all sufficient steps to obtain the best possible result for clients when executing orders (or receiving and transmitting orders) on their behalf, taking into account factors such as price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (“**Execution Factors**”; such obligation referred to as our obligation of “**best execution**”).

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 the meanings set out in Appendix II.

2. Scope of the policy

2.1 Geographical and entity scope

This Policy will apply to transactions entered into by (i) the following list of Alcentra entities (as may be updated from time to time):

- Alcentra Limited

This Policy will also apply where an Alcentra entity listed above transmits a client order to a third party for execution.

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

However, this Policy will not apply to transactions between clients and Alcentra entities not regulated within the European Economic Area (EEA).

2.2 Client scope

The 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’s permission does not allow it to deal with Retail clients.

This Policy, in accordance with MiFID II, does not apply to transactions executed with clients classified as eligible counterparties by Alcentra.

2.3. Activities

This Policy will apply in respect of the financial instruments listed in Appendix I when Alcentra:

- receives and transmits client orders for execution; and
- executes orders and requests for quotes on behalf of clients;
- makes a decision to trade.

Alcentra must act in the best interests of clients when executing decisions to trade on behalf of clients.

2.3.1. Order Execution

When providing portfolio management services to clients, we must act in accordance with the best interests of our clients. This applies when placing orders with trading entities or using venues for the execution of trades which result from our investment decisions for clients. We take all sufficient steps to obtain the best possible result ('best execution') for our 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,
- 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 financial instruments that are the subject of that order; and
3. the characteristics of the execution venues to which that order can be directed

3. How we provide Best Execution

3.1. Execution Factors

3.1.1 General

When executing an order on behalf of a client, Alcentra is required to take all sufficient steps necessary to execute the order in a manner that is intended to achieve the best possible result for the client. Alcentra will take into account the following relevant Execution Factors:

1. price,
2. costs,

3. speed,
4. likelihood of execution and settlement,
5. size, and nature of the order.

The relative importance applied to these factors should take into account:

- (a) the characteristics of the client order, including where the order involves a securities financing transaction (SFT);
- (b) the characteristics of financial instruments that are the subject of that order;
- (c) the characteristics of the execution venues to which that order can be directed. Execution venue includes a regulated market, an MTF, an OTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country.

In order to give effect to that policy, Alcentra has selected the execution venues that enable it to obtain on a consistent basis the best possible result for the execution of client orders.

3.1.1.1 Professional clients

Where Alcentra executes an order for a professional client, the importance of each of these factors 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.

3.2. Execution Venues

Alcentra utilises a number of execution venues, including Regulated Markets, Multilateral Trading facilities, Organised Trading Facilities, Systematic Internalisers and Market Makers.

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.

Alcentra has a Trading Process working group that meets regularly and will decide annually on the trading venues that the firm uses. Alcentra also undertakes on-going assessments of the execution venues used to determine whether existing venues continue to provide for the best possible result for clients and also to review the suitability of new execution venues. In making this assessment we will utilise information derived from our own internal best execution monitoring tools and processes as well as execution quality data reported by execution venues under MiFID II and its implementing measures.

This will include the following factors:

- i. Price;
- ii. Liquidity;
- iii. Execution and clearing costs;

- iv. Clearing arrangements such as settlement reliability;
- v. Execution venue trading controls; and
- vi. Scheduled actions.

A list specifying which execution venues are used for professional clients are set out in Appendix III

Generally, Alcentra will consider price as the higher of the execution factors though at times we may use other different factors when dealing in different markets and asset classes. Factors might vary between the choices of counterparties and investment desk. In some markets price volatility may mean that timeliness of execution is a priority. In other markets that have low liquidity, 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.

4. Asset Classes within Alcentra Trading Strategies

Our policy allows us to trade a wide variety of Financial Instruments across different strategies which encompass the following: High Yield Bonds (“HY”), Special Situations (“SS”), Senior Loans (“SL”), Structured Credit (“SC”), Direct Lending (“DL”) and Multi-Strategy (“MS”). Below are the instruments traded by each strategy.

Alcentra Instrument List	In Scope of Best Execution	HY	SS	SL	SC	DL	MS	Execution Venues ¹
High Yields Bonds	✓	✓	✓	✓			✓	Please refer to Appendix III
Floating Rates Notes	✓	✓	✓	✓			✓	
Exchange Traded Fund	✓	✓						
Foreign Exchange (FX)	✓	✓						
Credit Default Swap (CDS) / ITRAXX	✓		✓	✓	✓		✓	
Equity	✓		✓					
Warrants	✓		✓					
Options	✓		✓		✓			
Futures	✓		✓					
Interest Rate Swaps – Fixed for Fixed	✓							
Listed Derivatives	✓							
Collateralized Loan Obligations	✓				✓			

¹ Refer to Appendix III

IRS Fixed/fixed for Floating	✓				✓		
Cross Currency Swap	✓				✓		
Perfect Asset Swap	✓						
Non-Impacted Best Execution Instruments *							
Foreign Exchange (FX) Spot	X					✓	
Loans	X		✓	✓		✓	✓
Bond Repos	X						
Leveraged Loan	X						
Trade Claims	X						

* Whilst these are not Financial Instruments as defined under MIFID II, they are subject to Alcentra’s Best Execution requirements

4.1 Alcentra Trading Strategies Overview

Best execution does not demand that firms achieve the best possible results with every trade, but stipulates that the focus is on taking all sufficient steps for obtaining the best possible result on a consistent overall basis via a clearly defined process of policy, execution, review and refinement. Alcentra strategies are detailed below.

High Yield

The Alcentra High Yield investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis, and overall portfolio quality. Industry analysis includes identifying the key players within each industry, understanding the evolution and history of the industry, determining what business models are likely to be successful, and participating in key industry events when possible.

With this macroeconomic foundation in place, the analysts scour their respective industry universes to identify issuer- and security-level sources of potential alpha. In analyzing a specific company and its fixed income securities, we carefully assess the credit characteristics of each issuer. We thoroughly analyze key variables as they relate to Alcentra High Yield and conduct a comprehensive historical analysis of company operations and financials, including applying financial and scenario analysis of individual issuers. We focus on important leading indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, revenue growth, margin trends, and access to capital. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. Our analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we have the opportunity to meet with and get to know management from a large range of issuers within a given industry.

Special Situations

The Strategy has a mandate to invest on both the long and short side, across the capital structure in a variety of instruments including senior secured and mezzanine debt, common equity (both publicly listed and OTC) as well as high yield bonds and credit default swaps (CDS). High-yield bonds are issued by organizations that do not qualify for "investment-grade" ratings. These assets are generally unsecured, rank behind the senior debt and are mostly issued with a fixed rate coupon. High yield bonds provide a high rate of current income and the potential for capital appreciation. The buying or selling of CDS contracts allow the investor to express a view as to the creditworthiness of the borrower: by entering into such an agreement the risk of default on an obligor's debt securities is transferred from the buyer of the CDS contract to the seller of the swap, as the buyer becomes entitled to the par value of the bond or loan in the event of a default. The use of such contracts provides the Global Special Situations Strategy with the ability to express both a negative view of an obligor's creditworthiness, or alternatively hedge its exposure to risk that it may have on the long side. The investment team actively monitors positions and employs disciplined trading in order to manage its risk.

Senior Loans

This strategy invests in leveraged loans typically originated in Europe. European leveraged loans are corporate loans of below investment grade issuers bearing floating interest rates typically based off either the London Interbank Offering rate ("LIBOR") or the European Interbank Offered Rate, a widely used floating rate index. These loans are generally senior secured obligations, which are at or near the top of an issuer's capital structure.

Alcentra's Leveraged Loan Strategy seeks to generate attractive risk adjusted returns by investing in senior secured loans in mostly large, below investment-grade European corporate debt issuers. In addition, the strategy makes selective investments in senior secured and unsecured bonds that offer appealing relative value opportunities. The strategy focuses on investment opportunities in larger capitalization companies typically with annual earnings before interest, taxes, depreciation, and amortization ("EBITDA") of €50 million and greater, with the greater proportion of investments in companies with EBITDA greater than €\$100MM.

Structured Credit

The Structured Credit Strategy invests in securities that are secured or collateralized by non-investment grade U.S. and European leveraged loans (collateralized loan obligations or "CLOs"). CLO securities are issued in tranches with different seniorities of security and cash flow, and consequently different credit risks. Cash flows from collateral are used to pay the manager, trustee and other service providers of the transaction and make principal and interest payments to the note holders in the order of seniority (senior notes first, followed by the junior notes). Equity shares are entitled to the residual interest proceeds generated by the collateral; however, this cash flow may be deferred or eliminated since the interests of equity shareholders are subordinated to the interests of holders of other tranches. The rates of interest payments (or "coupons") on the senior notes are set to be lower than the coupons on the more junior notes, reflecting the lower risk assumed by the senior note holders. Alcentra Limited uses a disciplined approach to investment selection and portfolio management and investment decisions are predicated upon a complete credit analysis.

As a general rule, Alcentra expect the overall strategy will be to:

- purchase effective exposure to credit tranches backed by senior secured leveraged loans, initially at a discount

- to par looking for upside from eventual repayment at par;
- selectively purchase second and lower priority credit tranches with certain key features such as: superior subordination, portfolio quality and favourable language as it relates to over-collateralization tests; and
- employ a disciplined approach to sales.

Direct Lending and Mezzanine

This strategy seeks to focus on investments in secured loans comprising 1st lien senior, uni-tranche, mezzanine and mezzanine related and equity investments in high quality, middle market, sponsored and unsponsored leveraged transactions in Europe for the European Direct Lending fund and in UK for the UK Direct Lending fund.

The funds will target individual transactions with expected gross returns of 8% to 12% per annum for senior investments and gross returns of 9% to 15% per annum for mezzanine investments with an investment horizon of three to four years. Additional returns can be expected from transactions where the fund will also make equity co-investments. The fund aims to maximize its senior first lien exposure, but is able to allocate up to 30% to other investments.

Multi Strategy

Alcentra provides discretionary investment services to private funds with multi-credit strategies. These private funds seek to invest in multiple credit strategies and will generally be divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves may be delegated to our affiliate, Alcentra NY LLC, under a sub-advisory agreement. Alcentra allocates to the sleeves based on its analysis of the relative attractiveness of the underlying strategies and the investment program of the fund. Sleeve allocation determinations are led by the Global Chief Investment Officer and, for some clients, may involve an investment committee. Depending on the investment program of the fund, investments may be made directly into specific assets within the respective strategies and/or into other funds managed by Alcentra or our affiliate, Alcentra NY LLC. Direct investments into specific assets are made using the method of analysis that has been established for the relevant strategy. Alcentra typically re-evaluates its sleeve allocations at least quarterly or more frequently if conditions warrant.

Alcentra provides discretionary sub-investment services to a private fund with a multi-credit strategy and a separately managed account. The private fund is divided into sleeves for each of the underlying strategies. Portfolio management for specific sleeves is delegated to from our affiliate, Alcentra Limited, under a sub-advisory agreement. Each sleeve of a multi-credit account managed under a sub-advisory agreement utilizes the investment process of the underlying strategy described above.

5. Order Execution outside of a Regulated Market (“RM”), Multilateral Trading Facility (“MTF”) and Organised Trading Facility (“OTF”); collectively “Trading Venues”)

Alcentra may decide that in certain circumstances, where a client has previously provided its consent, that it would be beneficial to execute all or part of an order outside a Trading Venue. Whilst this may provide the advantage of an improved execution price and faster execution, additional risks may be incurred which are detailed below;

- Transactions will not be subject to the rules of Trading Venues, which are designed to provide for a fair and orderly treatment of orders;

- Transactions will not benefit from any additional but unpublished liquidity, such as hidden limit orders that may be available on Trading Venues;
- Executions will not benefit from additional pre and post trade transparency in respect of pricing and liquidity that is required to be published by Trading Venues; and
- For transactions executed away from a Trading Venue a settlement risk may be incurred as transactions will be subject to counterparty risk and will not be covered by the relevant clearing and settlement rules of the Trading Venue and relevant Central Counterparty Clearing House.

6. Restrictions

Where Alcentra is subject to internal trading restrictions it may not be possible to accept your order and you will be notified of this fact at the time of order receipt.

7. Monitoring and Reporting

7.1. Monitoring

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

Solution	Summary
Bloomberg TSOX/BTCA	<ul style="list-style-type: none"> • Fixed Income trading • TSOX (Execution Management System) streamlines workflow by bringing together all fixed income asset classes (such as cash bonds, repo, money markets, interest-rate and credit derivatives, mortgages and municipal bonds) onto one screen but excluding loans which. • The TCA tool enables management to track sources of slippage, traders to refine execution processes and compliance to stay ahead of evolving regulatory best-execution.
Bloomberg EMSX	<ul style="list-style-type: none"> • Equity and Derivative trading • EMSX offers flexible multi-broker, multi-asset execution arrangement, by using EMSX, professionals can import and route orders and lists, perform analysis, export fills to your own systems for processing, and generate custom transaction cost analysis reports through to the BTCA function.
MarketAxess/ TRAX	<ul style="list-style-type: none"> • Currently supplier of transactional cost analysis for all on venue trading. • MarketAxess will continue to publish this information on a monthly basis.
FXall/ BestX	<ul style="list-style-type: none"> • BestX will support Alcentra for their Post-trade/Exception and Regulatory Analysis requirements for best execution.

We monitor our adherence to the policy and our regulatory obligations in this area through the firm's compliance risk assessment framework and monitoring programme.

7.2. Client Reporting

Upon reasonable and proportionate request Alcentra will, clearly and within a reasonable timeframe, provide clients with reports and information regarding this Policy.

7.3. Public Reporting Requirements

In accordance with MiFID II, Alcentra is required to make certain execution quality data and information on its top five execution venues publically available.

The reporting obligations relating to the publication of execution quality data require Alcentra to provide the following information on an Annual basis;

- Information on execution venue and financial instruments;
- Price;
- Costs;
- Likelihood of execution;
- Additional information for continuous auction order book and continuous quote driven execution venues; and
- Additional information for request for quote execution venues.

Alcentra is further required to publish on an annual basis a list of the top five execution venues for each class of financial instruments traded.

8. 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 27 and RTS 28 and the review of such reports made by other execution venues.

The Trading Process working group will meet 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 updating 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 that 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.

9. 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.

9.1. General Considerations

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

In the event that we receive comparable orders from 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.

Where we have a responsibility for arranging the settlement of an executed order, we will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

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 mis-used.

9.2. Aggregation and Allocation

Alcentra general practice is only to aggregate orders when the following conditions are met;

- a) It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- b) It is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- c) Upon execution any aggregated orders are fairly allocated taking into account the size of the order and price of the fills received;
- d) For client orders aggregated with own account orders that have only been partially executed, priority in allocation will be given to the client order and will be done in a manner that is not detrimental to the client. However, to the extent that we can demonstrate on reasonable grounds that without aggregating the order with an own account order, the transaction could not have been executed or executed on such favourable terms, then allocation may be made on a basis proportional to the relative size of the client and Alcentra own account order; and
- e) Should we determine that an allocation of a transaction for our own account which was executed in combination with one or more client orders, requires reallocation, this will only occur where it is fair, reasonable and not to the detriment of clients.

Appendix I. List of financial instruments subject to this policy

Alcentra Instrument List
High Yield Bonds
Floating Rate Notes
Exchange Traded Fund
Foreign Exchange (FX)
Credit Default Swap (CDS) / ITRAXX
Equities
Warrants
Options
Futures
Interest Rate Swaps – Fixed for Fixed
Listed Derivatives
Collateralized Loan Obligations
Interest Rate Swaps Fixed/fixed for Floating
Cross Currency Swap
Perfect Asset Swap
Foreign Exchange (FX) Spot
Loans
Bond Repos
Leveraged Loan
Trade Claims

Appendix II. Definitions

Best Execution: Alcentra's obligation to take all sufficient steps to obtain the best possible result for clients when executing orders (or receiving and transmitting orders) on their behalf, taking into account Execution Factors.

EEA: the European Economic Area.

Equivalent Third-country Trading Venue: a non-EEA venue assessed as equivalent to a Trading Venue in accordance with Article 25(4)(a) MiFID II.

Execution Factors: this will include factors such as price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of a particular order.

Execution Venue: a Regulated Market, an MTF, a Systematic Internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

Market Maker: a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person.

MiFIR: Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

Multilateral Trading Facility or **MTF:** a multi-lateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract in accordance with the provisions of Title II of MiFID II.

Organised Trading Facility or **OTF:** a multi-lateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.

Regulated Market or **RM:** a multi-lateral system operated and/or managed by a market operator, which facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.

RTS 27: Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions.

RTS 28: Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

Systematic Internaliser: an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client transactions outside a Regulated Market or an MTF.

Trading Venue: A Regulated Market, an MTF or an OTF

Appendix III. List of Execution Venues

Subject to Change and Regular Review

Bloomberg MTF

Market Axess MTF

FX All MTF

Various Systematic Internalisers (Full list pending publication by ESMA)

Some regulated markets for Equities accessed via third party brokers