

BEST EXECUTION POLICY

Updated: July 15, 2020

1. Introduction and Scope

Rayliant Global Advisors Limited (“RGA”) and its subsidiaries, which include Rayliant Asset Management Limited and Rayliant Investment Research (collectively “Rayliant” or the “Firm”) have established this Best Execution Policy (the “Policy”) to describe how Rayliant seeks to provide best execution in accordance with the Hong Kong and US regulatory requirements. For avoidance of doubt, only Rayliant Asset Management Limited (“RAM”) and Rayliant Investment Research (“RIR”) have trading functions where best execution is applicable.

RAM is regulated in Hong Kong by the Hong Kong Securities and Futures Commission while RIR is regulated in the US by the US Securities and Exchange Commission.

This Policy shall be reviewed at least annually and whenever there is any material change that affects our ability to obtain the best possible result for the execution of orders on a consistent basis. For any material change in our execution arrangements, Rayliant will notify our clients¹ to ensure they are aware of such changes. For the avoidance of doubt, adding or removing a broker from our approved counterparty list is not a material change.

2. General Principles

When providing investment management services, Rayliant must act in the best interests of our clients when placing orders on their behalf for execution. Our practice is that we shall take all sufficient steps to obtain the best possible result when we execute orders on behalf of our clients or funds. This Policy applies where we undertake transactions in financial instruments on behalf of Professional Clients or the funds.

As of the date of this Policy, the financial instruments which Rayliant will undertake transactions only include listed equities, Exchange Traded Funds (“ETFs”) and Foreign Exchange (“FX”) spot. Also, all Rayliant’s clients are currently categorized as Professional Clients and this policy addresses Rayliant’s obligations in respect of this category of client.

3. FP Rayliant Quantamental Emerging Markets Equity Fund

This Policy extends to the FP Rayliant Quantamental Emerging Markets Equity Fund, of which RAM acts as the delegated investment manager. It therefore, adopts the best practice as set out in the relevant rules and regulations of the Market in Financial Instruments Directive II (“MiFiD II”).

RAM only provides investment management services where it has full discretion over the clients’ accounts or the funds. Hence, Rayliant does not accept any client specific instructions for any transactions.

4. Governance and Oversight

Rayliant’s Compliance team is responsible for the oversight of the execution quality and trading activities which include but not limited to:

- Evaluation and ongoing review of the effectiveness of this Policy
- Recommending enhancements to trading practices

¹ Clients include all clients of Rayliant but exclude any underlying clients of the funds where Rayliant acts as the delegated investment manager or sub-manager.



- Reviewing trading and execution (including costs)
- Evaluation of broker reviews and selection policies
- Evaluation of any potential conflicts of interest
- Monitoring the usage of affiliated brokers

5. Best Execution Considerations

Rayliant has a fiduciary duty contractually to ensure that all clients receive best execution. We take all sufficient steps to obtain, when executing orders, the best possible result for our clients taking into account the various execution factors. The execution factors include:

- Price
- Size of the order
- Nature of the order
- Speed
- Likelihood of execution and settlement
- Costs

The relative importance of these execution factors will be assessed based on the following criteria:

- Characteristics of the order
- The client orders
- The financial instruments that are the subject of the order
- The execution venues to which the order can be directed (not applicable in Rayliant's case)
- Current market conditions

However, we generally regard price and cost as the important factors for best execution. In special circumstances, we may determine that other execution factors have a greater influence in achieving the best possible result.

The following sub-sections details how the relative importance of execution factors may vary based on the asset class which Rayliant may transact in.

A. Shares & Depositary Receipts

As this asset class has high availability of information, the processes and procedures used are often more quantitative than for other asset classes. For liquid financial instruments, price and costs will often be prioritized higher than other execution factors. For less liquid financial instruments, emphasis will be placed on factors such as the liquidity available, speed of execution and confidentiality provided by a counterparty. The stock exchanges that Rayliant trades on behalf of clients include but are not limited to Argentina, Brazil, Chile, China (through Stock Connect), Colombia, Czech Republic, Egypt, Greece, Hong Kong, Hungary, India, Indonesia, Luxembourg, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, UAE, UK and US,

B. ETFs

Similar to shares & depositary receipts, ETFs prices are transparent and liquid. Hence, price and costs will often be the primary factor for execution decision. The stock exchanges that Rayliant trades on behalf of clients include but are not limited to Hong Kong, UK and US.

C. FX Spot

For FX spot transactions, Rayliant usually sends out "Request for Quotes" to our brokers and transact at the best rate available. In the event that there is no quote from brokers, we may also instruct the custodian to execute the FX spot transactions. As the primary purpose of the FX spot is for trade settlement, liquidity will often be the primary factor for execution decision. As FX spot is not classified under MiFID II definition of Financial Instruments, these transactions are excluded from the routine best execution checks.



6. Selection of Brokers and Execution Venues

Rayliant does not execute directly on a Regulated Market. It utilises third party investment firms, referred to as counterparties and/or market makers or outside a Regulated Market on rare occasions where we have obtained your prior express consent.

We only execute through brokers for all transactions on behalf of our clients. Our assessment of brokers includes but not limited to the following elements:

- (1) The creditworthiness, reputation, experience and identity of the specific entity.
- (2) The counterparty's ability to provide an appropriate level of service in light of the Firm's business needs such as:
 - i. Efficient and timely processing, reporting, clearing and settlement of transactions;
 - ii. Financial capabilities necessary to support the Firm's business;
 - iii. Competent staff to service the portfolio's needs, including the support and reporting of information to prepare books and records; and
 - iv. Terms and conditions for movements of margin and cash required by transactions.
- (3) The regulatory environment in which the counterparty operates.
- (4) The stability of terms on which the counterparty is willing to enter a transaction or to provide service to the portfolio.

As of the date of this Policy, our brokers include Goldman Sachs (Asia) Securities Limited and Credit Suisse Securities (Hong Kong) Ltd. Rayliant does not have any affiliated brokers.

7. Soft Dollar

Rayliant currently does not use any soft dollar brokers nor has any soft dollar arrangements in place.

8. Aggregation and Allocation of Trades

Due to the nature of our investment and trading activities, we do not aggregate the intended trades across clients' portfolios. Trades are usually executed in a basket which is solely for one client. Therefore, there is no potential conflict for aggregation nor fair allocation of trades.

9. Transactions Monitoring and Brokers Review

A. Transactions Monitoring

Rayliant Compliance team performs monthly routine surveillance activity in relation to best execution using transaction cost analysis data and identifies price outliers. The Compliance team will assess the reasons for the price outliers and determine if there was poor quality of execution.

B. Brokers Review

As stated in the earlier section, Rayliant assesses brokers, at least annually, using a number of factors. The brokers are re-assessed annually using the same factors. If any brokers performed poorly during the preceding year, they may be dropped. Similarly, any proposed new brokers will be assessed at this review before permitting them for use.

10. Conflicts of Interest

Rayliant is required to identify and to prevent or manage any actual, potential or perceived conflicts of interest to ensure that we place clients' interests above our own interests and that we treat all clients fairly. Hence, we have implemented policies and procedures to identify, monitor and to prevent or manage any such conflicts of interest and ensure that Rayliant employees conduct business in accordance with these principles.