

**Taconic Capital Advisors UK LLP (“TCA UK”)
Best Execution Report - 2017**

This report includes certain information in respect of TCA UK’s trade execution during the 2017 period. This information is made available by TCA UK in order to comply with the best execution obligations set out under the Markets in Financial Instrument Directive II and Article 3 of the Regulatory Technical Standards 28 (together the “Regulation”). This report has been produced in accordance with the Regulation.

Top Five Brokers

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|--|-----------------|
| Class of Instrument: | Equities |
| Notification if <1 average trade per business day in the previous year | No |

| Top five execution brokers ranked in terms of trading volumes (descending order) | Proportion of volume traded as a percentage of total in that class | Proportion of orders executed as percentage of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
|--|--|--|------------------------------|---------------------------------|-------------------------------|
| Citibank Global Markets Limited XKZZ2JZF41MRHTR1V493 | 21.50% | 7.02% | N/A | N/A | N/A |
| Deutsche Bank Aktiengesellschaft 7LTFWZYICNSX8D621K86 | 17.61% | 49.36% | N/A | N/A | N/A |
| Goldman Sachs International W22LROWP2IHZNBB6K528 | 14.94% | 6.86% | N/A | N/A | N/A |
| J.P. Morgan Securities PLC K6Q0W1PS1L1O4IQL9C32 | 5.76% | 3.19% | N/A | N/A | N/A |

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|------------------------------------|-------|-------|-----|-----|-----|
| UBS Limited REYPIEJN7XZHSUI0N35 | 5.54% | 4.63% | N/A | N/A | N/A |
|------------------------------------|-------|-------|-----|-----|-----|

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| Class of Instrument: | Debt Instrument |
| Notification if <1 average trade per business day in the previous year | Yes |

| Top five execution brokers ranked in terms of trading volumes (descending order) | Proportion of volume traded as a percentage of total in that class | Proportion of orders executed as percentage of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
|--|--|--|------------------------------|---------------------------------|-------------------------------|
| Deutsche Bank Aktiengesellschaft 7LTWFZYICNSX8D621K86 | 33.75% | 18.99% | N/A | N/A | N/A |
| UBS Limited REYPIEJN7XZHSUI0N355 | 24.72% | 12.66% | N/A | N/A | N/A |
| Goldman Sachs International W22LROWP2IHZNBB6K528 | 19.75% | 18.99% | N/A | N/A | N/A |
| Stifel Nicolaus Europe Limited 213800BVEFNZ8UYPKL03 | 9.93% | 27.85% | N/A | N/A | N/A |
| RBC Capital Markets | 6.79% | 2.53% | N/A | N/A | N/A |

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| Class of Instrument: | Interest Rate Derivatives |
| Notification if <1 average trade per business day in the previous year | No |

| Top five execution brokers ranked in terms of trading volumes (descending order) | Proportion of volume traded as a percentage of total in that class | Proportion of orders executed as percentage of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
|--|--|--|------------------------------|---------------------------------|-------------------------------|
| Goldman Sachs International W22LROWP2IHZNBB6K528 | 30.05% | 29.15% | N/A | N/A | N/A |
| Deutsche Bank Aktiengesellschaft 7LTFWFZYICNSX8D621K86 | 21.55% | 14.29% | N/A | N/A | N/A |
| RBC Capital Markets | 16.64% | 19.53% | N/A | N/A | N/A |
| JB Drax Honore | 15.36% | 9.91% | N/A | N/A | N/A |
| UBS Limited REYPIEJN7XZHSUI0N355 | 8.54% | 8.45% | N/A | N/A | N/A |

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| Class of Instrument: | Credit Derivatives |
| Notification if <1 average trade per business day in the previous year | Yes |

| Top five execution brokers ranked in terms of trading volumes (descending order) | Proportion of volume traded as a percentage of total in that class | Proportion of orders executed as percentage of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
|--|--|--|------------------------------|---------------------------------|-------------------------------|
| Citibank Global Markets Limited XKZZ2JZF41MRHTR1V493 | 51.71% | 34.69% | N/A | N/A | N/A |
| RBC Capital Markets | 40.90% | 53.06% | N/A | N/A | N/A |
| Goldman Sachs International W22LROWP2IHZNBB6K528 | 4.10% | 6.80% | N/A | N/A | N/A |
| UBS Limited REYPIEJN7XZHSUI0N355 | 1.73% | 2.72% | N/A | N/A | N/A |
| Credit Suisse Securities (Europe) Limited DL6FFRRLF74S01HE2M14 | 1.49% | 2.04% | N/A | N/A | N/A |

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| Class of Instrument: | Currency Derivatives |
| Notification if <1 average trade per business day in the previous year | Yes |

| Top five execution brokers ranked in terms of trading volumes (descending order) | Proportion of volume traded as a percentage of total in that class | Proportion of orders executed as percentage of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
|--|--|--|------------------------------|---------------------------------|-------------------------------|
| J.P. Morgan Securities PLC K6Q0W1PS1L1O4IQL9C32 | 55.52% | 62.50% | N/A | N/A | N/A |
| Goldman Sachs International W22LROWP2IHZNBB6K528 | 37.25% | 30.00% | N/A | N/A | N/A |
| Deutsche Bank Aktiengesellschaft 7LTFWZYICNSX8D621K86 | 7.24% | 7.50% | N/A | N/A | N/A |

This report excludes any financial instruments in which TCA UK did not trade. This report also excludes financial instruments in which TCA UK executed a small number of orders (i.e. securitized derivatives, equity derivatives, commodities derivatives and structured finance instruments).

Best Execution Policy and Analysis

TCAUK's delivery of best execution is a key element in its commitment to act in the best interests of its clients, as well as being a regulatory requirement. TCAUK is required to take all sufficient steps to obtain the best possible result for its clients when it executes, places or transmits orders on their behalf, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (referred to as the 'execution factors').

The relative importance of the execution factors are judged on an order-by-order basis in line with TCAUK's industry experience and prevailing market conditions; however, common key factors for relevant asset classes have been identified as follows:

Equities

For small direct orders over a short period of time, the key factors will generally be price, speed, quantity based on market availability, and likelihood of execution. For larger orders executed across a period of time, TCAUK will additionally take into account confidentiality, minimizing the impact on the market, order flows and slippage historically achieved on each venue.

Where transactions are executed indirectly, relevant factors include as applicable:

- overall costs including broker fee schedules;
- impact on the market;
- the broker's execution capabilities;
- overall broker's desk strength;
- the promptness of the broker's orders and their reporting of those orders to Taconic;
- and observed slippage.

The impact of implicit costs must be taken into account when considering the execution strategy of orders to ensure that they are managed and do not result in an undue impact to total costs. (Implicit costs result from how a trade is executed for example, immediately or worked over a period of time, in a block, aggregated with other trades, or as child orders sent to multiple different execution venues). A trade may appear more expensive in terms of explicit costs but may be less expensive when implicit costs are considered.

Fixed Income

The process for evaluating best execution in the fixed income context is somewhat limited, due to a number of factors including the lack of transparency in the fixed income markets; the smaller universe of traders with which to trade in many cases and the lower level of liquidity in fixed income markets. However, the FCA requires that where a firm deals in OTC products, it must take into account external market data and externally verifiable reference prices (where available), when pricing or checking the price of OTC products (including bespoke instruments). These checks must be recorded where applicable to assist TCAUK in monitoring its best execution arrangements.

TCAUK considers the following factors when executing fixed income trades: price, transaction costs, existing broker relationship, execution venue, and the broker’s execution capabilities, overall desk strength and ability to deal with difficult trades in general.

Special Considerations Relating to FX Trading

The spreads in the FX market are extremely small, and most trading is done through a Bloomberg interface that enables TCAUK to trade directly with the relevant counterparty, which is generally one of TCAUK’s prime brokers.

Because spreads are so small in the FX market, while there may be the occasional instance where comparing one dealer’s price to another’s will result in a marginally better price, if there are four or five dealers that could handle a trade the difference in pricing for most currencies is generally extremely small. Often the decision on a counterparty is driven not by price but by efficiencies gained by trading with a counterparty where the Taconic Funds hold large cash balances.

Derivatives

Where derivatives are executed directly, key factors typically considered are price, observed volume on exchange, and overall transaction costs. On occasion, preference may be given to counterparties that are operationally easier to work with where time factors are at play.

Where orders are executed indirectly, relevant factors are costs and the existing broker relationship.

For more illiquid derivatives, where execution options are available, historical price and liquidity are the key factors for execution.

Trading Venues

From time to time, TCAUK may have orders routed or placed on an execution venue. In addition to the execution factors outlined above, TCAUK may take into account certain factors when choosing the execution venue, where there are multiple choices including the costs for TCAUK’s clients for executing orders. These have been summarised below:

| Instrument Type | Key Factors Affecting Choice of Venue |
|------------------------|--|
| Equities and ETFs | <p>Direct: Circuit breakers; breadth of market coverage; market share</p> <p>Indirect: Overall costs of a transaction including commissions, mark-ups, markdowns or spreads; reputation; financial strength and stability; ongoing reliability; block trading and block positioning capabilities</p> |
| Fixed Income | Breadth of market coverage; willingness to put balance sheet at risk for non-centrally cleared OTC transactions ongoing reliability; willingness |

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| | to execute difficult transactions; execution of an ISDA Master Agreement with TCAUK's clients |
| Derivatives - Futures and options admitted to trading on a trading venue | Accurate and timely execution, settlement, clearance and error/dispute resolution processes; market intelligence regarding trading activity |
| Derivatives - swaps, forwards, and other derivatives | Reputation, financial strength and stability; willingness and ability to locate and/or commit capital to complete transactions; execution at a desired time for the transaction |

Broker Arrangements

A conflict of interest may exist in that certain brokers that execute transactions for a Taconic Fund may also provide prime brokerage services, including capital introductions, for that Fund. In addition, affiliates of certain executing brokers may invest in one or more Taconic Funds. TCA UK does not consider whether a broker provides prime brokerage services or whether its affiliate invests in the Funds when TCA UK evaluates such broker's execution quality or select brokers to execute trades. TCA UK does not engage in directed brokerage arrangements nor has any affiliated brokers or venues.

The Trade and Brokerage Allocation Committee (the "Committee")

TCA UK has a Committee to guide and supervise the broker selection process and which meets on a quarterly basis to assess whether TCA UK is meeting its duty to seek best execution. The Committee has overall oversight responsibility for TCA UK's policies and practices with respect to the execution of transactions for client accounts.

On a quarterly basis, the investing desk staff meets to discuss the research products or services used by each staff member. The investing desk staff then discusses the quality of the research provided by each broker. In addition to the research assessment provided by the investing desk, the trading staff also reviews on a quarterly basis the execution quality of all broker-dealers used by TCA UK. The trading staff also reviews the quality of the sales trader assigned to TCA in terms of such person's responsiveness, reliability and general effectiveness, and factors that into the overall assessment of the broker for execution. The Committee reviews both the execution assessment and the research assessment to assess and monitor execution quality and the value of research services provided to TCA by each broker-dealer.