



Prytania Investment Advisors LLP

Best Execution Policy

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Introduction

This document (“the Policy”) sets out the approach taken by Prytania Investment Advisors LLP (“the Firm”) in ensuring that the best outcome is obtained for its clients on a consistent basis when transmitting orders to third parties for execution.

This Policy has been updated to take into account new rules arising as a result of the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) that came into force on 3 January 2018. Other FCA Rules and Guidance have been taken into account in designing this Policy, as have other EU regulations and ESMA Guidance where appropriate.

This Policy applies only to the execution or transmission of client orders in Financial Instruments¹, as defined in MiFID II, except where noted otherwise. It also reflects the fact that the Firm deals with professional clients only.

1.1 The Best Execution obligation

FCA rules place a high-level obligation on firms to ensure that client orders are executed on terms that are most favourable to that client, which is referred to as the ‘best execution obligation’.

MiFID II has further enhanced this standard, by requiring that firms take ‘all sufficient steps’ to obtain the best possible result for its clients on a consistent basis when executing orders.

For the purposes of this Policy and in relation to the best execution rules more generally, the term “client order” should be understood to mean all orders in financial instruments, whether they are executed direct in the market or transmitted to another firm to execute on the Firm’s behalf, that are carried out on behalf of a client. This includes orders that arise in relation to discretionary portfolio management and fund management activities, and therefore originate within the Firm rather than with the client. In this situation, the Firm still has a best execution obligation in relation to the execution of this order. Indeed, the obligation is widened in this situation as it applies both to the trader, in executing the trade order, and also to the portfolio manager when giving instructions to the trader (where these roles are separated). The portfolio manager must therefore also consider his best execution obligation when giving instructions to the trader on how the order is to be executed.

The Firm’s commitment to provide best execution does not impose any additional fiduciary duty upon the Firm over and above the regulatory obligations in place or any terms agreed on a contractual basis between the Firm and its clients.

1.2 Application of FCA and EU regulations

For investment firms authorised under MiFID, the best execution rules relating to direct execution are contained in Article 27 of MiFID II and the corresponding level 2 provisions². Separate requirements apply when orders are transmitted to a broker (“indirect execution”)

¹ These are defined in Annex 1 Section C of the MiFID II Directive and reproduced in Appendix 1 for reference.

² For example, Articles 64 and 66 of the MiFID II Delegated Org Regulation and RTS 28.

and these are set out primarily in Article 65 of the MiFID II Delegated Org Regulation³. These requirements have been implemented by the FCA in the UK in COBS 11.2A.

For Full Scope AIFMs, the best execution rules are found within Articles 27 and 28 of the Level 2 AIFMRs⁴. These are directly applicable to UK firms without needing to be transposed into UK rules or regulations. The FCA has, however, created additional best execution rules for Full Scope AIFMs that apply when acting as AIFM and these can be found in COBS 11.2. It should also be noted that due to cross-references within the AIFMD, the MiFID II best execution rules will apply where an AIFM conducts ancillary investment activities other than the management of an AIF. Since the Firm is a CPMI and also conducts ancillary investment activities (e.g. managed accounts), the MiFID II best execution requirements referred to above apply when undertaking these ancillary investment activities and the Firm must, in regard to these transactions only, apply the provisions of COBS 11.2A. In order to avoid applying two sets of rules to different aspects of the Firm's activities, it has chosen to apply the higher of these two standards to the entirety of its operations. The Firm will therefore apply the MiFID II standards referred to above to all investment activities, including the management of AIFs, and this approach is reflected in this Policy.

I.3 Direct and indirect execution

The nature of the best execution obligations differ depending on whether the Firm is executing orders directly, or whether these orders are being transmitted to third parties (i.e. brokers) for execution.

Direct execution includes situations where the Firm interacts directly with other counterparties to the trade, without going through a broker, and in addition covers situations where the Firm uses its own membership of a Trading Venue⁵, or otherwise places an order directly with an Execution Venue⁶ in order to execute the trade.

Indirect execution refers to the practice of transmitting orders to brokers, for which the broker is then responsible for execution. These orders may be transmitted to the broker by a variety of methods, including by telephone, Bloomberg chat, email and electronic order entry.

The Firm primarily transmits orders to brokers, but in some situations will also directly execute orders. The list of instruments in which the Firm trades, including a breakdown of which instruments are executed directly and indirectly is included in Appendix 2.

I.4 Classes of financial instrument

Firms are required to tailor their execution policy to provide sufficient information on how orders are executed in relation to each class of financial instrument traded by the Firm. It is recognised that the process for executing liquid equity instruments will be very different to the process for executing OTC derivatives, for example, and a single undifferentiated policy is therefore likely to be overly generic. MiFID II provides a classification scheme for the different

³ Commission Delegated Regulation (EU) 2017/565 of 25 April 2016

⁴ Commission Delegated Regulation (EU) No 231/2013 of 12 December 2012

⁵ A Trading Venue is defined as a Regulated Market, MTF or OTF.

⁶ Execution Venues include regulated markets (i.e. exchanges), MTFs, OTFs, systematic internalisers, market makers and 'any other liquidity provider or an entity that performs a similar function in a third country'.

classes of financial instrument in Annex 1 of RTS 28, and this list is reproduced in full in Appendix 2 of this Policy.

The Firm currently actively trades in the below classes of financial instruments:

- Structured Finance instruments
- Currency derivatives

Of these instruments, orders in structured finance instruments are mainly transmitted to a broker for execution and the Firm therefore only engages in indirect execution in this instance. Direct Execution occurs with some Systematic Internalisers in structured finance instruments and for all currency derivatives.

The complete list of the different classes of MiFID II financial instruments is contained in Appendix 2 of this Policy, together with the Firm's assessment of which classes are actively traded by the Firm and which of these are directly and/or indirectly executed.

Where appropriate, this Policy will differentiate between the treatment of each of the above classes of financial instrument.

1.5 Application of Policy to non-financial instruments

MiFID II best execution requirements only apply in relation to financial instruments as defined in MiFID II (see Appendix 1 and Appendix 2). However, the Firm is subject to a general regulatory obligation to treat clients fairly as well as to manage any conflict of interest, and as such we endeavour to deliver the best result to clients in all transactions.

The Firm trades on behalf of clients in the following investments instruments that are not financial instruments:

- Spot FX

solely for the purpose of meeting operational requirements with all trades undertaken through the same associate of the Fund's Trustee and Administrator.

1.6 Execution Factors

The Firm is obliged to seek the best possible result for its client in relation to each trade. What constitutes the best possible result however may vary depending on the situation, and this may not always equate to obtaining the best price or the lowest cost. The Firm is therefore required to consider and assess the relative importance of the relevant 'execution factors' in respect of each class of financial instrument in which it trades. The Execution Factors defined in FCA rules⁷ are as follows:

- Price – This is the price at which a transaction is executed. Where the price has varied across the transaction the blended average price should be considered.
- Costs – This includes explicit external costs such as brokerage, exchange or clearing fees, as well as implicit costs such as spreads and slippage. This should be restricted to costs borne by the client and should not include the Firm's internal costs relating to trading.
- Speed – This refers to the amount of time that elapses between the trade order and the successful execution of that trade.

⁷ See COBS 11.2A.2(2) for MiFID investment business, COBS 11.2.8 for AIFMD business and COBS 11.2.5A(2) for UCITS business.

- Likelihood of execution and settlement – This refers to Firm’s estimation of the probability that the trade order will be successfully completed either in whole or in part.
- Size – For large orders or illiquid instruments only a partial fill may be received and this may vary between brokers and venues. Where the whole trade order is unlikely to be filled, the size of the potential fill will increase in importance.
- Nature of the order and any other relevant considerations – This is a broad category that covers any other factor not listed in the regulations that firms may wish to prioritise in order to achieve the best result for its clients. Examples of this may be the need to maintain anonymity and/or reduce the market impact of the trade, the need to minimise or diversify counterparty exposure, and the need to meet regulatory requirements such as trade publication and reporting.

Generally, the prioritisation of the execution factors should be determined once, for each relevant class of financial instruments, and then this prioritisation should be applied to all relevant trading activity by the Firm. It may be desirable however, to apply different default prioritisations of the execution factors to specific instruments or trading strategies to be applied in specific situations. In addition, there may be situations where this prioritisation needs to be adjusted, for example due to exceptional circumstances such as volatile markets, credit events and geo-political events.

Further information is given on the Firm’s prioritisation of the execution factors in different situations in Chapters 2, 3 and 4 below.

1.7 Execution Criteria

FCA rules⁸ also set out the ‘execution criteria’ that the Firm must take into account when executing a trade. These are the particular characteristics of each trade order which need to be taken into account before applying the Firm’s execution process to achieve the best possible result for the client, where the ‘best result’ is defined by reference to the Firm’s prioritisation of the execution factors as set out above. The Execution Criteria will vary potentially from client to client and from trade to trade and will therefore need to be assessed on a continual basis. These are defined as set out below:

- The characteristic of the client – For example whether they have been classified as retail or professional and whether they are a natural person, institutional investor or a fund. The level of sophistication, trading frequency and size of portfolio may also be relevant;
- The characteristic of the client order – Factors such as the type of financial instrument, size and urgency of the order are likely to be relevant here. In addition, if the trade is a securities financing transaction then this is likely to require special treatment. In some cases, the client order may also come with specific instructions from the client.
- The characteristics of the financial instrument – Intrinsic differences in the behaviour and attributes of different financial instruments mean that they will need to be treated differently. Market conditions should also be considered, such as whether there is liquidity at the size of order being contemplated, and whether there is significant volatility in the market;
- The characteristics of the execution venues – Relevant considerations here might be the reputation and reliability of the venue, whether the order will be subject to pre- and post-

⁸ See COBS 11.2A.8 for MiFID investment business, COBS 11.2.6 for AIFMD business and COBS 11.2B.7 for UCITS business

trade transparency, and the types of counterparty that the order is likely to be executed against (for example, whether the order is likely to be executed against HFT firms.)

This Policy sets out in the following sections how the Firm applies the execution factors and execution criteria to achieve the best possible results for its clients on a consistent basis.

I.8 Relying on a single venue

The FCA and ESMA have clarified⁹ that it is permitted to rely on a single venue or broker to execute client orders. However, in order to demonstrate that best execution is being provided in this situation, firms must be able to show that its reliance on this single venue or broker provides the best possible result for its clients on a consistent basis, and that the results are at least as good as could be obtained from relying on other entities.

The Firm's policy is to never rely on a single execution venue or broker for executing any class of financial instrument traded. The Firm will ensure that its list of approved brokers and execution venues¹⁰ contains at least two possible choices for each class of instrument traded.

The only exception to this will be where there is only a single venue or broker available in the market that is able to execute the class of instrument in question. In this situation, the Firm will rely on this entity for execution but will monitor the market for the emergence of other entities that can provide a similar function.

⁹ See COBS 11.2A.29G, COBS 11.2A.36G and question 3 of the best execution section of the ESMA Q&A on MiFID II and MiFIR investor protection topics (ESMA35-43-349)

¹⁰ See Appendix 3

The Execution Process

2.1 Prioritisation of the Execution Factors

In terms of the relative importance attached to the execution factors, the Firm has a general view and process which it adapts based on the particular characteristics (i.e. the execution criteria) of each trade.

In relation to professional clients, the first execution factor to consider is the availability and probability of execution. The priority here will be to assess which brokers and execution venues are capable of executing the order on the required terms. In normal market conditions however this is a relatively straightforward exercise that will produce a range of equally ranked execution options for further consideration under the remaining execution factors. Situations where this assessment produces a very narrow range of options due to various special circumstances are considered further in the various scenarios set out in Chapter 4 below.

Following this, and assuming a range of execution options exist, the highest priority factor is to obtain the best result for the client in terms of the total consideration for the trade, defined as the total price obtained minus any costs or fees. This will either be the highest total price or the lowest total price (net of costs and fees) depending on the direction of the trade. In most situations this will be determined predominantly by the price achieved, although where the price offered by two or more brokers or execution venues are identical or within a narrow range¹¹, or cannot be reliably determined in advance, then the one with the lowest overall cost of execution will be chosen. This analysis will include the implicit costs of the trade and market impact.

Where the Firm considers that it is able to take steps to reduce the costs of execution, and therefore improve the total consideration for the trade as defined above, then it will do so. Examples of this would include reducing the implicit costs of execution by reducing the market impact, which might be achieved by splitting the trade between multiple brokers or execution venues, trading over a longer time period or using algorithms.

The other execution factors do not typically determine the way a trade is executed, although on occasion where there are specific relevant circumstances these factors may be escalated in prioritisation. These situations are set out in Chapter 4, below.

2.2 Transmission of orders to brokers

A broker will be selected based on the Firm's assessment of the execution criteria in relation to that particular trade order, and in accordance with its prioritisation of the execution factors. This will typically lead to the broker being selected that is expected to provide the most favourable outcome for the client in terms of the price/cost of the trade, although other factors will be taken into consideration.

The broker will be selected from those available on the approved broker list, which can be found in Appendix 3. The broker onboarding process and annual review of brokers are described in Chapter 5, and these processes will involve a more detailed review of the broker's execution policy, RTS 27/28 disclosures and execution quality received. The outcome

¹¹ A 'narrow range' here means that the difference in price is less than the difference in costs and fees.

of these processes will be that brokers are added to and removed from the approved broker list with a view to improving the execution quality obtained by the Firm for its clients.

The Firm is able to transmit orders to brokers in the following ways:

- Telephone; and/or,
- Email; and/or,
- Bloomberg Chat

2.3 OTC trades

The Firm typically executes OTC trades in relation to structured finance instruments and currency derivatives subject to an ISDA agreement.

The Firm trades in bespoke financial instruments for which it is generally not possible to obtain multiple quotes. Internal models and market communications are used to establish the fair price for the trade and therefore to assess the fairness¹² of the prices being offered. These models are based on external market data and/or externally verifiable reference prices, where available. A record of these internal models and fair price calculations are maintained for use in the periodic monitoring of execution quality.

2.4 Executing orders outside of a Trading Venue¹³

The Firm will, on occasion, execute orders outside of a Trading Venue, such as a structured finance trade routed to and executed by a systemic internaliser.

¹² See Question 2 in the best execution section of the MiFID II Q&A on investor protection topics (ESMA35-43-349)

¹³ A Trading Venue is defined as a Regulated Market, MTF or OTF.

Arrangements particular to each class of financial instrument

3.1 Currency derivatives

The Firm does trade in currency derivatives, typically for hedging purposes, through the use of currency forward contracts engaged through an ISDA agreement. Trades are instructed via the Middle Office, in line with the parameters laid out in the portfolio documentation and approved before execution.

3.2 Structured finance instruments

The Firm does trade in structured finance instruments, via brokers and systematic internalisers. Trades are instructed by authorised personnel and approved through the Middle Office. See the Investment Approval and Monitoring policy.

3.3 Other MiFID II instruments

Examples of MiFID II financial instruments other than those listed in Annex 1 of RTS 28 include units in unlisted investment funds.

The Firm does not trade in any such instruments therefore these are outside the scope of this Policy. In the event that the Firm intended to start trading these types of instruments then this would require a change to this Policy.

3.4 Securities financing transactions

Securities financing transactions (“SFTs”) are defined as being any one of the following types of transactions:

- (a) a repurchase transaction, as defined in article 3(9) of the SFTR¹⁴;
- (b) securities or commodities lending and securities or commodities borrowing as defined in article 3(7) of the SFTR;
- (c) a buy-sell back transaction or sell-buy back transaction as defined in article 3(8) of the SFTR; and
- (d) a margin lending transaction as defined in article 3(10) of the SFTR.

The instruments that are the subject of these transactions are likely to be MiFID II financial instruments that fall into one of the above categories. However, due to the particular features of these transactions it is likely that special execution arrangements will be employed that will differ from normal transactions. In addition, these transactions need to be separately disclosed in any RTS 28 disclosures and furthermore are subject to special treatment in relation to transaction reporting. As a result, the Firm should be aware of which transactions are classified as SFTs and be able to track these separately from other transactions.

Detailed consideration of the rules around SFTs are outside the scope of this Policy, which is only concerned with their treatment from a best execution perspective.

The Firm does engage in SFT transactions. Brokers are selected and engaged on the basis of Execution factors and the requirements of the portfolios being managed and in line with all

¹⁴ The “Securities Financing Transactions Regulation”, which is Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015.

documentation disclosed and agreed in advance with clients. Engagements on individual asset can be open ended or term in duration and are reviewed on an ongoing basis.

3.5 Other investments outside the scope of MiFID II

Examples of investments that fall outside the scope of MiFID II financial instruments include spot FX, real estate, commodities, loans, art, fine wine and cryptocurrencies.

The Firm actively engages in spot FX on behalf of its clients for the purpose solely of meeting operational and funding requirements.

Other considerations affecting choice of method of execution

4.1 Thinly traded markets

Where instruments are not fungible and/or there are limited execution venues, we will focus on the likelihood and size of execution (and possibly speed, dependent on the external environment) to deliver best execution. For example, in thinly traded markets, where price points are not available best result for the client may be achieved by focusing on the immediacy and likelihood of execution and settlement if only a single counterparty is willing to take the other side of the trade.

4.2 Volatile markets

Where markets are seen to be particularly volatile, either across the market as a whole or in relation to the particular instrument that is the subject of the trade order, then the speed of execution will be escalated in importance. This is because in this situation the price could move rapidly against the Firm, or the liquidity could evaporate, meaning that any delay in execution could result in either a worse price being achieved or in the desired trade not being completed at all.

4.3 Short-term trading opportunities

There may also be situations where the nature of the investment opportunity identified is highly time-dependent. The Firm is generally a long-term investor, but will occasionally engage in opportunistic trading that may require faster execution in order to take advantage of the available opportunity within the market. Price will still usually be a high priority factor in this situation, as it will be the potential for the price to move against the Firm over a short time period that results in the need to execute the trade quickly.

4.4 Market crises

Where there is an interruption in trading at a major exchange, or the possibility of turbulent markets due to the failure of counterparties then the likelihood of settlement may be the execution factors focused on. The management, diversification and minimisation of counterparty risk will also become a critical issue in this situation.

4.5 Niche or specialist markets

In the case of niche or specialist markets, the range of available brokers or execution venues that are able to complete the trade may be more limited. In addition, the geographical location, relevant experience and track record of the broker in relation to the specific instrument that is the subject of the trade order is likely to become a deciding factor. In this case, price and likelihood of execution are likely to be more important, with the importance of cost lessened as it will be necessary to engage the broker with the relevant skills to complete the trade.

4.6 Crossing transactions between portfolios

Trading between Funds and/or Managed Accounts must meet the Firm's Best Execution criteria for all legs of the trade.

No direct trading with or between Funds managed by the Firm is permitted and must be executed through an approved market counterparty at the market price.

4.7 Counterparty exposure

On occasion, it may be necessary to alter the method of execution in order to manage the exposure of the Firm to a particular counterparty. This may be necessary either for general risk management purposes, as the exposure is deemed to be too concentrated, or due to a change in credit rating of a particular counterparty or other market events that lead the Firm to want to reduce its exposure. This may on occasion result in a trade being executed with a counterparty other than the one that appeared to be offering the best price and cost.

4.8 Regulatory compliance

There may also be other regulatory reasons why it is necessary to exclude certain brokers from the pool of brokers being considered for a particular transaction, regardless of the other terms that they are offering. This may be necessary for example to ensure that the Firm's obligations are fulfilled with respect to pre- and post-trade transparency or with respect to transaction reporting under either MiFID, EMIR or the SFTR.

Governance and senior management oversight

5.1 The Audit & Risk Committee

Senior management oversight of the Best Execution Policy, the underlying trading arrangements in place to provide best execution to its clients, and the first and second line monitoring undertaking to demonstrate best execution is provided by the Audit & Risk Committee. The operations, responsibilities and function of the Audit & Risk Committee are set out in more detail in the following sections.

The Audit & Risk Committee is responsible for ensuring our internal policies and procedures deliver best execution, annually reviewing and if necessary updating our Best Execution Policy, monitoring the effectiveness of brokers and seeking to identify trends in execution quality or potential deficiencies in our processes to deliver continual improvement in the execution quality obtained for our clients.

This Committee meets quarterly and is minuted, with actions arising being documented. All changes are fed back into and discussed as necessary with the front office and compliance/operations team (who participate in meetings) to ensure understanding of the new requirements and for delivery of actions on an ongoing basis.

5.2 Ongoing monitoring of execution quality (first line)

The ongoing monitoring of execution quality and 'first line' controls are undertaken by our portfolio managers with independent scrutiny carried out by our compliance/operations team as the 'second line of defence'. The first and second lines of defence are therefore primarily responsible for ex ante and ex post monitoring of best execution on an ongoing basis, with oversight of this monitoring undertaken by senior management by way of the Audit & Risk Committee

The Firm's front-office staff fully understand our best execution policies and processes, and seek to deliver best execution on a consistent basis. The Firm's portfolio management team have a suite of tools in order to assist in the delivery of best execution including pre-trade analytics and pricing tools. The portfolio management trade approval process requires the approval of all counterparties/brokers to a trade by the Investment Committee and middle office prior to trading, thereby providing validation of the broker ex-ante and the trade characteristics including price. Changes to these characteristics, outside those parameters approved by the Investment Committee and middle office, will require a new trade approval. See the Investment Approval and Monitoring Policy.

When executing OTC, an audit trail of competing quotes will be maintained and reviewed and recorded where there are potential execution venues (i.e. counterparties who may be able to fulfil the trade). Otherwise, internal models are used to establish the fair price for the trade and therefore to assess the fairness of the prices being offered. A record of these internal models and fair price calculations are maintained in the Investment Committee proposal presented to the Investment Committee for use in the periodic monitoring of execution quality.

5.3 Periodic monitoring of execution quality (second line)

Independent monitoring of the quality of execution obtained is undertaken by compliance/operations as the 'second line of defence'. Testing is undertaken on an exceptions basis, due to the nature of the assets being traded, using quantitative and qualitative techniques. The monitoring considers the entirety of the Firm's trading operations where best execution is relevant, and considers how individual trades were carried out using a combination of internal and external data. Analysis is subsequently provided to the Audit & Risk Committee for their review and comment.

The periodic second line monitoring is undertaken on a quarterly basis. The output of these checks is provided to the Audit & Risk Committee.

5.4 Escalation of MI relating to the monitoring of execution quality

The Audit & Risk Committee meets on a quarterly basis, and receives the report from the Compliance Officer which includes the output of the monitoring of execution quality undertaken by the second line of defence. This information is used to provide comfort to senior management that best execution is being delivered to clients, and the Audit & Risk Committee will also consider whether any changes are required to the Best Execution Policy or the Firm's underlying execution arrangements, and whether any further remedial action is required.

5.5 Broker onboarding process

The Firm has a rigorous process for onboarding new brokers. Typically, a request to add a new broker to the approved broker list will come from the investment team, based on their experience of executing trades with the currently approved brokers, previous experience with other firms, information received from market counterparts and potentially the desire to start trading a new instrument.

An assessment will then take place that will take into consideration the following factors:

1. Regulatory status
2. Size
3. Creditworthiness
4. General reputation
5. Specific reputation in relation to the market or securities that we wish to trade
6. Clearing and settlement capabilities
7. Connectivity (i.e. ability to submit trades electronically versus over the phone)
8. Level and structure of fees and charges
9. Any other relevant considerations, such as the ability to assist the Firm in fulfilling regulatory requirements such as EMIR transaction reporting

A copy of the broker's own execution policy will be obtained and reviewed as part of this process.

In addition, and where available, the Firm will obtain copies of any public disclosures the broker has made under RTS 28 along with any other public and regulatory disclosures that are deemed relevant such as the broker's Pillar 3 disclosures.

Any potential conflicts of interest will be assessed at this stage, including any close links, affiliation or common ownerships, as well as the nature of any proposed fee arrangements including rebates or discounts. For the avoidance of doubt, payment for order flow arrangements will not be entered into in any circumstances.

The decision regarding the onboarding of the broker will be made by Executive Committee, with ratification from the Audit & Risk Committee.

Where approval is granted, this will include reference to which classes of financial instrument the broker has been approved in relation to, as it may be that a broker has been assessed as being able to provide best execution in a narrower range of instruments than the Firm trades,

or that the broker is able to execute. Where changes are required, for example, where the investment team wants to start using an existing broker for an additional class of financial instruments, these changes will be ratified by the Audit & Risk Committee.

For the avoidance of doubt, the quality or volume of research provided by brokers will not be a factor in the selection of that broker for trade execution. The provision of material non-monetary benefits unrelated to execution will also not form part of the analysis. Please see the Firm's separate Research Policy for more information in relation to this.

5.6 List of approved brokers

The Firm maintains a list of brokers which it has approved for use, and stored. The Executive Committee is responsible for all amendments to this list. This list also provides clarification on which brokers can be used to execute orders in which financial instruments, which will have been determined based on the Firm's assessment of which financial instruments the broker is able to provide best execution in relation to.

5.7 Periodic broker assessment process

The Firm tracks the performance of each broker used on an ongoing basis, and the results of this analysis are periodically escalated to the Audit & Risk Committee.

In addition, a periodic broker vote process is undertaken, whereby each member of the investment team is able to provide their qualitative assessment of the performance of each broker that they have used. Note that this is distinct from any separate exercise to assess the quality of research provided by each broker, as in this case the broker vote will focus purely on the quality of execution and other related matters. This broker vote takes place on a quarterly basis

On an annual basis, this information is compiled and escalated to the Audit & Risk Committee who will be responsible for decisions regarding the adding and removing of brokers from the approved list. This information will also be supplemented by the latest disclosures made by each broker under RTS 28.

5.8 Removing a broker from the approved list

Where a broker is found to be not providing best execution for our clients on an ongoing basis, this broker will be removed from our list of approved brokers. The Executive Committee will be responsible for making this determination and have the authority (and responsibility) to add and remove brokers from this list as necessary, with ratification from the Audit & Risk Committee.

Brokers may on occasion be removed for other reasons, for example because they are not being used, because the costs of maintaining an active relationship with them are too high, regulatory issues or concerns about the solvency of the broker, or because they have ceased trading or merged with another broker, or otherwise altered their service as to no longer be useful to the Firm.

5.9 Use of information from Consolidated Tape Providers

The Firm is aware of the requirement to use the data published by any consolidated tape providers established under Article 65 of MiFID II. Since at the time of finalising this policy no such Consolidated Tape Providers existed and no relevant data had been published, no detailed procedures exist at this time for the use and analysis of this data. The Audit & Risk Committee will be responsible for reviewing and augmenting the Best Execution Policy to

determine how this information can be efficiently used by the business once it becomes available.

5.10 Review and oversight of Best Execution Policy

The Audit & Risk Committee will ultimately review and approve any necessary changes to this Policy. This review will take place at least annually and will be led by the Compliance Officer who will review and propose any necessary changes to the Policy before this is presented to, discussed and approved by the Committee. The results of the periodic monitoring of execution quality described above, as well as the periodic broker assessments undertaken will feed in to this review. This will allow the Audit & Risk Committee to assess whether the Policy is being adhered to and whether the Policy itself is sufficient to deliver the best outcome for clients on a consistent basis.

The Committee will also consider as part of this review whether any changes made represent a 'material change' that needs to be notified to clients. Further details on this are found in Section 6.

In addition, the Compliance Officer, as well as the Audit & Risk Committee will be responsible for identifying circumstances that require an ad hoc review and/or updates to this Policy to be made as and when these circumstances come to their attention.

Client communications and disclosures

6.1 Disclosure of appropriate information to clients

It is an FCA requirement¹⁵ that Firms provide clients with ‘appropriate information’ on their Order Execution Policy (“OEP”), which explains how orders will be executed clearly, in sufficient detail and in a way that can be easily understood by clients. It is not necessarily a requirement that the OEP itself be provided to clients, and depending on how the OEP is written, it may not be sufficient to just provide the OEP to clients in order to meet the disclosure requirements. This might be the case, for example, if the OEP was written in such a way that it could not be easily understood by clients.

The Firm’s policy is to meet the disclosure requirements by providing a copy of this Policy (the Best Execution Policy) to its clients. The Firm has made every effort to write this Policy in such a way as to meet the disclosure requirements, namely by providing sufficient details on how orders will be executed and writing it in a way that can be easily understood by clients. While the detail within this Policy goes beyond the ‘appropriate information’ requirements in places, we believe that this is all useful information for the client that will give them additional comfort that best execution is being provided.

Note that in the case of funds, the above requirement should be understood to mean that the ‘appropriate information’ be provided to the fund board. However, in addition to this, there are further FCA requirements that provide that ‘appropriate information’ must also be provided to investors within the fund. The phrase ‘appropriate information’ is defined separately in this context¹⁶, however, and it is not necessary for the same information to be provided.

In relation to AIFs, the Firm’s policy is to include this information in the AIF offering memorandum and/or private placement memorandum produced in accordance with FUND 3.2.2R. This disclosure will be based on the information listed in COBS 11.2.23¹⁷, with any necessary modifications. The Compliance Officer will be responsible for drafting this additional disclosure which will then be approved by the Audit & Risk Committee, before being put into the fund’s offering documents. It will not normally be necessary to provide the Best Execution Policy itself to investors in the AIF, although the Firm may decide to do so on a case by case basis if it deems it to be appropriate in the circumstances.

6.2 Client consent to the Firm’s execution policy

Where firms provide direct execution on behalf of clients, it is a requirement to obtain the client’s consent to the firm’s execution policy prior to commencing this business.

It is the Firm’s policy to obtain explicit written consent from all direct investors to its execution policy. This includes any segregated managed accounts as well as the fund board of any funds being managed. In relation to investors in these funds, implicit consent is assumed if they choose to continue with their investment after having received the appropriate information on our execution policy in the fund’s offering documents and/or as disclosed separately through the circulation of this Policy.

Since we provide appropriate information on our execution policy to all clients, if a client chooses to continue with the business relationship and/or investment after having received

¹⁵ COBS 11.2A.22R for MiFID business, COBS 11.2.23A for AIFMD business and COBS 11.2B.31 for UCITS business

¹⁶ See COBS 11.2B.31 to 35 for UCITS funds and COBS 11.2.23, 23A and 32(3) for AIFs.

¹⁷ Note that this rule only applies to Retail Clients. Nevertheless, since there is no specific rule that dictates what information must be disclosed to Professional Clients in this context, COBS 11.2.23 provides a useful starting point for this exercise. The more detailed requirements for UCITS schemes in COBS 11.2B.31 to 35 can also be reviewed in order to gain a better understanding of the types of things that may need to be disclosed.

this information then this can be taken as implicit consent. This applies equally to direct clients, the fund board of any AIF that we manage and in addition to any investor in any fund, all of whom will receive appropriate information on our execution policy as part of this process.

6.3 Client consent to executing outside a Trading Venue

Where the Firm proposes to directly execute trades outside a Trading Venue¹⁸, the Firm is also required to obtain a client's prior express consent. In this case, implicit consent to the Firm's execution policy in its entirety is not sufficient and explicit, written consent is required to execute the client's orders outside of a Trading Venue. This consent can be obtained either electronically or by way of a physical signature.

The Firm will execute client orders outside of Trading Venues, and therefore explicit consent will be required from the client before the provision of investment services can commence. Further details on the situations in which the Firm will execute orders outside of a Trading Venue, as well as how this will be accomplished and controlled, can be found in Section 2.4

6.4 Notification of material changes

As noted above, the Firm will review this Policy at least annually, making updates where necessary. This review will be performed by the Audit & Risk Committee. Any material changes that are made to the Policy as a result of these reviews will be notified to clients. Where changes are made, the Audit & Risk Committee will also consider, as part of their review, whether the changes are material enough to require such notification.

As a general rule, the addition or removal of a broker from the list of approved brokers is not considered a material change and will not require specific notification to clients. Examples of material changes are likely to be the Firm starting to trade a new type of instrument, that requires new and different execution arrangements to be put in place, or substantial changes to the Firm's existing execution arrangements. Since the Firm currently only transmits orders to brokers for execution, if the Firm proposed to start executing orders directly this would be considered a material change and require notification to clients.

6.5 Specific client instructions

If the Firm receives an order from a client that includes specific instructions in relation to the handling and execution of the order (such as requesting a particular execution venue, specifying a particular price or time or requesting the use of a particular strategy) then, subject to our legal and regulatory obligations, the Firm will execute the client's order in accordance with these specific instructions. This means that to the extent of the specific instructions, the Firm's obligation of best execution will be satisfied by executing the order in accordance with the specific instructions.

Where a specific instruction covers only a portion of an order (for example, as to the choice of venue), and the Firm have discretion over the other elements of the order, then the Firm will continue to owe an obligation of best execution in respect of the remaining elements of the order that are not covered by the specific instruction.

Since the Firm only acts on a discretionary basis and makes all investment decisions itself, as per the terms of the Investment Management Agreements in place, specific instructions are

¹⁸ A Trading Venue is defined as a Regulated Market, MTF or OTF. Note that since these are all European regulatory concepts, it is likely that orders executed outside of the EEA would be considered 'outside of a Trading Venue' even if the Execution Venue itself was similar in nature to an EEA Trading Venue. An example of this would be the national stock exchange of a non-EEA country.

not likely to be received. The Firm will however always act in accordance with the investment mandate agreed with the client.

6.6 Disclosure of inducements, conflicts and fees

The Firm is required to maintain a Conflicts of Interest Policy identifying the circumstances that constitute or may cause a conflict of interest with potential material risk or damage to the interests of one or more of its clients. The Conflicts of Interest Policy in place outlines the procedure that the Firm will follow to manage such conflicts. This requirement applies to potential conflicts of interest that may arise between the Firm and its clients as a result of its execution arrangements which could prevent it from satisfying its best execution obligations. The Firm handles all potential conflicts of interest that can arise in the execution of a client order/transaction according to its Conflicts of Interest Policy. Further information can be obtained from the Compliance Officer.

The Firm is not permitted to receive any benefit for routing client orders to a particular trading or execution venue as this could be considered an inducement and conflict of interest. Payment for order flow is also therefore prohibited and the Firm does not engage in this practice.

For the avoidance of doubt, we do not receive any benefits from third parties for selecting different brokers or execution venues.

6.7 Disclosure top 5 execution venues and brokers (RTS 28)

Where a firm executes trades for clients, it is required under RTS 28¹⁹ to make an annual disclosure of the top five execution venues where orders were executed, broken down for each class of financial instrument traded. Where firms also execute trades indirectly by transmitting orders to brokers, an equivalent disclosure of the top 5 brokers is also required under COBS 11.2A.34 EU (6). Where both direct and indirect execution takes place, these reports must be made separately.

Since the Firm both executes orders directly and transmits trade orders to brokers for execution, it will need to make two sets of RTS 28 disclosures. Appendix 2 provides a breakdown of which instruments are executed in which way, and therefore which RTS 28 disclosure they will need to be disclosed in.

Note that since the Firm is a Full Scope AIFM the RTS 28 requirements technically only apply in relation to its MiFID business, which includes its segregated managed accounts but excludes²⁰ its AIFMD business. The Firm therefore only makes RTS 28 disclosures in relation to the specific trades and portfolios that this requirement is applicable to.

6.8 RTS 28 – Information to be disclosed

This information should be broken down by class of financial instrument, as set out in Appendix 2 of this Policy and defined in Annex 1 of RTS 28. The format of the disclosure should be made in line with Annex II of RTS 28, and must be made separately for retail clients,

¹⁹ As reproduced in COBS 11 Annex 1 EU.

²⁰ Although note however that it includes any AIFs or UCITS where the Firm acts as delegated portfolio manager and is not acting directly as the AIFM or the UCITS Management Company.

professional clients, and in relation to securities financing transactions (Tables 1, 2 and 3 respectively), if any such transactions took place.

RTS 28 in its entirety, along with all of the Annexes and Tables referred to above is reproduced in COBS 11 Annex 1 EU.

It should be noted that the data only needs to be provided where trading has taken place in relation to the financial instrument in question. In addition, where the Firm has executed less than one trade on average per business day during the year in the financial instrument in question, it is sufficient to state this fact rather than providing a breakdown of execution venues.

In relation to portfolio management business and the reception and transmission of orders, ESMA have clarified that the concept passive orders and aggressive orders is not generally relevant, unless specific instructions have been attached to the order that suggest otherwise. This field can therefore be omitted in this context.

The Compliance Officer is responsible for ensuring that the investment team have systems and processes in place to retain all relevant data to enable these disclosures to be made as required on an annual basis.

6.9 RTS 28 – Qualitative disclosure of execution quality

In addition, the reports referred to above should be accompanied by information on the execution quality obtained. This will take the form of a summary of the analysis conducted by the Firm and the conclusions drawn from its regular monitoring of execution quality and should include at a minimum:

- An explanation of the relative importance the Firm gave to each of the execution factors in selecting an execution venue or broker. Where appropriate, this should be broken down by class of financial instrument.
- A description of any close links, conflicts of interest or shared ownership with any execution venue or broker used.
- A description of any specific arrangements regarding payments, rebates, discounts or non-monetary benefits given to or received from any execution venue or broker used.
- Where the Firm's list of approved execution venues or brokers changed, an explanation of the factors that led to such a change.
- An explanation of how the Firm used any data published by execution venues under RTS 27 or brokers under RTS 28.
- Where applicable, an explanation of how the Firm used the output of a consolidated tape provider

The Compliance Officer is responsible for drafting these reports. They will then be provided to the Audit & Risk Committee for approval and sign-off, along-side other monitoring of execution quality performed by the Firm to ensure that they are consistent.

These reports will be prepared on an annual basis, covering the calendar year (i.e. 1 January to the 31 December). The first report due will be the one covering 2017, although since this period covers the calendar year prior to the one when MiFID II (and this Policy) came into force, it is recognised that some of the required information may not be present.

These reports will be published no later than 4 months after the end of each calendar year (i.e. no later than 30 April). The reports will be hosted on the Firm's website, in machine

readable format (i.e. not as a graphic) and will not have any access restrictions. The Firm will ensure that each report stays on the Firm's website for at least 2 years after it is first published.

It is the responsibility of the Compliance Officer to ensure that these reports are published on a timely basis, comply with the relevant requirements and remain accessible on the Firm's website for the minimum period of 2 years.

6.10 Demonstrating best execution to clients and the FCA

The Firm is obliged by FCA rules²¹ to be able to demonstrate to clients, on request, that all trades have been executed in accordance with this Policy. This obligation does not generally extend to the underlying investors in any fund although such information can be provided to them upon request at the Firm's discretion. It does however extend to the fund board, which should be considered the Firm's client for these purposes.

In relation to MiFID business only there is a further new requirement²² that the Firm must be able to demonstrate to the FCA, upon request, that best execution has been achieved. This requirement goes beyond just demonstration that the execution policy has been adhered to.

The Firm considers that this Policy, along with the detailed monitoring of execution quality undertaken and the reports escalated to and ratified by the Audit & Risk Committee, along with the RTS 28 reports (qualitative and quantitative) published annually, are sufficient to demonstrate the Firm's adherence to this Policy and to demonstrate more widely that the Firm has taken all sufficient steps to provide best execution to its clients and that this has been delivered on a consistent basis.

²¹ COBS 11.2A.32 for MiFID business, COBS 11.2B.23 for UCITS business and COBS 11.2.29 for AIFM business

²² COBS 11.2A.32

Appendix 1 – Financial Instruments as per Annex 1 Section C of MiFID II

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements²³ and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances²⁴ or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities²⁵ that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of a default or other termination event);
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- (7) Options, futures, swaps, forwards²⁶ and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- (8) Derivative instruments for the transfer of credit risk;
- (9) Financial contracts for difference;
- (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
- (11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

²³ Yellow highlighted text denotes that the underlying definition has changed. New guidance under MiFID II clarifies and amends the distinction between a spot agreement and a forward agreement, overriding national discretion on this point and the FCA's previous interpretation. This clarifies the settlement periods that are considered as spot/forward contracts and also removes the carve out for transactions carried out for a "commercial purpose" as opposed to an investment purpose. This particularly applies to FX forwards and results in most FX forward contracts now being considered MiFID financial instruments.

²⁴ Blue underlined text is new in MiFID II. These references mainly relate to emissions allowances and instruments traded on OTFs, as well as a new carve-out for wholesale energy products which are regulated under REMIT.

²⁵ The underlying definition of Commodities has also changed under MiFID II, resulting in a wider definition of both commodities and also commodity derivatives. The MiFID II definition goes not require that these be goods that can be physically delivered, and now explicitly includes things such as climatic variables, freight rates, inflation rates and other official economic statistics.

Appendix 2 – Classes of Financial Instrument as per Annex 1 of RTS 28	DIRECT EXECUTION: Firm executes trades in this instrument directly	INDIRECT EXECUTION: Firm transmits orders in this instrument to brokers to execute	NOT APPLICABLE: Firm does not trade in this instrument
(e) currency derivatives			
(ii) Swaps, forwards, and other currency derivatives		X	
(f) Structured finance instruments	X	X	
(n) Other instruments outside the scope of MiFID II:			
(i) Spot FX		X	

Appendix 3 – List of Execution Venues and Brokers on which significant reliance is placed	Counterparties / Brokers used, including Systematic Internalisers
(e) currency derivatives	
	HSBC Bank PLC
(f) Structured finance instruments	
	Banca IMI Bank of America Merrill Lynch International Limited Barclays Bank Plc BNP Paribas UK Limited Brean Capital, LLC Brownstone Investment Group, LLC Cantor Fitzgerald Europe Chalkhill Partners LLP Citigroup Global Markets International LLC Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Cross Point Capital, LLC Deutsche Bank Aktiengesellschaft Duncan-Williams, Inc. Goldman Sachs International GreensLedge Capital Markets Europe LLP Guggenheim Partners Investment Management, LLC HPC HSBC Bank Plc Illiquidx Limited Imperial Capital (International) LLP J.P. Morgan Securities LLC

	<p>J.P. Morgan Securities Plc Jefferies International Limited KGS-Alpha Capital Markets, L.P. Lloyds Bank Plc Lloyds Bank Corporate Markets Plc. Morgan Stanley International Limited Natixis Natwest Capital Markets Limited Nomura International PLC RBC Europe Limited RBC Capital Markets, LLC Santander UK Plc Societe Generale International Limited Standard Chartered Bank Stormharbour Securities LLP UBS AG Wells Fargo Securities International Limited</p>
(m) Other MiFID II instruments:	
Securities Financing transactions	<p>BNP Paribas UK Limited J.P. Morgan Securities LLC J.P. Morgan Securities Plc Natwest Capital Markets Limited RBC Europe Limited RBC Capital Markets, LLC Societe Generale International Limited</p>
