

---

## Best Execution Policy

---

**SUMMARY:** This document represents Seilern Investment Management Limited's Best Execution Policy

**OWNER:** SIM Board of Directors and Compliance Officer ("CO")

**Effective date:** 28<sup>th</sup> April 2015

**Status:** Live

**Approved by:** SIM Board of Directors

### MODIFICATION HISTORY

VERSION	DATE APPROVED	REVIEWED BY	CHANGES
v.2015.01	28 <sup>th</sup> April 2015	Compliance	New Policy
v.2015.02	2 <sup>nd</sup> November 2015	Compliance	Additional brokers
v. 2016	29 <sup>th</sup> January 2016	BoD & CO	Annual review of compliance policies
v. 2017	13 <sup>th</sup> March 2017	BoD & CO	Annual review
v. 2018	29 <sup>th</sup> January 2018	BoD & CO	Annual review and MiFID II update
v. 2019	1 <sup>st</sup> November 2019	BoD & CO	Updates to the policy due to business changes

## CONTENTS

<b>1. OVERVIEW .....</b>	<b>3</b>
1.1. INTRODUCTION.....	3
1.2. RELATED DOCUMENTS and POLICIES .....	3
<b>2. POLICY STATEMENT .....</b>	<b>3</b>
2.1. BEST EXECUTION REQUIREMENT – OUR COMMITMENT.....	3
2.2. FINANCIAL INSTRUMENTS.....	4
<b>3. ORDER AND BEST EXECUTION – OUR POLICY .....</b>	<b>5</b>
3.1. EXECUTION FACTORS .....	6
3.2. EXECUTION PROCESS .....	8
3.3. EXECUTION VENUES.....	8
3.4. COUNTERPARTIES WITH WHICH SIM PLACES CLIENT ORDERS .....	9
3.5. CONSENTS GRANTED TO COUNTERPARTIES.....	9
3.6. SPECIFIC INSTRUCTIONS FROM A CLIENT IN RESPECT OF CLIENT ORDERS.....	10
3.7. PUBLICATION OF UNEXECUTED LIMIT ORDERS.....	10
3.8. APPROVED BROKERS.....	10
3.9. MONITORING AND REVIEW .....	10
3.10. RECORD OF BEST EXECUTION .....	11
<b>4. DOCUMENT REVIEW CYCLE .....</b>	<b>11</b>

## 1. OVERVIEW

### 1.1. INTRODUCTION

Seilern Investment Management Ltd (“**SIM**”) is authorised and regulated by the Financial Conduct Authority (the “**FCA**”). SIM has produced an Order and Best Execution Policy (the “**Policy**”), to apply to its professional clients and to all financial instruments dealt in, in the course of carrying out investment management business in the European Economic Area (the “**EEA**”). Under this Policy, SIM will take all sufficient steps to consistently obtain the best possible result for its clients through its order execution policy. SIM’s best execution policy ensures that regulatory and industry best practice is followed in the criteria that it includes in its definition of best execution, and therefore in the execution venues it uses.

SIM’s scope of designated investment business is restricted to conducting regulated activities with eligible counterparties and per se professional clients only. SIM is not authorised to deal with retail clients.

### 1.2. RELATED DOCUMENTS and POLICIES

- i. Personal Account Dealing (“**PAD**”) policy and procedures;
- ii. Treating Customers Fairly (“**TCF**”) policy and procedures;
- iii. Conflicts of Interest policy and procedures; and
- iv. Insider Management Policy

## 2. POLICY STATEMENT

### 2.1. BEST EXECUTION REQUIREMENT – OUR COMMITMENT

SIM is authorised by the FCA to carry out the following activities:

- i. Manage investments;
- ii. Provide investment advice on portfolio investments; and
- iii. Receive and transmit orders on behalf of our clients.

Under the Markets in Financial Instruments Directive 2014/65 (“**MiFID II**”), we are required to implement an order and best execution policy. As part of these requirements, we must endeavor to take all sufficient steps to obtain the best possible result for our clients either when executing their orders or when receiving and transmitting orders for execution on our clients’ behalf. This means that we must take into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other consideration relevant in order to obtain the best possible result from the execution of orders. This requirement is of a general and overarching nature.

As SIM’s Policy provides for the possibility that client orders may be executed outside a trading venue (i.e. a Regulated Market (“**RM**”), Multilateral Trading Facility (“**MTF**”) or an Organised Trading Facility (“**OTF**”)), SIM must, in accordance with the FCA’s Rules (the “**FCA Rules**”) and MiFID II, inform its clients about this possibility. SIM has informed its clients and will inform new clients, accordingly, by way of a written notification.

In addition, SIM will obtain the prior express consent of its clients should it ever execute their orders outside a trading venue, either in the form of a general agreement or in respect of individual transactions.

Should SIM ever execute an order on behalf of a client outside a trading venue, the consequences, (for example counterparty risk arising from execution outside a trading venue) and, upon request, additional information about the consequences of this means of execution shall be provided to the client in good time prior to the provision of the service via a durable medium,<sup>1</sup> such as by email, a pdf document or through a secure website which meets certain criteria. Similarly, should SIM apply different fees depending on the execution venue, it shall explain these differences to the client in sufficient detail in order to allow the client to understand the advantages and the disadvantages of the choice of a single execution venue.

SIM considers it important that it has the flexibility to agree to the execution of transactions on its clients' behalf through the most appropriate venue to ensure that our counterparties are able to provide the best possible result whenever undertaking transactions on our clients' behalf. In providing us with the necessary consent we are able to both meet our regulatory obligations and look to achieve our aim to obtain for our clients with the most advantageous order execution service under the regulatory regime in the United Kingdom.

Our Policy, set out below, is designed to provide our clients with appropriate information on how we take such steps to achieve the best possible result for them. We will usually place orders to be executed with appropriate counterparties and our Policy applies to such orders when they relate to MiFID II financial instruments, as listed in section 2.2 below, and whenever we provide the service of portfolio management. It will also apply should we execute an order in a MiFID II financial instrument on our clients' behalf.

## **2.2. FINANCIAL INSTRUMENTS**

The full list of MiFID II financial instruments comprises:

- i. Transferable securities;
- ii. Money-market instruments;
- iii. Units in collective investment undertakings;
- iv. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or incash;
- v. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- vi. 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 ("RM"), a Multilateral Trading Facility ("MTF") or an Organised Trading Facility (OTF), except for wholesale energy products traded on an OTF that must be physically settled;
- vii. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 above and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- viii. Derivative instruments for the transfer of credit risk;
- ix. Financial contracts for differences;
- x. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, or inflation rates or other official economic

---

<sup>1</sup> According to the FCA, a durable medium needs to allow information to be addressed personally to the recipient, enable the recipient to store information in a way that is accessible for future reference and for a period of time adequate for the purposes of the information ("storability") and allow the unchanged reproduction of the information stored ("reproduction").

- 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 a 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; and
- xi. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

The following are the different venues that SIM will avail of should it execute its clients' orders:

An MTF is a type of trading system and execution venue that will compete with existing RMs and other execution venues. Other types of systems through which transactions may be executed on behalf of clients include a Systematic Internaliser ("SI(s)"). SIs will include firms that currently execute a significant number of transactions between their own clients and through whom it may, on occasion, be possible to execute transactions on a client's behalf on more favorable terms.

Although SIM has Part 4A Permission covering all instruments listed in Section C, Annex I of MiFID II our client mandates restrict it to three financial instruments, in particular, as follows:

1. transferable securities;
2. money market instruments; and
3. units in collective investment schemes.

There may be circumstances where SIM will deal in foreign exchange in order to hedge a specific currency exposure and reduce the risk to the portfolio. However, in general, SIM does not deal in derivatives of any kind for its clients.

### **3. ORDER AND BEST EXECUTION – OUR POLICY**

Should SIM execute its clients' orders, it shall do so in accordance with this Policy and shall keep record of each execution process in such a way that it must be able to demonstrate to its clients, upon request, that SIM has executed their orders in accordance with the Policy. The above records shall also serve to evidence to the FCA and any other competent authority, upon request, compliance of SIM's execution process with this Policy.

When placing orders for execution, SIM will seek to obtain the best possible result taking into account the range of execution factors specified by MiFID II, namely:

- i. the execution price;
- ii. the execution costs;
- iii. the execution speed;
- iv. the likelihood of execution;
- v. the size of the order to be executed;
- vi. the nature of the order to be executed; or
- vii. any other consideration relevant to the execution of the order including implicit costs.

Within these factors, price will usually be accorded relatively greater importance, although in the case of less liquid securities or financial instruments or in more volatile market conditions, other factors may need to be afforded relatively more weight to achieve the best outcome for

our clients.

SIM shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest set out in SIM's Conflict of Interests Policy or the rules on inducements in MiFID II.

Furthermore, SIM shall only receive third-party payments that comply with the rules on inducements in Article 24(9) MiFID II and shall inform clients about the inducements that the firm may receive from the execution venues, specifically about the fees charged by it to all counterparties involved in the transaction. Should the fees vary depending on the client, SIM will indicate the maximum fees or range of the fees that may be payable. Should SIM charge more than one participant in a transaction, in compliance with Article 24(9) of MiFID II and its implementing measures, it will inform its clients of the value of any monetary or non-monetary benefits received by it.

### **3.1. EXECUTION FACTORS**

When determining the relative importance of the execution factors included above, we will also take into account the following criteria:

1. our client's characteristics (including its regulatory categorisation);
2. the characteristics, size and nature of the client's order;
3. the characteristics of the financial instruments that are the subject of that order;
4. the characteristics of the execution venues to which that order can be directed;
5. price;
6. cost or commissions of execution;
7. the current liquidity for the relevant financial instrument;
8. the market impact of the transaction;
9. the quality of order execution;
10. execution capability;
11. the financial status, responsibility and solvency of the counterparty;
12. the responsiveness of the broker and/or the execution venue; and
13. the quality and efficiency of the settlement process post execution.

The priority of importance of execution factors will vary between transactions, but in most cases the price achieved, and costs incurred will be the primary execution considerations. However, in circumstance whereby we are trading a less liquid security, the size and likelihood of execution may be of equal importance as the price and cost. There may also be instances whereby speed to market and the ability to complete an order quickly are of increased importance.

The below sections provide a description of the main factors which are taken into account by SIM in the execution of orders on behalf of clients:

#### **Total Consideration**

The total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. MiFID II provides that, when an investment firm executes orders, the best possible result shall be determined in terms of the total consideration. Although the above criteria (i.e. best result determined on the basis of total consideration) is set forth for execution of orders on behalf of retail clients, SIM, with this Policy, intends and commits to align its conduct to such higher standard should it execute an order on a client's behalf.

For example, an investment firm that provides a service with respect to shares admitted to trading on a RM will focus on the net cost (or net proceeds in the case of a sale) of executing the order on the venues available and will direct the order to the execution venue or entity providing the best possible result in terms of total consideration. The investment firm may consider speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs and give them precedence over the immediate price and cost factors if they are instrumental in delivering the best possible result in terms of the total consideration.

Where there is more than one competing venue to execute an order for a financial instrument, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in this Policy that is capable of executing that order, SIM's own commissions and the costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

### **Price**

SIM, as a firm that transmits or places orders with brokers and other regulated entities for execution, is, in its turn, a professional client of these brokers and other regulated entities and is owed a duty of best execution. Our role in the order execution process is predominantly to obtain a competitive outcome from an order execution from our approved brokers.

### **Costs and Related Charges**

MiFID II insists on "**total consideration**". This includes (but is not limited to) fees, commissions, expenses, settlement, foreign exchange, taxes, and any other charges, whereas the FCA draws a distinction between the "**explicit costs**" and "**implicit costs**" resulting from how a trade is executed. A trade may be executed "**at market**" (i.e. a transaction executed as at the present or "market" price) or "**at limit**" (i.e. an order to transact at a price bound by a limit). The aim is always to obtain the "**best net price**".

### **Order Size**

The emphasis is on both large and small orders, which may have a market impact. The basis for the choice of venue must be demonstrable.

### **Speed**

The frequency with which prices change varies with different instruments, market conditions and execution venues. For example, the market may move, so that a demonstrably rapid and or effective venue is called for. However, for large and/or small orders and orders for less liquid instruments, under certain market conditions other considerations may outweigh speed.

### **Likelihood of Execution and Settlement**

The best price may not be possible if the execution venue has no depth. Market depth must be demonstrable as must settlement considerations.

### **Nature of the Order**

Whilst SIM acknowledges that the markets for different asset classes may place emphasis on different aspects of transactions, this Policy contains those execution factors which SIM considers and takes into account in its analysis of whether it, or its execution venues, can deliver the best result and execution.

Within this context, SIM views best execution holistically, taking account of both quantitative and qualitative factors. In addition, SIM will routinely consider the available execution venues as part of its order execution process. SIM will determine the relative importance of the

execution factors by using its industry experience, expertise and judgement in light of the available market information with the main aim of achieving prompt, fair and expeditious execution of all trades for its clients. This tenet applies to all types of financial instrument to be dealt in.

### **3.2. EXECUTION PROCESS**

Best execution is executing the order with the desired result being to achieve the best overall outcome for our clients. The trader and investment team will consider market conditions at the time the order is received to determine how the order should be traded. The trader will seek to obtain the best overall execution result at the time of dealing.

Once a client has been onboarded, SIM shall delivery a copy of this Policy by way of a durable medium.

When transmitting orders on to an approved broker for an execution, SIM proceeds in three stages:

#### **Order Decision**

When the decision to trade is made, the Portfolio Manager (“**PM**”) will model the trades using our internal order management system which will electronically record the “**decision time**” and the pre- allocation between clients. The orders will then be reviewed by the PM before being sent to the SIM trader.

#### **Order Placement**

Upon receipt of the order, the SIM trader will conduct price discovery using an approved pricing reference service. Unless specific instructions have been given by the PM, the trader will select an approved broker to execute the trade and send them the order electronically via FIX messaging. A dialogue will be had between the had between the broker and the trader to establish if there are any specific instructions. The time at which the order is sent to the selected broker is recorded electronically via our order management system.

#### **Order Execution**

As the order is executed, the SIM trader will monitor the price of the fills via the order management system and the speed at which the order is being executed. In some circumstances, the broker may have other client flow and subject to the permission of the SIM trader may cross other client flow with the trade orders we have given, thereby minimizing market impact. The broker will maintain communication throughout the life of the order and will be expected to relay market information, and other pertinent information back to the SIM trader controlling the order. The broker is under the obligation to achieve best execution on behalf of our clients whilst the SIM trader also has the responsibility to monitor the trade continually to ensure that this has been achieved. The time of completion of the order is recorded electronically via the order management system and confirmations received from the broker are cross-referenced to ensure the executed trade matches the instruction and the intended result has been achieved.

### **3.3. EXECUTION VENUES**

Under MiFID II requirements, SIM must ensure compliance with the best execution obligation by identifying the brokers and/or dealers who will provide the “**best result**” for the relevant instruments and monitor the execution quality of those identified.

MiFID II implies that its best execution provisions are not intended to require a firm that transmits or places orders with other entities for execution to duplicate the efforts of its execution entities. Rather, a firm should determine that the entities it uses will enable it to



comply with the overarching best execution requirement when placing an order with, or transmitting an order to, another entity for execution.

On this basis, SIM's selected approved brokers are the firm's execution venues.

SIM is not restricted to using entities subject to MiFID II for carrying out orders. In order to be able to use an entity that is not subject to the MiFID II best execution regime, in particular a non-EEA service provider, it is necessary, however, for SIM to ensure that the execution arrangements of such an entity allow them to comply with the overarching best execution requirement.

A firm may in exceptional circumstances use execution venues not listed in its Policy, for example on a provisional basis or to accommodate a client request to trade in an unusual instrument, with a view to satisfying the overarching best execution requirement. In SIM's case such circumstances will be addressed and reviewed quarterly.

### **3.4. COUNTERPARTIES WITH WHICH SIM PLACES CLIENT ORDERS**

SIM only passes orders to counterparties for execution where the counterparties have agreed to take all reasonable steps to obtain the best possible result for us and for our clients; and, have provided information on their order execution policy to us. In addition, only those counterparties that we believe will enable us to obtain the best possible result on a consistent basis when transacting orders will be included in our list of approved counterparties.

In those cases where SIM requests a quote from a counterparty in a MiFID II financial instrument, the counterparty will be obliged to ensure that the requirements to comply with best execution criteria are complied with at the time the quote is provided but will usually be under no obligation to update that quote to reflect any subsequent elapse of time. In such instances, as well as when negotiating the terms of a transaction or giving specific instructions in respect of a client order, the counterparty may not be subject to the requirements to comply fully with its own stated order execution policy. In such cases we will closely monitor execution quality to ensure the best possible outcome for our clients.

### **3.5. CONSENTS GRANTED TO COUNTERPARTIES**

In the case of MiFID II financial instruments which are traded on a RM, OTF or a MTF, SIM has given its consent to all its counterparties to execute client orders in such financial instruments outside of a RM, a MTF or OTF. This is to ensure that SIM's counterparties are able to execute its clients' orders in the most advantageous manner and thus ensure the best possible outcome for the clients.

### **3.6. SPECIFIC INSTRUCTIONS FROM A CLIENT IN RESPECT OF CLIENT ORDERS**

Should SIM be given specific instructions from a client regarding the execution of an order, it will follow those instructions. **In such circumstances, clients should be aware that SIM might be prevented from taking the steps that it has designed and implemented in this Policy to obtain the best possible result for the client** although it will always seek to do so within the constraints of the client's specific instructions.

SIM can transact orders or transmit orders for execution in accordance with express instructions from clients. These transactions may not specifically meet the SIM's best execution factor considerations but will be deemed to achieve the best possible result for clients and is therefore in compliance with MiFID II requirements. Orders with client

conditions attached will be executed in compliance with MiFID II requirements and, as far as possible, client requirements as long as the overriding responsibility to achieve the best possible result for clients is not compromised.

### **3.7. PUBLICATION OF UNEXECUTED LIMIT ORDERS**

Under the FCA Rules, SIM is under a duty to make public certain details of limit orders effected on clients' behalf, if those orders cannot be filled immediately.

Our clients have already consented to us, when giving us specific instructions, to the extent that we place a limit order on their behalf with a third party for execution by that third party, not to make public (and to use reasonable endeavors to procure that the relevant third party does not make public) the details of that limit order unless we consider, in our absolute discretion, that it is appropriate for such details to be made public (which shall, without limitation, be deemed to include where the relevant third party makes the relevant details of that limit order public in circumstances where we have agreed with that third party that it can do so).

Where requested of us, we will agree to our counterparties using their discretion to determine whether or not to publish unexecuted limit orders.

### **3.8. APPROVED BROKERS**

SIM maintains a list of approved brokers. They are selected on the basis of their ability to provide the "best result".

The broker's ability to produce best results in the fields of price and costs is of most significance followed by speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs. Brokers' transaction and/or settlement fees and commissions are passed through to the client without change. It is of major importance that the latter remain reasonable and in line with market practice. SIM's Chief Investment Officer ("CIO") and Chief Executive Officer ("CEO") monitor the fees and commissions charged to our clients on a continuing basis.

In SIM's approved broker list will be found both principal and agency brokers. Within the EEA only those brokers that are bound by Article 27 of MiFID II are eligible to be an approved broker. As stated above, SIM is not restricted to using entities subject to MiFID II for carrying out orders for example when carrying out orders outside the EEA. However, in such cases SIM is required to ensure that equivalent best execution obtain to those in MiFID II.

### **3.9. MONITORING AND REVIEW**

SIM has a duty to act in the best interests of its clients and therefore it is imperative that our PMs monitor and review the performance of a client's portfolio, the effectiveness of SIM's order execution arrangements and policy in order to identify and, where appropriate, correct any deficiencies. SIM shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for its clients or whether it needs to make changes to its execution arrangements.

The review process involves the following:

1. The investment team making a decision to trade which is signed off by another PM.
2. The price of the relevant financial instrument is checked with an approved pricing reference service.
3. The trade is then passed on to a broker using EZE OMS execution system by SIM's trader.

4. Once the trade has been executed by the broker, a trade confirmation is sent via email to [trading@sielerninvest.com](mailto:trading@sielerninvest.com) and also recorded in the OMS. The details of the confirmation is reviewed by the trader
5. At the end of the dealing day, the trades are reviewed and reconciled by the trader. This also involves using the firm's Best execution monitoring system; Capptivate to review if the transaction were within the firm's best execution parameters.

As part of its Compliance Programme, SIM monitors and reviews portfolio compliance on a quarterly basis. Monitoring (inter alia) involves over a sample of trades testing for best execution, client allocation, broker usage, etc. Reviewing involves testing portfolio compliance procedures. A report is included as part of the quarterly Compliance Report to the Board of Directors.

### **3.10. RECORD OF BEST EXECUTION**

All client orders are promptly and accurately recorded and allocated. Details of executed trades are maintained on file.

Should SIM execute an order on behalf of its clients, it shall inform its clients where the order was executed. These periodic reports shall include details about price, costs, speed and likelihood of execution for individual financial instruments.

Furthermore, should SIM ever execute orders, it shall summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where it executed client orders in the preceding year and information on the quality of execution obtained. Please see our website for our RTS 28 Top 5 Execution Venue reports for 2018 and 2019.

## **4. DOCUMENT REVIEW CYCLE**

The Policy is reviewed and approved by SIM's Board of Directors at least annually or more frequently in case of changes in the structure of SIM or in the case of the occurrence of a material change (i.e. a significant event that could impact parameters of best execution such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order). SIM shall notify clients with whom it has an ongoing client relationship of any material changes to its order execution arrangements or execution policy.