

Best Execution Annual Report | 2018

Seilern Investment Management Ltd.

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SIM is authorised and regulated by the Financial Conduct Authority, whose address is 25 The North Colonnade, Canary Wharf, London, E14 5HS. SIM's FCA firm reference number is 144827. For further details on SIM's regulatory status, please see the FCA's FS Register at www.fca.gov.uk.

SIM is registered in England and Wales (Company Number 2962937) at 43 Portland Place, London W1B 1 QH. Legal Entity Identifier (LEI) [21380062OLOC8IXGOQ78].

Introduction

Seilern Investment Management Ltd (hereinafter as “SIM”, “we”, “our”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). In accordance with the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”), part of our new requirements is to publish and report annually to our clients providing information in respect of our Best Execution Policy (“the Policy”). The aim of this reporting is to promote transparency for our clients thereby enabling them to better understand where their orders have been executed and the overall quality of order execution. This is known as an RTS 28/Art. 65(6) Report (RTS 28 Report).

SIM has produced an Order & Best Execution Policy (“the Policy”) which applies to its professional clients and to all financial instruments dealt the course of carrying out investment management business in the European Economic Area (the “EEA”).

Scope

The Policy describes the principles and approach that we follow to ensure that we take all sufficient steps to obtain the best possible result to provide our clients with Best Execution. The policy will be reviewed annually or when a material change is proposed. When reviewing the RTS 28 Report we would at all times refer our clients to our Best Execution Policy which is available free of charge and can be obtained either from our website at www.seilerninvest.com or by contacting us at mail@seilerninvest.com.

This report identifies the top five execution venues in terms of trading volumes by asset class and where executed, investment orders in the preceding year. Within this report we are required to publish the top five execution venues where we execute client orders in the preceding year detailing the trading volumes and the quality of these execution venues. This information will be published on an annual basis.

The report will assess our best execution decisions qualitatively and quantitatively. SIM has used a “high touch order process” in the past year. This means that the orders are passed over to a broker, who has the discretion to trade in different markets which include algorithmic trading, matching trades, direct market access. The broker selects the execution venue(s) that will capture the maximum liquidity and create the least disruption to markets. This involves the use of exchanges, dark pools, light pools and auctions. We strongly believe that the trading process as mentioned, offers the best way to execute the firm’s orders. If feasible and valuable to the client, SIM may use a “low touch approach if the impact to the traded instrument is similar or better than the high touch process.

The relative importance SIM gave to the execution factors including qualitative factors when assessing the quality of execution.

Our investment objectives are long term (>5 years); as such SIM’s investment philosophy is the opposite of a momentum trader, whose objective is to capture a short-termed market move. The execution factors are therefore contingent to the investment decision process.

The price is the prime factor in terms of execution as market entry is an integral part of the firm’s research. Prior to trading, SIM takes into consideration liquidity of stock and potential speed of execution. SIM, in most cases operates on a market order basis i.e. it tries to hit the offered or bid price with minimal disruption to the market. In order to obtain the most efficient result, SIM has adopted a high touch order entry as mentioned above. Through a “high touch” order, we aim to find the most liquid venues, notably when trading large volumes or illiquid stocks. Such trading path offers a speedy, undisruptive and a narrow price range, which is beneficial to the investor.

The commission that is charged on a high touch trade is more expensive than a low touch execution but it yields the expected result.

SIM measures the quality of the execution in using TCA’s (Transaction Cost Analysis), that yields a performance summary by algorithm, the venue breakdowns, VWAPs and compares the portfolio against other benchmarks.

Conflict of interest, common ownerships with respect to any execution venue

SIM uses two main brokers. There are no close links nor direct shareholding between SIM and its brokers. There are currently no conflicts of interests. Any potential conflict of interest shall be continually monitored.

Specific arrangements with any execution venue

There are no specific arrangements between SIM and any of the execution venues it may use. SIM uses intermediaries to operate on these exchanges and as such SIM does not receive any discounts, any rebate or any other non-monetary benefit.

Factors that may have led to a change in the execution venues

Brokers are subject to ongoing monitoring process based on our Broker and Other Trading Intermediaries Policy. This includes, but is not limited to, the brokers credit worthiness, financial stability, a review of the performance of execution services by the broker and the brokers ability to trade effectively on our clients' behalf. Over the course of the next year, this monitoring will also include the RTS 27 and RTS 28 submissions published by the relevant execution venues as well as reviewing each Brokers FCA authorisation together with its financial reports, conflict of interest policies and Best Execution reports and policies as they become available.

SIM's prime concern and aim is the protection of its clients interest. In using a high touch process, SIM delegates market entry to its brokers in order to yield a swift execution as close as to the intended price. SIM has not changed its brokers in the considered year.

Order execution differences according to client categorisation

SIM only operates for and on behalf of institutional and professional investors. It does not differentiate between the clients, each of which is treated equally on all stages of the investment process.

Other criteria giving precedence over immediate price and cost when executing retail clients' orders.

SIM operates discretionary accounts and the minimum recommended holding of its investments is five years. Pricing may not always be the prime consideration when entering an order in the market. Besides the liquidity constraint, SIM may refer to the conclusions of its investment research to enter a trade. SIM is not permitted to offer advice and or to take orders from retail customers and as such SIM holds no retail client account.

Data or tools used to assess the quality of execution including any data published under Delegated Regulation (EU) 2017/575 (RTS 27)

SIM will use TCA reports supplied by its brokers on a quarterly basis. This report will entail a range of data computation that give an accurate statement of the quality of the execution.

Use of a consolidated tape provider established under Article 65 of Directive 2014/65/EU

This is not applicable as SIM does not use the service of a consolidated tape provider.

Quantitative Assessment

SIM trades in two types of financial instruments:

- i. Equities, which are traded via its execution brokers; and
- ii. Foreign exchange forwards, which are executed by the funds' depository in a passive hedging program or by the segregated mandates' custodians. We do not trade currencies on any execution venue but enter into bi-lateral FX contracts.

SIM operates only on discretionary mandates; as such clients will not give SIM specific client instructions in relation to their orders. SIM as the investment advisor is responsible for the investment decisions for and on behalf of its client. SIM will therefore never accept or take a directed order nor will it accept any instructions to route orders to a client's preferred venue.

In the past year, SIM has only processed market orders on a high touch basis. Thus, giving mandate to the execution broker to find the best or most adequate venue to execute its orders in a speedy manner, as previously mentioned. All of SIM's orders has a liquidity constraint given to the broker, which is to impact liquidity on a stock for no more than 10 - 15%. The end result is that the entirety of SIM's orders tend to be aggressive orders as they hit the offered price. The broker has various means to execute an order by either entering an order manually, match a buy or sell in his own book or use an algorithmic function. For future reference, SIM may also, at its discretion, enter price orders, good till cancel orders, day orders or volume orders that may be construed as either passive or aggressive orders.

Appendix 1: Execution venues for professional clients

Ranking	1	2	3
Class of instruments	Equities	Equities	Equities
Name of venue	Sanford C. Bernstein & CO., LLC	Sanford C. Bernstein & CO., LLC	Redburn (Europe) Limited
MIC or LEI	54930017JYZHT7D5CO04	54930049G8WQ50OUSD19	213800PKEJQZQXQCOJ04
Proportion of volume traded as a percentage of total in that class	48.77%	39.74%	11.49%
Proportion of orders executed as percentage of total in that class	68.65%	21.47%	9.88%
Passive orders	0%	0%	0%
Aggressive orders	100%	100%	100%
Directed orders	0%	0%	0%
Notification if <1 average trade per business day in the previous year	NO	NO	NO

Definitions

- i. A passive order, or if the order is transacted a passive fill, happens when you add liquidity to the market. This happens when a trader enters a bid below the offer price or enters an offer above the bid price. The advantage of entering passive orders is that the trader is not giving up the spread in price.
- ii. An aggressive stock market order is one that removes liquidity posted to the books. Usually an aggressive order crosses the Bid– Ask spread. In other words, an aggressive buy order will be priced on the offer or higher, and an aggressive sell order will be priced on the bid or lower.
- iii. Directed Order is a customer order to buy or sell securities, wherein the customer gives specific instructions to the broker or dealer for the order to be routed to a particular exchange or venue for execution. A directed order is so named because the client directs the order routing for execution.



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