

**Top 5 Execution Venues | April 2019**

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# Seilern Investment Management Ltd.

## Introduction

Seilern Investment Management Ltd (hereinafter as “SIM”, “we”, “our”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). SIM has in place an Order Execution Policy (“the Policy”) which is available [here](#). The Policy is updated at least annually or when a material change is proposed. The Policy applies to SIM’s professional clients and to all financial instruments dealt in the course of carrying out investment management business in the European Economic Area (the “EEA”).

This report identifies 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 in accordance with Article 3(3) Regulatory Technical Standard 28 (“RTS 28”) of MiFID. This information will be published on an annual basis. The report will assess our best execution decisions quantitatively and qualitatively.

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.

## 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’ depositary 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 tends 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.

Ranking	1	2	3
<b>Class of instruments</b>	<b>Equities</b>	<b>Equities</b>	<b>Equities</b>
<b>Name of venue</b>	Sanford C. Bernstein & Co., LLC	Sanford C. Bernstein Limited	Redburn (Europe) Limited
<b>MIC or LEI</b>	549300I7JYZHT7D5CO04	54930049G8WQ50OUSD19	213800PKEJQZQXQCOJ04
<b>Proportion of volume traded as a percentage of total in that class</b>	68.29%	26.07%	5.65%
<b>Proportion of orders executed as percentage of total in that class</b>	72.25%	20.19%	7.56%
<b>Passive orders</b>	0%	0%	0%
<b>Aggressive orders</b>	100%	100%	100%
<b>Directed orders</b>	0%	0%	0%
<b>Notification if &lt;1 average trade per business day in the previous year</b>	NO	NO	NO

Period from 1 January 2018 to 31 December 2018

#### 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.

## Qualitative Assessment

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 three 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**

The 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 circumstances where 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.

**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. In conjunction with this, SIM uses a third party provider to assess the execution price achieved versus the Thomson Reuters Best Bid / Best Offer at the given time of 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.

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