

## Purpose of the policy

This Client Order Execution Policy (“Policy”) sets out information relating to how Smith and Williamson Investment Management LLP (SWIM) and Smith and Williamson Investment Services Limited (SWIS) (together “Smith and Williamson”, “we”, “us” or “our”) will provide best execution, as required under the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and the Financial Conduct Authority (FCA) rules. Under these rules, we must take all sufficient steps to obtain the best possible result (obtain “best execution”) for our clients when executing, or receiving and transmitting orders. This Policy provides information on how we intend to comply with this obligation.

## Scope

This Policy applies to all Retail and Professional clients of SWIM and SWIS (“clients”) and covers transactions conducted in instruments falling under the scope of MiFID II. The financial instruments covered are:

- Equities
- Fixed Interest
- Exchange Traded Funds (ETFs)
- Collective Investment Schemes
- Derivatives
- Forward FX
- Structured Products

## Obtaining the best possible result

We are required to take all sufficient steps to obtain the best possible result for our clients, when executing, or receiving and transmitting orders.

For retail clients this shall usually be determined in terms of the total consideration paid by, or to the client. Total consideration represents the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which directly relate to the execution of the order (including execution venue fees, and clearing and settlement fees).

However in certain circumstances, as further described below under execution factors or where the client is a Professional Client we may decide that other execution factors are more important than price and cost in determining the best possible result.

## Execution Venues

Depending on the type of service clients have selected, we will either make decisions to carry out transactions on their behalf, or receive dealing instructions from them. In either case, SWIM will transmit the resulting order to SWIS for execution, or onward transmission. For UK equity and fixed interest instruments, SWIS acting as Agent, will usually execute transactions with NCL Investments Limited (NCL), a Smith & Williamson Group company, or a third party executing broker (for non-UK instruments). Where the order relates to shares or units in a collective investment scheme, SWIS will generally deal directly with the product provider. When dealing in forward FX, SWIS may deal against own book.

Where SWIS transmits orders for clients, it will always be treated as a Professional Client by NCL and other brokers, which means that these entities will always owe a duty of best execution to SWIS. When assessing the best possible result in these circumstances, SWIS will take account of any local execution charges, including commissions and taxes (for instruments traded outside

the UK). When carrying out orders we place significant reliance on a number of execution venues, a list of which can be found at: <http://smithandwilliamson.com/footer-pages/regulatory-information>

We believe these execution venues enable us to obtain on a consistent basis, the best possible result for the execution of client orders. They will typically use or have access to one or more of the following methods of negotiating and executing an order:

- a) having electronic links to Retail Service Providers (RSPs) in order to obtain price quotes, or electronic systems that automatically locate and accept the best available price. Smaller orders in UK equities will usually be automatically executed through the RSP, via NCL;
- b) using third-party Smart Order Routers (SORs) to optimise execution for larger and/or less liquid orders in UK equities and non-UK equities, by using advanced order routing rules and algorithms (computer programs designed to follow a defined set of instructions) to access more execution venues. In this manner we can access liquidity on venues such as Regulated Markets, Multilateral Trading Facilities (MTFs), and large investment firms which act in the capacity of Systematic Internalisers (SIs);
- c) in the bond markets (including government bonds, Eurobonds, floating rate notes, zero coupon bonds and other similar debt instruments), having access to specialist electronic platforms that show prices from other market participants. For example, these instruments could be traded on venues such as on the Bloomberg Multilateral Trading Facility (BMTF), off-exchange and, in some circumstances, prices may be negotiated over the telephone;
- d) negotiating over the telephone with market makers or other broker members of the relevant exchanges, SIs, or Organised Trading Facilities (OTFs).

We may also execute through third party investment firms, brokers and/or their affiliates acting as a market makers or liquidity providers and/or non-EU entities performing similar functions. We follow a documented procedure when approving new brokers and counterparties and as part of our selection criteria, would look at factors such as:

- their order execution arrangements and order execution policies, to satisfy ourselves that they are appropriate and comply with the requirement to provide us with best execution
- perceived creditworthiness, reputation and financial stability
- access to markets and quality of service (such as responsiveness and promptness of execution)
- competitiveness of costs and charges
- ability to handle less liquid instruments and provide consistently competitive spreads

The choice of venue may be limited in some cases because of the nature of the order, or client specific requirements. For example, some instruments such as derivatives, or structured products, cannot be traded on-market and therefore would be traded off-market (“over the counter”).

Execution venues may change between annual reviews. We will keep an up-to-date list of venues on which we place significant reliance on the Smith & Williamson website.

### Execution Factors

To achieve the best possible result, we will on a consistent basis, take into account a number of execution factors (in no particular order), including:

- price
- costs associated with execution
- speed of execution
- likelihood of execution
- the size and nature of the order
- quality of any related clearing and settlement facilities

We will determine the relative importance of each of these factors, and the manner in which your order will be executed, based on the circumstances at the time of execution of the order, such as:

- The type of financial instrument and nature of your order
- Client categorisation (whether you are a Retail, or Professional client)
- The execution venues to which the order may be directed

In most cases, price and costs associated with execution will be the most important factors (“total consideration”), however in markets where liquidity is low, likelihood of execution may be a priority, while in markets where volatility is high, speed of execution may be more important. We have summarised our execution approach and methodology when dealing in each type of asset class below.

### *Equities and ETFs*

When executing transactions in equity instruments and ETFs, we typically consider the following factors to be of **higher** importance:

- price
- costs associated with execution
- the size and nature of the order

We consider the following factors to be of **lower** importance:

- speed
- likelihood of execution
- quality of any related clearing and settlement facilities

In most cases, due to the high availability of liquidity in these instruments, we place highest importance on price and costs associated with execution, taking into account the size and nature of the order. When we trade in less liquid instruments, the importance of speed and likelihood of execution may increase. For most equities, we have a large selection of venues to choose from in order to minimise trading costs and achieve best execution.

### *Fixed Interest*

When executing transactions in fixed interest instruments, we typically consider the following factors to be of **higher** importance:

- price
- the size and nature of the order
- likelihood of execution

We consider the following factors to be of **lower** importance:

- costs associated with execution
- speed
- quality of any related clearing and settlement facilities

We will usually consider price to be the most important factor, however, due to the nature of the markets in these instruments, liquidity may vary significantly and we may therefore in some instances place highest priority on likelihood of execution. When we trade in more liquid fixed interest instruments, we would usually execute electronically through NCL, aiming to discover the best available price at the time of execution by obtaining quotes from multiple counterparties. In less liquid instruments, we may utilise our relationships with other brokers, applying our market knowledge and experience to contact the right counterparties and negotiate an optimal price.

### ***Derivatives and Forward FX***

When executing transactions in derivatives and forward FX, we typically consider the following factors to be of **higher** importance:

- price
- the size and nature of the order
- likelihood of execution

We consider the following factors to be of **lower** importance:

- costs associated with execution
- speed
- quality of any related clearing and settlement facilities

Liquidity in derivative instruments may vary significantly depending on the size and nature of the order, limiting choice of execution venue. We therefore consider likelihood of execution to be of higher importance than speed or costs associated with execution (as these are relatively standardised).

### ***Collective Investment Schemes and Structured Products***

When we deal in collective investment schemes (CISs) or structured products, we will usually deal directly with the Product Provider, at prices and costs set by them. Occasionally we may cross trades in CISs internally between clients. Where this occurs we will deal at the price set by the CIS Product Provider at the next dealing date, to ensure that a fair price is obtained and no client is disadvantaged. When trading structured products, and other OTC products of a bespoke nature, we will assess the fairness of the price offered on a case by case basis, assessing market data available to us, to ensure that our pricing decisions are in your best interests.

## **Top Five Execution Venues**

We are required to provide information on the top five execution venues in terms of trading volumes by asset class, where we have executed client orders in the preceding year. This applies to all instruments in scope of MiFID II. This information will be published on our website on an annual basis, with the first report to be published in April 2018.

### Order Aggregation and Allocation

SWIM and SWIS have an Order Aggregation and Allocation Policy and have procedures and arrangements in place to provide for the prompt, fair and expeditious execution of client orders.

In the interests of achieving best execution, we may only aggregate a client's order with those of one or more other clients, if it is unlikely that the aggregation will be to the disadvantage of any of the clients concerned. As specified in our Terms and Conditions, the effect of aggregation may operate on some occasions to the disadvantage of the clients concerned.

After execution, the aggregated order will be promptly allocated. Allocation will be at the price paid, which may be volume weighted, and will be either:-

- to the account of the client on whose instructions the transaction was executed; or
- for discretionary transactions - to the account of the client, or clients with whom or for whom the firm has decided to deal.

Allocations may be revised where an error in either the intended basis or actual allocation is identified, or if a partial allocation results in an uneconomic allocation.

### Specific Instructions

Receipt of specific instructions (such as directed orders), may prevent us, or the entity to which we transmit the order from achieving the best possible result in respect of the elements of the order covered by those instructions.

### Publication of Unexecuted Limit Orders

The FCA rules require unexecuted client limit orders to be made public unless the client expressly instructs otherwise. By agreeing to this Policy you are expressly instructing us not to make unexecuted limit orders public.

### Consent

We are required to obtain your prior consent to this Policy. Signing our Investment Management Agreement and agreeing to our Terms and Conditions constitutes acceptance of our Client Order Execution Policy and provides us with consent to execute transactions outside a Trading Venue (a Regulated Market, MTF or OTF), where we believe that doing so will achieve the best possible result for you.

### Monitoring and Review

The Best Execution Working Group meets on a monthly basis and monitors adherence to this policy and the effectiveness of our order execution arrangements and procedures, in particular it:

- monitors the execution quality of the entities to which we transmit orders;
- reviews the policy and internal execution procedures at least annually and also whenever a material change occurs that affects our ability to continue to provide best execution;
- review the best execution policies from external suppliers and 3rd party brokers, including providers of Structured Products, to ensure that they are taking sufficient steps to provide best execution to SWIS and NCL;
- review best execution analysis data from these providers on a regular basis.

In addition to the above, we monitor any payments, or non-monetary benefits, received from third parties to ensure that they are designed to enhance the quality of service to the client and, do not impair our ability to act in accordance with the best interest of our clients.

SWIM transmits all orders to SWIS for execution, as such SWIS has a duty of best execution to SWIM, however for the purposes of monitoring best execution, we treat the two entities as one.

We will notify you in writing of any material changes to this policy, or our order execution arrangements.

On request, we can provide clients with independent reports of the quality of our execution of their transactions.

### **APPENDIX A - List of execution venues on which SWIM and SWIS place significant reliance**

#### **UK Equity and All Fixed Interest markets**

NCL Investments Ltd (an Associate of SWIM and SWIS)

#### **Equity - European markets**

Jefferies International Ltd

Winterflood Securities Ltd

#### **Equity - US and Canadian markets**

CIBC World Markets

Jefferies International Ltd

Oppenheimer International Ltd

Stifel Nicholas Europe Ltd

#### **Equity - Asian and Pacific markets**

CIMB Securities

CLSA

Macquarie Asia

#### **Derivatives**

### Funds

We deal directly with the Product Providers.