



THE INTERNATIONAL FAMILY OFFICE

STONEHAGE FLEMING INVESTMENT MANAGEMENT ORDER EXECUTION POLICY

MAY 2020

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PURPOSE

Under the revised Markets in Financial Instruments Directive (“MiFID II”) and the Conduct of Business rules of the Financial Conduct Authority (“FCA”), we are required to establish and implement an order execution policy regarding the duty to obtain the best possible result for clients when executing orders. This policy is available online at www.stonehagefleming.com on the Legal and Regulatory page.

This policy is subject to an annual review or when there is a material change that occurs that affects our ability to continue to obtain the best possible result for our clients.

INTRODUCTION

We are required to take all sufficient steps to obtain, when executing orders, the best possible results for our clients taking into account the execution factors. The execution factors to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. When executing client orders, we will take into account the following criteria for determining the relative importance of the factors:

- the characteristics of the client including the categorisation of the client as retail or professional
- the characteristics of the client order
- the characteristics of financial instruments that are the subject of that order
- the characteristics of the execution venues to which that order can be directed

For clarification, the best execution rules apply when executing orders or placing orders with or transmitting orders to other entities to execute.

We do not treat Retail Clients and Professional Clients differently, as the nature of services we offer across our client base is typically the same. As a result, for most of our clients the best possible result will generally be determined in terms of the total consideration for the transaction, representing the price of the financial instrument and the cost related to execution. However speed of execution, likelihood of execution, timeliness of settlement, the size and nature of the order and market impact may affect the eventual transaction price.

While price is often the most important execution factor, there will be situations when this is not the priority when executing a trade:

- for less liquid stocks, the likelihood of execution and provision of liquidity may be more important than price
- when raising cash to fund portfolio outflows, speed may take priority over price
- the volatility of price may make timeliness a greater priority
- the choice of execution may be limited to one venue for certain instruments

BEST EXECUTION OBLIGATIONS

The regulatory requirement on best execution does not mean that we have to achieve the best possible result with every trade, but we do have to take all sufficient steps to obtain the best possible result for our clients on a consistent basis.

There are three routes that can be taken when we trade financial instruments (excluding orders relating to collective investment schemes transmitted directly to the fund operator). The extent to which the best execution requirement applies is dependent on the route that the trade order has taken:



1) Orders placed with a custodian that has been chosen by the client

When we follow the client's instruction to trade through the custodian they have chosen, then our best execution obligations to the client will be limited as we have no discretion to influence the trading outcome.

2) Orders placed with a custodian or broker (including fund platform) in the EEA recommended or chosen by SFIM

If the counterparty (whether it is a custodian, broker or fund platform) is in the EEA, it is subject to MiFID and we can place a degree of reliance on the counterparty to comply with its own best execution obligations. However, we will only do so if we are satisfied that the counterparty has sufficient arrangements to comply with its own duty of best execution as a MiFID firm. Please see the section below on Review & Monitoring for further details.

3) Orders placed with a non-MiFID custodian or broker (including fund platform) recommended or chosen by SFIM

In this situation, we take all sufficient steps to fulfil our best execution obligation to the client as we cannot place any reliance on the counterparty. There are various reasons why we may choose a non-MiFID custodian or broker. For further details on this and the steps taken to fulfil our best execution obligation when using a non-MiFID custodian or broker, please see the section below on Review & Monitoring.

FINANCIAL INSTRUMENTS

The following is a list of financial instruments that we currently transact in on behalf of our clients:

Equities (shares & depositary receipts), debt instruments (bonds and money market instruments) and exchange traded products (funds, notes and commodities): We will execute trades with a third party broker from our approved list of brokers or the client's appointed custodian. The best execution arrangements of all of our approved brokers and recommended custodians are reviewed initially and on an ongoing basis. For further details on this process, please see the section below on Review and Monitoring.

Specifically for exchange traded products (ETPs), SFIM's preferred method is to execute trades electronically on the Bloomberg RFQ platform, RFQE. This system allows us to poll, where the price sensitivity of the request allows, up to eight of our approved counterparties simultaneously with the best price securing the order.

Collective investment schemes (funds): Orders to buy and sell units in collective investment schemes are processed by the operator of the fund or its appointed Transfer Agent (TA). As the fund operator / TA is the only possible execution venue, it will not be possible to take into account the same execution factors that would apply to a market listed security. Where possible, SFIM's preferred method is to instruct fund executions electronically through a fund's transaction network. Where either client or fund restrictions mean this route is not available to us, we may have to transmit orders through the client's appointed custodian, an alternative network provider, or directly to the fund operator / TA by authorised fax, telephone or email. The client will bear no additional costs as a result of us using a fund platform; however the appointed custodian may charge for investing in funds. Clients should refer to their custody terms for further information.

Open ended collective investment schemes (funds) with market listings: Whilst a fund operator will be the execution venue for the majority of orders, offshore funds may be listed on an offshore stock exchange (e.g. the Channel Islands Stock Exchange, CISX). In order to preserve the tax status of the fund, it may be necessary to trade through the offshore stock exchange. In such instances, we will place the order with an agency



broker from our approved set of brokers or the client's appointed custodian, who in turn will execute the order through the relevant exchange. In these circumstances, the execution price will be exactly the same as the price that would have been received from the fund operator, although a commission may be charged by the broker or custodian.

Closed end collective investment schemes (closed end funds) listed offshore: Closed-end funds listed offshore (e.g. on the Channel Islands Stock Exchange) are frequently illiquid investments. The market listing may provide some liquidity on a matched bargain basis. We will typically place client orders with an approved broker or the client's appointed custodian, who in turn will execute the order through the relevant exchange. The price will be determined by the fund operator (or its agent) and typically a commission will be charged by the broker or custodian.

Limited Liability Partnerships ("LLPs"): LLP arrangements are classified as unregulated collective investment schemes. These are illiquid investments and cannot be sold by the investor except on a matched bargain basis. The execution venue for LLPs is usually the operator of the LLP. Consequently, it will not be possible to take into account the execution factors that would apply to a market listed security and investors will execute at a price determined by the operator or its agent.

Investments in private companies: It will not be possible to take into account the execution factors that would apply to a market listed security when transacting in securities in private companies and clients will execute at a price and on terms agreed with the private company or its appointed agent.

Foreign exchange trades: All foreign exchange transactions (whether on a standalone basis or related to the conversion of trade and income proceeds) are executed by the client's appointed custodian. We will instruct the custodian, on an ad hoc or standing basis, to complete a foreign exchange transaction. Clients should refer to their custody terms for further information.

Precious metals: All transactions in precious metals (such as gold and platinum) are executed by the client's appointed custodian. Clients should refer to their custody terms for further information.

Derivative trades (equity and currency): Where permitted by the client agreement or fund terms, derivatives may be used to provide portfolio protection or to generate income or performance.

For exchange traded derivatives we do not trade directly on an exchange. We deal either with a broker, specifically approved with respect to this asset class, and with whom commission and clearing rates are agreed, or with client's appointed custodian. Over-the-counter (OTC) derivatives are traded either with a small number of counterparties, specifically approved for this asset class, or with the appointed custodian.

REVIEW AND MONITORING

Broker Approval Process: When deciding which broker to place a particular trade with on behalf of a client, total consideration will usually be the principal concern. However, we may also take into account other factors such as the nature of the transaction, the size of the order and the liquidity of the market in question and will select the broker that, in our opinion, is best suited to execute that particular trade.

Before a broker is approved as a counterparty, it must first demonstrate that it can meet our criteria. For MiFID firms, we will perform a high level review of the broker's order execution policy as their policy should be aligned with the MiFID best execution requirements. For non-MiFID firms a detailed review will be performed to check if the order execution policy meets the requirements of MiFID or not.

In addition to best execution, there are other key factors that we will take into consideration in the broker approval process, such as the broker's reputation in the marketplace (including disciplinary history), their



creditworthiness, their ability to provide administrative and operational support, and whether they have suitable clearing and settlement facilities.

Approved trading counterparties are subject to ongoing oversight. Naturally, if the level of service we receive from an approved counterparty falls below our requirements or expectations we may decide to suspend or terminate the approval. Approved brokers are also formally repapered every two years which includes a review of, but is not limited to, the following areas: terms of business, annual reports and accounts, best execution policy and settlement instructions.

Recommending a Custodian: When deciding which custodian to recommend to a client, the best execution arrangements of the custodian will be a principal consideration. Other factors include being able to service the client's specific requirements (namely the availability of markets), the client's preference for an onshore or offshore custodian, the operational and regulatory efficiency of us having an existing relationship with a custodian, the speed of execution, fulfilling the requirements for reporting (namely at transaction level and/or providing adequate valuation statements), the custodian's reputation and creditworthiness and, importantly, total consideration.

Being satisfied with the custodian's order execution arrangements will be an aspect of the due diligence performed by us on the custodian. For MiFID firms we will conduct a high level review of the custodian's order execution policy. For non-MiFID firms we will perform a detailed review to check if the order execution policy is equivalent to MiFID standards or not. Ongoing and regular due diligence will also be performed to obtain comfort on the custodian's best execution arrangements.

Monitoring: Both the effectiveness of our execution policy and the execution quality of our counterparties, where applicable, is monitored by us on a regular basis.

Where our trade monitoring highlights any deficiencies, and we feel best execution is not being delivered, we will assess what changes we need to make to our execution arrangements.

Transaction Cost Analysis (TCA): TCA is the study of trade prices to determine whether the trades were arranged at favourable prices – low prices for purchases and high prices for sales. SFIM does not employ an independent TCA aggregator to monitor transactions; instead, we request TCA reports directly for equity trading from the broker network with whom we transact. Reports are collated on a quarterly basis. TCA for an equity counterparty, an ETP counterparty and a recommended custodian is reviewed on a quarterly cycle.

WHEN WILL OUR ORDER EXECUTION POLICY NOT APPLY?

We will be limited in the extent to which we can apply our execution policy in two circumstances:

- in the case where a client has a pre-existing custodian relationship and requests us to continue to use their current custodian or the custodian requires orders to be routed through them; or
- in the case where a client gives us specific instructions as to how they would like an order dealt with, for example specifying the execution venue.



ANNEX I – APPROVED BROKERS AND RECOMMENDED CUSTODIANS

Following the requirements of MiFID II, further details on the counterparties we use to place trades with on a per instrument level (across Retail and Professional Clients) are available in our annual disclosure via our website: www.stonehagefleming.com on the Legal & Regulatory page.

Brokers

BGC Brokers L.P / Martin Brokers
Bloomberg Tradebook Europe Limited
Bluefin Europe LLP
Canaccord Genuity Limited
Citigroup Global Markets Limited
Commerzbank AG
Cooperatieve Rabobank U.A.
Cowen Execution Services Limited
Credit Suisse Securities (Europe) Limited
Flow Traders B.V.
Goldman Sachs International
Jane Street Financial
Jefferies International Ltd
JP Morgan Securities Plc
King & Shaxson Limited / NCL Capital Markets
Lloyds Bank Plc
MarketAxess Europe Limited / MarketAxess Capital Limited
Morgan Stanley & Co International Plc
Numis Securities Limited
Optiver VOF
Peel Hunt LLP
Ravenscroft Limited*
RBC Europe Limited
Stifel Nicolaus Europe Limited
Susquehanna International Securities Limited
Toronto-Dominion Bank
Winterflood Securities Limited
Zuercher Kantonalbank*

Custodians

Banque Pictet & Cie SA Geneva*
BNY Mellon Trust Company (Ireland) Limited
Credit Suisse AG*
Mitre Investor Services Limited
Northern Trust Global Services Limited
Stonehage Fleming Dealing and Treasury Services (Jersey) Limited*¹ UBS AG London

* These counterparties are based and regulated in non-EEA countries and therefore not subject to European Union MiFID II regulation.

¹ This entity is an intra-group firm within the Stonehage Fleming Group. Any conflict of interest that may arise would be handled in accordance with the Group Conflicts of Interest Policy.

