

# STONEHAGE FLEMING INVESTMENT MANAGEMENT

## Order Execution Policy

UK Risk & Compliance

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PRIVATE AND CONFIDENTIAL



STONEHAGE  
FLEMING

NOW AND FOR FUTURE GENERATIONS

## Table of Contents

1. PURPOSE .....	3
2. INTRODUCTION.....	3
3. BEST EXECUTION FACTORS .....	3
4. CLIENT CATEGORISATION .....	3
5. BEST EXECUTION OBLIGATIONS.....	4
6. CLIENT SPECIFIC INSTRUCTIONS .....	4
7. ORDER HANDLING.....	5
8. AGGREGATION OF CLIENT ORDERS .....	5
9. ALLOCATION OF CLIENT ORDERS.....	6
10. CONFLICTS OF INTEREST.....	6
11. FINANCIAL INSTRUMENTS.....	6
12. EXECUTION ENTITIES .....	8
12.1 Third Party Brokers.....	8
12.2 Custodians .....	8
13. REVIEW AND MONITORING.....	9
Version Control.....	10



## 1. PURPOSE

Under the Markets in Financial Instruments Directive (“MiFID II”) and the Conduct of Business rules of the Financial Conduct Authority (“FCA”), Stonehage Fleming Investment Management Limited (SFIM) is required to establish and implement an order execution policy regarding the duty to take all sufficient steps to obtain the best possible result for clients when executing orders on behalf of clients. This Policy is available online at [www.stonehagefleming.com](http://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.

This Policy applies where we undertake transactions in financial instruments on behalf of Retail and Professional Clients or the Funds.

## 2. INTRODUCTION

When executing orders, we will take all sufficient steps to obtain the best possible results for our clients taking into account the execution factors.

## 3. BEST EXECUTION FACTORS

The execution factors are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. When executing orders on behalf of Clients, 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.

While price and costs are often the most important factors for best execution, there will be situations when this is not the priority and other execution factors have a greater influence in achieving the best possible result:

- 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

## 4. CLIENT CATEGORISATION

The obligation to provide Best Execution is applicable to clients categorised as Retail or Professional Clients (“per se” and “elective” Professional) of SFIM. Generally, clients categorised as Eligible Counterparties or Institutional Client are exempted from the Best Execution obligation.



SFIM do not treat Retail Clients and Professional Clients differently for best execution, as the nature of our services 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.

## 5. 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.

SFIM does not execute investment orders directly with the market on behalf of clients, but passes the orders to 'Execution Entities' usually a broker, fund platform or account custodian, who will effect execution with the execution venue.

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/UK recommended or chosen by SFIM

If the execution entity is in the EEA/UK, it is subject to MiFID and/or FCA Rules 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 execution entity has sufficient arrangements to comply with its own duty of best execution as a MiFID firm.

### 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 execution entity since they are a non-MiFID firm. Due to the specific nature or circumstances of a transaction we may need to choose a non-MiFID custodian or broker.

## 6. CLIENT SPECIFIC INSTRUCTIONS

Specific execution instructions from a Client to SFIM may prevent us from achieving the best possible result for that order, as the Best Execution obligation is considered satisfied when we follow the client instruction.

Examples of those instructions may include, but are not limited to, requests to execute an order over a particular timeframe or via a specific trading venue; or 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.



It is important to note that SFIM reserves the right to refuse any client instruction should it be in contradiction to compliance rules.

In the absence of express instructions from a Client, we will exercise our own commercial judgement and experience in the light of market information available, using the above criteria, to determine the factors that we need to take into account for the purpose of providing best execution and the relative importance of those factors.

## 7. ORDER HANDLING

We are required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other orders, or the trading interests of Stonehage Fleming.

When carrying out client orders, we must:

- ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated
- carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise
- inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty

Stonehage Fleming does not warehouse client orders.

Any decision to trade or order to deal must be promptly and accurately recorded and allocated. Comparable orders must be conducted sequentially unless the nature of the order or prevailing market conditions make this impracticable, or the specific interests of the Client or the Fund require otherwise.

- For client instructions that are passed to SFIM verbally or by any other media this applies from the time the order is accepted by SFIM.
- For a Non-Discretionary Service Level, order acceptance is defined as once the client has confirmed to proceed with the advised trade from the Investment Manager.
- For Execution Only Service Level, order acceptance is defined as the time at which SFIM has both received and confirmed the client instruction and that we can trade in the respective stock

There may be a delay in placing orders in some instruments, such as unit trusts, which generally have a single daily valuation point. Overseas stocks may be delayed until the next market opening time, depending on when the order is accepted.

## 8. AGGREGATION OF CLIENT ORDERS

In line with the principle of treating clients fairly we must not show any bias to one client over another when aggregating or allocating orders. The FCA sets out some strict criteria which we must apply to any instance where a client order is aggregated with that of another client (e.g. in a portfolio model change) or where we exercise discretion in relation to allocation (e.g. in relation to allocation of shares in a fund raising).



The conditions are:

- The aggregation of orders and transactions will likely work overall to the advantage of any client whose order is to be aggregated
- We must disclose to each client whose order is to be aggregated that the effect of aggregation may work to their disadvantage in relation to a particular order

## 9. ALLOCATION OF CLIENT ORDERS

SFIM has in place an Allocation and Aggregation Policy which provides, in precise terms, how the fair allocation of aggregated orders and transactions is to be achieved and states how the volume and price of orders determines allocations and the treatment of partial allocations in accordance with the FCA Rules (COBS11.3) covering:

- (a) **Timely allocation:** allocation will be carried out promptly and by the broker when relevant
- (b) **Fair allocation:** all clients will receive the same executed price or a volume weighted average where there is a series of transactions
- (c) **Re-allocation:** any errors in allocation will be promptly corrected so as to not benefit any one client over another

If a client order has been aggregated with other client orders and the aggregated order is only partially executed, we allocate the related trades in accordance with the process set out in the relevant order allocation policy.

Reallocation is permitted, however we may not reallocate in a way that is detrimental to a client. This of course does not preclude us from reallocating to rectify an error or if an allocation has resulted in a de minimis situation, so long as unfair precedence is not given to any particular client as a result of the reallocation.

## 10. CONFLICTS OF INTEREST

We don't receive any remuneration or other non-monetary benefits for routing orders to a particular Execution Entity. We have a Conflict of Interests Policy in place to ensure circumstances which constitute or may give rise to a conflict of interest are identified and well managed.

## 11. FINANCIAL INSTRUMENTS

The following is a list of financial instruments that we currently transact in on behalf of our Clients and details of order flow:

**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.



## 12. EXECUTION ENTITIES

### 12.1 Third Party Brokers

These brokers are obliged to provide a duty of best execution to SFIM and provide a trading service through their sales trading desks. The quality of execution achieved by external brokers is monitored by SFIM on an ongoing basis by the Operations Team using third party Transaction Cost Analysis (TCA).

**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 requests 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.

Brokers are chosen from the approved broker list on a deal by deal basis. 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. The likelihood of settlement will also be taken into account.

When we pass orders to external brokers who have connectivity, special expertise, or the country exposure required for execution of the orders the following will also be considered:

- If the broker has an Order Execution Policy in place and has the ability to evidence Best Execution at our request
- If the broker is a non-MiFID firm a detailed review of its order execution policy is performed to assess whether our best execution obligations can be met

Before a broker is approved as a Third-Party Broker, 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 is sufficient to meet MiFID standards of best execution 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.

### 12.2 Custodians

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 sufficient to meet MiFID standards of best execution or not. Ongoing and regular due diligence will also be performed to obtain comfort on the custodian's best execution arrangements.

### 13. REVIEW AND MONITORING

We will review the effectiveness of our execution arrangements with Brokers and custodians on a regular basis. These include:

- Periodic review of execution effectiveness based on information obtained from brokers, custodians and execution venues and/or TCA provided by independent third-party data providers and exception reports with information including trade details, reason and justification for deviations
- Periodic independent reviews of execution arrangements and sample execution analysis supported by TCA data conducted by our internal control functions
- Regular update summary on system functionality, technical enhancement and back office settlement
- The list of our approved third-party brokers is monitored on a monthly basis and where deficiencies in best execution have been identified we will take action as necessary
- Custodian relationships are reviewed on an ongoing basis via quarterly meetings where any concerns including deficiencies in best execution are raised
- Oversight and management of all Execution Entities are in line with the firm's Service Provider and Outsourcing Policy

Where the level of service we receive from an approved third-party broker or chosen custodian falls below our requirements or expectations, we may decide to suspend or terminate its approval or recommended status.



## VERSION CONTROL

Date	Changes	Version	File Path	Author	Owner	Next Review Date	Approval
May 2020	Policy created and circulated to Group	1	N/A			N/A	Unknown
Dec. 2022	Remove the requirements under UK RTS 28 best execution reporting obligations as the FCA removed this requirement from 1 December 2021  Allocation & aggregation requirements combined into this Policy	2	Hub	Jilly Wong	Katie Mundell	Dec. 2023	SFIM Board
Dec 2023	Replaced reference to Third Party Risk Management Policy with Service provider and Outsourcing Policy	3	Hub	Jilly Wong	Katie Mundell	Dec 2024	SFIM Board
Dec 2024	No change	3	Hub			Dec 2025	SFIM Board



