

Downing LLP

Best Execution Policy

1. Background and purpose

Under the Markets in Financial Instruments Directive II (MiFID II) we are obliged to put in place a policy and to take all sufficient steps to obtain the best possible result for our clients when executing orders or receiving and transmitting orders for execution. This Policy, which applies to Retail clients and Professional clients as defined by MiFID II, has been drawn up in order to provide you with an understanding of how we execute orders on your behalf.

The following sections contain the overarching Best Execution Policy. The asset class specific provisions can be found in Annex 1.

2. Scope of application

This Policy will apply if you have been categorised as a retail or professional client and in respect of transactions in financial instruments covered by MiFID II.

Execution Venues

In meeting our obligation to take all sufficient steps to obtain the best possible result for the execution, we may use one or more of the following venue types when executing an order:

- Regulated markets
- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Systematic Internalisers (SIs)

We regularly assess the execution venues available and may add or remove venues in accordance with our obligation to provide clients with the best execution result on a consistent basis.

We will take into account different factors to determine the execution venues in order to obtain on a consistent basis the best possible result for the execution of your orders. Normally liquidity would be the deciding factor and it is important that the venues used are able to deliver the volume of securities required within a reasonable timeframe.

Execution outside trading venue

We may execute all or part of your order outside of a Regulated Market or MTF if we believe best execution can be achieved. In accordance with FCA requirements we will request your consent to do so.

Execution Factors

In order to achieve the best possible result on a consistent basis, we will take all sufficient steps to provide best execution to our clients. We will take into consideration a range of different factors to determine our approach to execution of orders (listed below), but for a Retail client we will typically give the highest priority to the “total consideration”. This means that we will aim to achieve the best price, taking into account all relevant costs relating to executing the trade.

- Price
- Costs
- Execution Speed
- Likelihood of execution
- Likelihood of settlement
- Size and nature of the order

In addition, when executing client orders, we will take into consideration the following factors to determine the importance of the respective execution criteria:

- Client characteristics and regulatory classification of the client
- Characteristics of the transaction
- Characteristics of the respective financial instruments subject to that order
- Characteristics of the execution venues where orders might be directed

Transmission of orders

Where we do not have direct access to an execution venue, we will pass it on for execution to another financial services organisation such as a stockbroker. Annex 2 provides a non-exhaustive list of stockbrokers used for transactions executed in cash equities.

We will provide more detail on which financial services company we have used in the top five venues report which will be published on our website. We will regularly review our broker selection and ensure that respective brokers provide best execution on an on-going basis.

3. Order Handling

We are committed to prompt and fair treatment of all client orders.

We are required under MiFID II to promptly inform retail clients of any material difficulties that would prevent us from properly carrying out their order upon becoming aware of such difficulty. Whilst this obligation only applies to retail clients we will endeavour to similarly inform professional clients on a best efforts basis.

Specific instructions

We do not routinely accept specific instructions as to how we should execute orders. However, where an Investor has provided us with specific instructions regarding an order, we will execute the order in accordance with those specific instructions. Investors should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this Policy to obtain the best possible result in respect of the elements covered by your instruction.

Aggregation of orders

We may combine client orders with orders of other clients to carry them out as aggregated orders which may be disadvantageous for the individual order for example because of a decreasing probability or speed of execution, respectively. In such cases we will deal with aggregated orders in accordance with treating customers fairly principle.

4. Annex

Annex 1 – Different asset classes

Equities

This annex to the Policy sets out our approach for achieving best execution when executing orders for clients in equities. It must be read as an annex to our overarching Best Execution Policy which sets out the general provisions applicable to all asset classes.

We will typically give the highest priority to the “total consideration”. This means that we will aim to achieve the best price, taking into account all relevant costs relating to executing the trade. However, a range of criteria will be taken into account in assessing the prioritisation of execution factors, including appropriate consideration on a transaction by transaction basis. Criteria for consideration include the characteristics of each individual transaction such as market conditions, when the transaction is received, and the size of the trade. For example, in more illiquid markets, the primary execution factors may vary, such as likelihood of execution becoming more important.

Where an Investor has provided us with specific instructions regarding an order, we will execute the order in accordance with those specific instructions. Investors should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this Policy to obtain the best possible result in respect of the elements covered by your instruction.

Exchange Traded Funds and Investment Trusts

This annex to this Policy provides further details with regards to the application of best execution in relation to Exchange Traded Funds (“ETFs”) and Investment Trusts and should be read in conjunction with the overarching Best Execution Policy.

We will typically give the highest priority to the “total consideration”. This means that we will aim to achieve the best price, taking into account all relevant costs relating to executing the trade. However, a range of criteria will be taken into account in assessing the prioritisation of execution factors, including appropriate consideration on a transaction by transaction basis. Criteria for consideration include the characteristics of each individual transaction such as market conditions, when the transaction is received, and the size of the trade. For example, in more illiquid markets, the primary execution factors may vary, such as likelihood of execution becoming more important.

We do not accept specific instructions from clients when trading ETFs and Investment Trusts.

Unquoted investments

This annex to this Policy provides further details with regards to the application of best execution in relation to unquoted investments and should be read in conjunction with the overarching Best Execution Policy.

The most distinctive characteristic of these transactions that we directly execute is that they are inherently off-market transactions subject to direct negotiation with a third party. In relation to acquisitions by us for our clients, the third party is generally the only possible source of the relevant instrument.

We will determine the relative importance of the execution factors by using our commercial judgment and experience in light of market information available and taking into account the execution criteria. Typically, the highest priority is given to the “total consideration”. This means that we will aim to achieve the best price, taking into account all relevant costs relating to executing the trade. However, a range of criteria will be taken into account in assessing the prioritisation of execution factors, including price, costs, speed, likelihood of execution and settlement size and the nature of transaction and other relevant considerations.

We will check the fairness of the price proposed to our clients. This may be done by one or more of the following factors:

- gathering market data used in the estimation of the price of such investments
- where possible and appropriate by comparing with similar or comparable investments
- by internal or external valuation process

Annex 2 – Execution Venues

Below is a non-exhaustive list of execution venues that we use for transacting Equities.

- Arden Partners
- Brooks MacDonald
- Cannacord Genuity Limited
- Cantor Fitzgerald
- Cenkos Securities Ltd
- Charles Stanley
- FinnCap Ltd
- Hybridan
- Investec
- Jeffries International
- JP Morgan
- Liberum Capital Ltd
- Numis Securities
- N+1 Singer Capital Markets
- Panmure Gordon Ltd
- Peel Hunt Ltd
- Reyker
- Shore Capital Stockbrokers Limited
- Societe Generale
- Stockdale Securities Limited
- W H Ireland Limited
- Winterflood Securities Limited

Annex 3 - Financial Instruments under MiFID II

1. Transferable securities
2. Money-market instruments
3. Units in collective investment undertakings
4. Options, futures, swaps, forward rate agreements, and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or multilateral trading facility;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in C.6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

Source: Annex 1, Section C of MiFID II (as at 03 January 2018)