

Arbuthnot Latham Wealth Planning: Best Execution Policy

Overview

This policy has been created for the benefit of retail clients who use Arbuthnot Latham's Wealth Planning service. It has been written in order to enable us to obtain the best possible result on a consistent basis when placing or transmitting orders with other firms on our client's behalf.

Purpose of the policy

The purpose of the policy is:

1. To establish procedures that will enable us to obtain on a consistent basis the best possible result for the execution of client orders;
2. Where we delegate the execution of our client orders to third party brokers or other intermediaries, to establish procedures for the selection of those intermediaries and for the monitoring of the quality of execution provided by them;
3. To enable us to demonstrate, when called upon to do so, that we have achieved the best possible result for our clients when placing or transmitting their orders.

The policy and its parameters

Our policy:

1. Contains procedures which are applied by us to both retail and professional clients without distinction;
2. Requires all fees and commissions payable by the client to be recorded on a continuous basis to ensure transparency of costs and pricing;
3. And its effective implementation, and the performance of brokers or other intermediaries we use will be monitored and reviewed in accordance with the monitoring procedures described in the first schedule to the policy;
4. Reflects the fact that transactions for clients principally involve units or shares in collective investment schemes;
5. Is summarised for our clients in our *Best Execution Client Disclosure Statement*.

Execution Policy – General Principles

The execution policy is underpinned by the following general principles:

1. Where it is determined that the execution of client orders will be delegated to brokers or other intermediaries, it remains our responsibility (achieved through careful selection and ongoing monitoring) to ensure that the client obtains the best possible result on a consistent basis. The current list of brokers and intermediaries we use is set out in the Second Schedule. This list is not exhaustive and can be varied from time to time. This list is subject to regular monitoring and review;
2. That we take into account our client's knowledge and experience of the financial markets and the types of transactions and dealings we undertake for them. We have also taken into account general instructions given by our clients in client fact finding documentation or otherwise. Specifically we consider:
 - The nature of the services we provide to our clients. These are predominantly the provision of financial advice and arranging transactions in investments either on an advisory or execution only basis;

- The nature of the investments we execute or transact on behalf of our clients. These are predominantly collective investment schemes but may occasionally be alternative investment products such as unregulated collective investment schemes (including hedge funds and private equity funds) and structured capital at risk products.
- That the overall policy is to achieve the best possible result bearing in mind the relative liquidity of investments transacted for our clients.

Policies Common to all Investments

1. In determining the relative importance of execution factors (i.e. price, costs, speed, likelihood of execution and settlement, size and nature of the transaction), the following criteria are to be applied:
 - Considerations of price and cost of execution are to be given precedence unless any other of the relevant factors are determined to be of equal or more importance in obtaining the best possible result;
 - How important it is for the client to achieve the transaction quickly and whether speed is as, or more, important than achieving the best possible price. The liquidity of the investments traded means that speed is unlikely to be a major factor unless liquidity in a specific collective is an issue.
 - The size of the transaction. We take into account the fact that the average size of transaction is not likely to impact on the price of the investment concerned.
2. Where the client gives specific instructions, they shall be informed that these may prevent us from taking the steps we have designed and implemented to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.
3. It is intended that the charging structures we use shall not influence either the selection of execution venue or the order flow that follows as a result of the execution process. We do not therefore discriminate between the venues we use to arrange execution of your orders.

Specific Policies

On receipt of the instruction from the client, the order shall be routed to the venue or intermediary determined in accordance with below:

1. Policies with regard to collective investment schemes (not closed ended)
 - Information on specific venues and why chosen.

All trades are carried out either directly with fund manager and/or the operator of the collective scheme or through a third party such as an online transaction service (e.g. a “fund supermarket”).
 - Information on how the execution factors are given relative importance in the case of execution of collective investment schemes.

Open ended collective investments are usually purchased at, or as close as possible to Net Asset Value (NAV). “Best execution” is obtained through negotiations on terms, entry fees charged and the commission rates payable.

Providers of Unit Trusts and OEICS generally calculate and set their prices once a day in accordance with FSA requirements, over which we have little influence.
 - Information on the criteria for use of brokers and intermediaries and how their execution performance is monitored.

There is an active list of designated intermediaries who have been approved by the company (see the second schedule). This list contains brokers on whom we place reliance and with whom we have established a working relationship (typically where we have placed business in the last two years). They have met the following criteria:

- Agreement to classify the Bank as a professional client.
- Will provide best execution for all transactions.
- No hidden charges or commissions.
- The ability to trade electronically.

2. Policy with regard to structured products:

- A structured product is a bespoke investment vehicle that usually offers a combination of an element of capital protection with a degree of participation, in the return from a volatile underlying asset. The objectives of clients will be met either by using a tailored structure, or by using a general retail offering with a risk/reward profile designed to achieve a specific set of objectives.
- The execution policy, prior to investment in structured products of this sort, is to review the market for schemes fitting the client's investment objectives and risk profile, and to ensure that the chosen product is price competitive with alternative products offering similar characteristics. Additionally, the product will only be selected if it has a secondary market.

Schedule One: Best Execution Review Process for IFA Business

This schedule describes the process to be followed when reviewing the order execution policy.

Annual Review

The order execution policy will need to be reviewed on an annual basis. The purpose of the review is to determine:

- a. If there is a need to change the intermediaries disclosed in the policy;
- b. If there is a need to change the procedures that employees follow to achieve best execution.

The process for the review:

1. Execution Review Committee – This shall consist of representatives from the Wealth Planning team and Compliance Team. The responsibility for calling the Committee together, in order to initiate the review process, should be clearly delegated. The committee is responsible for:
 - i. The delegation of activities to prepare supporting qualitative and quantitative documentation for the review process;
 - ii. The evaluation of the execution intermediaries and any changes which need to be made;
 - iii. Evaluating the effectiveness of the process for dealings in units or shares in collective investment schemes on behalf of clients;
 - iv. Evaluating the effectiveness of the execution policy, together with any resulting changes which need to be made; and
 - v. Reporting its findings and recommendations to the CEO
2. Order Execution Policy – the effectiveness of the order execution policy and procedures needs to be reviewed. To facilitate this process, the existing client base and different type of orders received for different types of financial instrument should be assessed against the order execution policy and procedures. It should then be verified whether the policy and procedures appropriately capture the scope of client orders executed and its effectiveness in providing best execution in order:
 - i. To determine any changes which need to be made to the factors and their importance for the execution of the relevant client orders; and
 - ii. To determine any deficiencies with the execution policy and procedures.

Any deficiencies will need to be addressed and the execution policy and procedures amended as appropriate.

3. Evaluation of brokers and intermediaries – The committee shall review the information in Section 1. Consideration shall be given to both the type and nature of clients and the orders which they execute. This is in order to determine whether some factors are given greater importance than others and additional weighting applied as appropriate. This review process shall be documented and include supporting results and conclusions. Where new brokers are identified, these should be assessed where it is felt that they may offer a better result to the bank's clients.
4. Sign-off of the review process – Once the review process has been completed, all the conclusions and recommendations should be documented and signed-off by the Review Committee.

If the policy is changed, an appropriate announcement and revised policy should be disclosed to clients via the publishing media used within 3 months.

Additional Reviews

When any material change occurs, which may affect the policies ability to continue to return the best overall results for our clients, an appropriate review of the policy should be undertaken. For this purpose an Execution Review Committee meeting shall be called to initiate the review process. Similarly, any material deficiencies identified with the execution policy and procedures from the regular monitoring activities would also require a review to be initiated.

For adhoc reviews, the level of activities required for the evaluation should be assessed by the Execution Review Committee. This should take into consideration the activities that would normally be undertaken as part of the annual review process.

Schedule Two: List of Brokers

The following brokers are used by Arbuthnot Latham's Wealth Planning team:

- CoFunds
- Fidelity Funds Network
- Skandia