Order Execution Policy

Sapia Partners LLP

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1. Introduction

Sapia Partners LLP (the "Firm") must establish and implement effective arrangements for complying with the obligation to take all sufficient steps to obtain the best possible result for its clients[1]. The Firm has established and implements this Order Execution Policy (the "Policy") to allow the Firm to obtain the best possible result for client orders, in accordance with the obligations as set out in the Markets in Financial instruments Directive II ("MiFID II") and the rules of the UK Financial Conduct Authority (the "FCA Rules"). The Firm will review this Policy at least annually.

2. Obligation for best execution

The best execution regime requires investment firms to take all sufficient steps to obtain the best possible result for their clients when transacting in financial instruments[2]. When executing a client order, a firm must take into account the following criteria for determining the relative importance of the execution 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; and
- the characteristics of the execution venues to which that order can be directed.

Common execution factors are:

- Price
- Cost
- Speed of execution
- Likelihood of execution
- Likelihood of settlement
- Size and nature of order
- Any other relevant considerations

The extent of these obligations will vary depending upon the Firm's role in execution of the transaction. Broadly, there are two types of obligations owed. Where the Firm is acting as a discretionary Portfolio Manager[3] and passing an order in financial instruments to another entity for execution, the Firm is required to operate in the client's "best interests". Consequently, the focus is upon the best execution arrangements operated by the third party. Alternatively, the Firm may be "executing" transactions itself by dealing as agent on behalf of clients directly with an execution venue[4] . For example, where bond or OTC derivative quotes are obtained from a third party's own trading book, in circumstances where they are acting as a systematic internaliser and they do not accept that they owe the Firm (and indirectly the Firm's clients) best execution, it is the Firm's responsibility to obtain best execution, on your behalf. In this case the Firm owes you "best execution".

Whilst the Firm will endeavour to obtain the best available result in carrying out each client order, this may not mean the best possible result for each individual order is achieved on a transaction-by transactions basis, though the all sufficient steps standard does require that the Firm have monitoring and controls in place to identify deficiencies in the execution process and correct them on an ongoing

1 A client is defined as a person to which the Firm provides investment management services.

[2] Financial instruments (in summary) are transferable securities, money market instruments, units in collective investment undertakings, financial contracts for difference, derivatives on a wide range of underlyings: including: securities, currency, interest rates, derivatives, financial indices, credit risk, commodities, climatic variables, emission allowances etc. Spot FX is not included.

[3] Portfolio management is the management of portfolios in accordance with mandates given by clients on a discretionary basis where such portfolios include one or more financial instruments.

[4] Execution venues are regulated markets (exchanges), multilateral trading facilities ("MTFs"), systematic internalisers, market makers or other liquidity providers in the EEA or an entities that perform a similar function outside the EEA

basis. Where the client has been classified as an eligible counterparty the best execution obligation does not apply.

3. Scope of “best execution” for the Firm

As a portfolio manager the Firm will normally assume responsibility for acting in the clients’ “best interests” by obtaining the best result for its clients by passing an order to a third party for execution. In this case the third party will have the responsibility to obtain “best execution” in line with its own policies when it executes provided the Firm is classified as a Professional Counterparty. Operating in this way may involve execution outside a regulated market or MTF. However, the Firm remains responsible for ensuring that third party is effective in providing best execution.

However, from time to time, the Firm will assume responsibility for executing transactions in the products in which it deals. In these instances the Firm will have the responsibility to provide “best execution”. This may arise as a result of the lack of regulated markets or MTFs for these products. Consequently, the Firm needs to obtain the express consent of its clients in order to deal outside regulated markets or MTFs prior to dealing. This consent will be obtained as part of the Firm’s account opening procedures as a matter of practice.

4. Client classification

The Firm is authorised to undertake investment business with retail, professional client and eligible counterparties.[5] Where portfolio management services are provided clients cannot be treated as eligible counterparties. This Policy applies only to retail and professional clients where the Firm executes orders in financial instruments.

5. Procedures relating to specific instructions given

Where the Firm gives specific instructions to a third party to execute in a certain way on a client’s behalf, the Firm takes responsibility for this instruction and its impact upon execution quality. We will record this instruction and ensure that it is adhered to the relevant execution venue. The Firm will keep under review the impact that the specific instruction has upon execution quality as part of its monitoring procedures.

6. Procedures relating to specific instructions received

In the event that the Firm accepts specific instructions from a client as to how they wish an order to be executed we will record and follow those instructions. The client needs to be informed in account opening documentation that fulfilling these instructions may prevent the Firm from taking steps that have been implemented in this Policy to obtain the best possible result. However, the Firm’s obligation to provide best execution is only related to that part of the order to which the instruction relates. The Firm will not induce a client to instruct it to execute an order in a particular way where the Firm ought reasonably to know that the instruction is likely to prevent it from obtaining the best possible result for the client.

7. Selection criteria for execution venues

Before orders in a financial instrument are passed to third parties for execution, the third parties’ terms of business, or other agreements, will be reviewed to ensure that they:

- are appropriately regulated;

[5] **Professional Client**: broadly defined as another regulated firm, a large undertaking meeting specific size criteria or an institutional investor. Professional clients can either be “per se” or “elective” professional clients if they have successfully opted-up from retail client status;

Eligible Counterparty: A sub-set of professional clients and only relevant for “eligible counterparty business” which excludes investment management business;

Retail Client: These are clients who do not fall within either of the definition of a professional client or an eligible counterparty.

- have appropriate arrangements in place to provide best execution in the relevant Financial Instruments. Brokers in the EEA should provide appropriate information on their own Order Execution Policy;
- are charging competitive rates for execution (and do not bundle research);
- have accepted the Firm's consent to transact outside a regulated market or MTF;
- have agreed not to publish the unexecuted portion of any limit order, or the Firm accepts the use of brokers' discretion to do so; and
- in respect of OTC derivatives in financial instruments, are creditworthy and able to offer appropriate credit lines (as relevant)

Other relevant considerations are listed below although these should not in themselves influence the decision as to whether the third party should be included in the list of execution venues. Whether the broker can transaction report reportable financial instruments to the FCA or a competent authority in the EEA; and can post trade report in EEA traded equities, as relevant.

Where the broker has indicated that they will treat the Firm as an eligible counterparty, or otherwise is not offering the best execution obligation, the Firm will request that this obligation is owed either by requesting them to treat the Firm as a professional client, where the broker is subject to MiFID or the equivalent in the local regulatory environment, or otherwise by including the obligation in the terms of business with the broker.

For OTC derivative products particular attention will be given to the creditworthiness of the third party and the existence of appropriate credit lines.

The Firm will seek available data on execution quality from its brokers wherever possible and retain this with the Firm's records.

8. Commission arrangements

Many products are traded at a price inclusive of charges. Where commission is payable separately, typically for equity transactions, the commission charged to the client is one aspect of the "best possible result".

In selecting third party brokers to execute equity transactions on behalf of the Firm, the brokers' commission arrangements will need to be considered. However, at the selection stage the focus should be upon the potential of the broker to enable it to obtain on a consistent basis the best possible result of the execution of its clients' orders. A broker may not charge a different commission (or spread) for execution on different execution venues unless the difference reflects a difference in the cost to the broker.

When choosing the broker for the execution of a particular client order the Firm should take into account prices that can be obtained compared to the market but also the difference in commission charged. In making this assessment only the execution portion of commission, as opposed to that attributable to acceptable research in accordance with the FCA's rules on the use of dealing commission, should be taken into account.

Execution factors considered by the Firm

Subject to any specific instructions that we accept from the client, the factors that the Firm will consider in order to determine the manner in which an order will be executed are:

- Price
- Costs
- Total Consideration (Price plus costs incurred by clients)
- Likelihood of execution and settlement
- Speed
- Size
- Nature
- Other considerations relevant to the execution of the order.

Such considerations include the availability of liquidity, the market impact of the order and, where relevant, the availability of appropriate credit lines.

8.1 Importance

In determining the relative importance of these factors the Firm will take into account the nature of the order, the characteristics of the financial instruments to which the order relates and the characteristics of the available execution venues. In the absence of specific instructions from the client, the Firm will exercise its discretion to determine which of these factors, or combination of them, will be relevant to achieve the best result.

8.1.1 Price

Ordinarily, price will merit a high relative importance in obtaining the best possible result. The fairness of the price proposed to the client can be determined by gathering market data used in the estimation of the price of such product and comparing this with similar or comparable products.

8.1.2 Cost

Costs must be considered to the extent of external costs and internal costs, which will allow the firm the distinguish the total consideration.

- **External Costs** include commissions, fees, taxes, exchange fees, clearing and settlement costs or any other costs passed on to the client by intermediaries participating in the transaction.
- **Internal Costs** include the firm's own remuneration, such as a commission or a spread, when completing a transaction. These must also be taken into account when assessing order execution where more than one competing venue is available.

8.1.3 Likelihood of execution and settlement (Liquidity)

The next most importance factor is likely to be liquidity. The size and nature of the transaction are contributing factors to the consideration of the likelihood of execution and settlement. Smaller transactions are more likely to be completed compared to larger transactions, however it will also depend on the underlying asset and its availability with counterparties, as well as the market in general.

8.1.4 Discretion

In certain circumstances, for some client orders, financial instruments or markets, the Firm, in its absolute discretion, may decide that other factors may be more important in determining the best possible result in accordance with this Policy.

9. Execution venues and products traded - consideration of relevant factors

The Firm will maintain a list of execution venues which will be updated from time-to-time, as the venues utilised change. The Firm will provide its consent to the third party executing outside a regulated market or an MTF in respect of all products. In accordance with regulations the disclosure will contain the following:

- Description of the various execution venues used with reasons e.g. broker/dealers, crossing networks, direct market access etc.
- Description of trading strategies e.g., net trading, execution-only, agency trading, principal trading, internal crossing and programme trading.
- Description of the decision-making process in the choice of venue or entity and the relevant factors influencing that decision so as to explain how, having regard to the Firm's role in any execution, the Firm takes all sufficient steps to secure the best outcome for clients with regard to relevant execution factors. This may include the investment decision, the choice of venue and how that is informed, the delegation of trade, the assessment of the trade after execution. The relevant importance of the factors will be laid out in the Firm's execution as appropriate.
- Provision of information on those venues where the Firm executes orders which the Firm believes enable it, on a consistent basis, to obtain the best possible result for executing orders (this could be a subset of the venues mentioned in the first bullet point above).

9.1 Equities (including investment trusts)

Equity orders are normally passed to third party brokers for execution. The passing of the order may be by phone, Bloomberg, electronic link or some other method. In this situation, the Firm is relying upon the executing broker to execute the client order effectively on the Firm's behalf and the Firm is not itself executing. Where the Firm provides specific instructions to the broker the Firm will ensure that the execution is in accordance with those instructions, The Firm recognises that such instructions may limit the broker from obtaining the best result in accordance with the operation of their own Order Execution Policy.

Key relevant execution factors will be the provision, on a consistent basis, of the provision of market (or better) prices given the order size and the likelihood of execution of the size in question. In some cases, in particular, for markets operating in different time zones, this may mean that local brokers in the relevant jurisdiction are the most appropriate. The relative importance of these factors will depend upon the circumstance. For instance, where it is necessary to liquidate part of a portfolio to meet redemption requests, then more weight will be given to the likelihood of execution with the price remaining an important but not the most important factor.

The explicit execution cost i.e. commission is a consideration, although competitive forces, especially in major markets, have tended to standardise commission rates in liquid markets. The Firm will always try to negotiate the lowest possible commission rate on behalf of its clients. Where all other factors are equal, the Firm will choose to utilise a broker with the lower commission costs.

The Firm will also take into account the implicit cost derived from the broker's skill at being able to limit market movement arising as a consequence of transacting in a large order by, for example, working a large order patiently, preserving the Firm's confidentiality.

Some brokers will be included as execution venues because they offer value added research assessed by the Firm as benefiting the quality of its investment decision making. Whilst this is a valid reason for utilising a particular broker, the execution quality, costs and other factors must of itself provide the best result for the client the research element should be considered separately. Under FCA rules the commission value attributable to the research element is separately disclosable to clients.

9.2 Equity CFD

In addition to the factors considered above regarding equity trading, where the Firm wishes to transact in CFD form, the availability and cost of the credit facility with the broker will be additional execution factors to consider. The price of the underlying equity, however, is likely to remain the key determining factor as above.

9.3 Bonds

Bonds are in practice largely traded outside regulated markets or MTFs. Unless the Firm passes an order to a broker on the clear understanding that the broker is accepting that client order as an agent on behalf of the Firm, it will be executing the bond transaction itself and will owe best execution to the client. This Policy describes the process to obtain best execution on the basis that the Firm itself owes the obligation.

For liquid bonds, the Firm will normally obtain a number of indicative quotes from brokers who, in most cases, will be operating by trading as systematic internalisers from their own proprietary books. Whilst, not an absolute requirement, it is recommended that at least three (3) quotes are obtained in general. These quotes may be obtained from multi-dealer platforms or directly from the third party trader. It would be usual to select the best price quoted. In this scenario, the total cost (i.e. price and explicit cost (margin)), will likely represent the most important factors taken into account.

For less liquid bonds, including securitized bonds, as many quotes as possible will be obtained, however, in this circumstance, depending upon the tightness of the market availability of inventory is likely to be the major factor with the total cost being a secondary factor.

Wherever it is possible, prices quoted by brokers will be compared to Bloomberg and other relevant pricing data sources, as part of the obligation to obtain best execution.

9.4 Funds

Both regulated and unregulated funds are likely to have only one execution venue, namely the operator for regulated funds or the administrator for unregulated funds. In the absence of any other factor which could impact the obtaining of the best result for the client, for example, unnecessary delay in passing the client order to the execution venue, the best execution obligation is deemed is having been fulfilled where execution is directly with the operator or administrator, as relevant.

In the event that there is a secondary market in a particular fund, the Firm should consider the prices available for that pricing source as part of its best execution obligation.

Investment trusts are to be treated in the same way as equities.

9.5 Exchange traded derivatives

Orders in exchange traded derivatives are passed to third party brokers for execution. The passing of the order may be by phone, Bloomberg, electronic link or some other method. In this situation, the Firm is relying upon the executing broker for “best execution” and the firm is not executing. Where the Firm provides specific instructions to the broker the Firm will ensure that the execution is in accordance with those instructions. Price is the key executing factor for these liquid, and transparent, exchange traded products.

Prices obtained by the brokers will be compared to exchange data on Bloomberg and other relevant pricing data sources, as part of the obligation to obtain to operate in the best interests of clients.

9.6 OTC derivatives (including “covered warrants” and excluding CFDs)

OTC derivatives are traded off market between the Firm and the broker. The broker will be operating in the capacity of a systematic internaliser by dealing on their own proprietary book. This Policy describes the process to obtain best execution on the basis that the Firm itself owes the obligation.

An important factor is the existence of credit lines and the sufficiency of collateral between the broker and the Firm on behalf of underlying funds. In the event of a limit of credit, the Firm may find its choice of executing venue limited. In this case the credit element will assume greater significance.

For the more liquid OTC derivatives, as many indicative quotes as possible should be obtained. It is recommended that three (3) such quotes are sufficient to support the use of a particular execution venue, although this is not an absolute requirement. Subject to the availability of credit, the total cost (i.e. price and explicit cost (margin) will normally be the major execution factor.

For less liquid products as many quotes as possible will be obtained, however, in this circumstance the availability of execution and credit are likely to be major factors with the total cost being a secondary factor.

Where tailor made structured products are designed upon the specific instruction of the Firm, the best result is subject to negotiation between the parties. There is an expectation that market pricing references would be utilised in deriving the price of the structured product, for example from a regulated market or MTF.

Another factor that may be relevant is the extent to which the broker is prepared to close out a position ahead of maturity of the product at a sensible market price.

Wherever possible, prices quoted by brokers will be compared to Bloomberg and other relevant pricing data sources, as part of the obligation to obtain best execution.

9.7 Foreign Exchange products

Spot foreign exchange is not a financial instrument to which the best execution obligation applies. OTC or exchange traded currency derivatives are financial instruments and therefore are subject to the requirement to obtain the best result for clients.

For a description and an indication of the relative importance of the execution factors application to currency trading refer to the exchange traded derivatives and OTC derivatives sections above.

10. Use of one execution venue

It is possible to utilise only one execution venue in circumstances where there are many available. However the Firm must be able to show that the overarching best execution obligation to obtain the best result on a consistent basis is being satisfied. To do this the Firm will need to compare the execution results against alternative sources. Additional disclosure is made in relation to:

- The various execution venues used e.g. broker/dealers, crossing networks, direct market access etc.
- The trading strategies e.g., net trading, execution-only, agency trading, principal trading, internal crossing and programme trading.
- The decision-making process in the choice of venue or entity and the relevant factors influencing that decision so as to explain how, having regard to the Firm's role in any execution, the Firm takes all sufficient steps to secure the best outcome for clients with regard to relevant execution factors. This may include the investment decision, the choice of venue and how that is informed, the delegation of trade, the assessment of the trade after execution. The relevant importance of the factors will be laid out in the Firm's execution as appropriate.

11. Changes to the policy and execution venues

Changes to the Policy and the execution venues should be approved by the Compliance Officer. (Please note that where these changes relate to "execution" arrangements and are material then they need to be notified to clients.)

12. Order handling, including aggregation and allocation

Orders made on behalf of clients must be executed in a prompt, fair and expeditious manner, with prompt and accurate records. Comparable orders should be carried out sequentially and promptly unless the order's characteristics or prevailing market conditions make this impracticable, or the interests of the client requires otherwise.
Client orders may only be aggregated where it is considered unlikely that the aggregation will generally work to the disadvantage of any one client. It is disclosed to clients in their client agreement that the effect of aggregation may work to the client's disadvantage in relation to a particular order. Where aggregations occur any allocations must be made in accordance with the Firm's Allocation Policy. This includes appropriate records being made of the proposed allocation on a pre-trade basis and post execution basis. The Allocation Policy contains procedures designed to prevent unfair precedence being given to a client, re-allocation to the detriment of another client, and, deals with partial executions.

13. Disclosure requirements to clients

The Firm must provide appropriate information about this Policy to its clients. Such information represents a summary of this policy and is intended to enable clients to make a properly informed decision as to whether to utilise the services of the Firm.

Where the Firm "executes" transactions for clients, as opposed to passing orders to third party entities for them to execute:

- The Firm must notify clients of any material changes to the Policy. A change is material where its disclosure is necessary to enable the client to make a properly informed decision about whether to continue utilising the services of the Firm. For example, this could relate to the inclusion, or removal, of a significant, or new type of, execution venue.

Clients may request that the Firm demonstrate compliance with the Policy. All such requests for demonstration of compliance with the Firm's Policy should be passed to the Compliance Officer who will be responsibly to ensure that an appropriate response is provided.

Under MiFID II and to promote transparency on the overall quality of order execution the Firm will publish annually a Best Execution report on its public website. This report outlines the top 5 execution venues by product type and a summary of the analysis drawn from the monitoring of execution quality obtained during the preceding year.

14. Monitoring arrangements

The Firm will monitor the effectiveness of its order execution arrangements and record its findings on an ongoing basis. Consequently, the monitoring will focus upon the third party's regulatory (or contractual) obligations and the arrangements that they have in place including, as appropriate, their own Order Execution Policy, to obtain best execution. The execution quality actually delivered by such entities should be monitored either by comparing the result received against the market generally or by obtaining and reviewing data from the third party as to its execution quality.

Where the Firm plays a role in determining the overall execution quality, for example by splitting an order between execution venues, then the impact of these decisions by the Firm should be considered.

Where the Firm is executing transactions on behalf of clients the Firm will monitor the result of transactions against the result that could be obtained in the market. The Firm will also keep itself aware of developments in the market place that may impact the results obtained.

In the event that the Firm identifies any deficiencies in obtaining the best result appropriate changes will be made to this Policy and our execution arrangements as relevant.

Disclosure for efficiency monitoring addresses the following:

- Policies and procedures for monitoring transaction costs;
- Assessment of the impact of implicit costs e.g. bid/offer spread, market impact and opportunity costs;
- Any use of third party transaction cost analysis services and how the results are used;
- How often dealing effectiveness is formally monitored;

15. Record Retention

This Policy, any changes to it, the annual reviews and evidence of execution quality monitoring, including, as appropriate, transaction by transaction review, should be retained for five (5) years.