



Order Execution Policy

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## Order Execution Policy

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## Order Execution Policy

### 1.0 Introduction

- 1.1 This document sets out the policies RWC has established to provide the best possible result when executing orders on behalf of its clients<sup>1</sup>.

### 2.0 Application

- 2.1 This document and the policies contained herein are applied to all staff who perform services to the following RWC entities (collectively referred to as the Firm or RWC). It is reviewed and restated on an at least annual basis.
  - 2.1.1 RWC Partners Limited
  - 2.1.2 RWC Asset Management LLP
  - 2.1.3 RWC Asset Advisors (US) LLC
  - 2.1.4 RWC Singapore (PTE) Limited
- 2.2 As at the date of this policy document, all clients of RWC have been classified as Professional Clients according to FCA rules.

### 3.0 Best Execution Policy

- 3.1 In accordance with its regulatory obligations, RWC takes all sufficient steps on a consistent basis to obtain the best possible result when executing orders on behalf of its clients.
- 3.2 In obtaining the best possible results (rather than merely the best price) the firm takes into account the execution criteria and factors applicable to the particular type of transaction.
- 3.3 The instruments covered by this policy (collectively referred to as 'financial instruments') are:
  - 3.3.1 Cash equities including equities, warrants, depositary receipts, equity CFD's;
  - 3.3.2 Bonds including corporate and government bonds, convertible and exchangeable bonds, asset-backed securities, certificates of deposit, structured debt securities;
  - 3.3.3 OTC derivatives including OTC options, OTC forward transactions, OTC swaps;
  - 3.3.4 Exchange-traded derivatives including exchange-traded futures and options contracts and exchange-traded contracts for difference; and
  - 3.3.5 Foreign exchange
- 3.4 Best execution applies to all financial instruments, although execution factors are considered and applied as appropriate to different instrument types depending on relative importance. For example, OTC financial instruments have a unique contractual relationship tailored to the circumstances of a client and so are not comparable for best execution purposes with transactions involving traded securities.
- 3.5 The Firm has implemented this best execution policy to take into account the relevance and importance of the execution factors against the characteristics of the financial instruments and the execution venues or intermediaries to which an order can be directed.

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<sup>1</sup> A client is generally each RWC fund, segregated mandate, and any other advisory relationships.



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- 3.6 **Scope of Best Execution:** In identifying where the responsibility for achieving best execution rests, the Firm differentiates clearly and consistently between when it is executing an order and when it is placing an order with another entity for it to execute.
- 3.6.1 'Execution' is where a portfolio management firm (such as RWC) executes an order directly against an execution venue (e.g. a regulated market, Multilateral Trading Facility, Organised Trading Facility or Systematic Internaliser) or a market maker or other liquidity provider.
- Should RWC execute a transaction against an execution venue (or market maker or other liquidity provider), we will not receive a duty of best execution from the venue, but we will owe a duty of best execution to our client. As such, we are required to take 'all sufficient steps' to obtain the best possible result for the client.
- 3.6.2 'Placement' is where a portfolio management firm (such as RWC) places an order with another entity for it to execute, such as a broker. In this scenario, the other entity will owe RWC the duty of best execution, by virtue of RWC being classified as a 'professional client'.
- 3.7 **Order Execution:** the Firm may utilise a number of different methods for executing orders on behalf of clients. Furthermore and dependent upon the strategy, orders may originate from different areas, summarised below.
- 3.7.1 Where the portfolio manager passes orders to the central dealing desk, some orders may be passed with specific instructions such as a price limit, at market or over the day. Where this is the case, the central dealing desk will be responsible for best execution within the parameters of the instruction.
- 3.7.2 Where the portfolio manager places orders themselves (i.e.) not through the central dealing desk, the portfolio manager will be responsible for evidencing best execution.
- 3.7.3 Execution of foreign exchange trades and ensuring best execution of those trades is managed by the operations team
- 3.7.4 There may be circumstances whereby two RWC clients may seek to deal in the same security but in opposing directions (for example, due to inflows/outflows), known as 'Cross Trades'. A cross trade will only be considered if it provides best execution to both clients – this is the responsibility of the central dealing desk. It is the Firm's policy that such cross trades will be undertaken through the market at a reduced commission rate where possible. In such circumstances, the Firm believes that a lower than normal commission charge is justified and would not amount to a conflict of interest or inducement to trade with that particular broker. A cross trade requires pre-approval from the Compliance Department.
- 3.8 **Execution Criteria:** When executing trades and transmitting orders for execution, the Firm will consider the following execution criteria in conjunction with the relevant execution factors:
- 3.8.1 The characteristics of the client including the categorisation of the client as 'professional';
- 3.8.2 The characteristics of the client order (if any);
- 3.8.3 The characteristics of financial instruments that are the subject of that client order; and
- 3.8.4 The characteristics of the execution venues or counterparties to which that order can be directed



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- 3.9 **Execution Factors:** The factors to be taken into account when providing best execution to clients include, but are not limited to:
- 3.9.1 The price that the order can be executed at;
  - 3.9.2 The costs (including commission) of execution of the transaction to the client;
  - 3.9.3 The speed of execution of the transaction;
  - 3.9.4 The likelihood of execution and settlement;
  - 3.9.5 The size and nature of the order;
  - 3.9.6 Responsiveness, financial strength and solvency of counterparty;
  - 3.9.7 Any other consideration relevant to the execution of the specific order, such as the nature of the relevant market, prevailing market conditions and attempting to minimise market impact.
- 3.10 **Best Execution Methodology:** In order to obtain the best possible result for our clients, the Firm uses a variety of methods to access markets, seeking to use the experience of counterparties in so far as they may improve the terms on which we can trade in those markets. Our aim is to find the execution venues that best match our trading strategy and help the Firm add value to each transaction or series of transactions.
- 3.11 The Firm uses a number of counterparties, which are approved and satisfy the minimum standards set by RWC. Trading with counterparties that are not approved by RWC is not permitted.

### 4.0 Detailed requirements for each financial instrument class traded.

- 4.1 The relevant execution factors which are considered are dependent upon the intent of the portfolio manager creating the order, the characteristics of the financial instrument to be traded and the specific market structures of the venues where that financial instrument can be traded. It is therefore difficult to identify and apply a uniform standard procedure for best execution that would be valid for all classes of instruments.
- 4.2 RWC applies best execution in a manner which takes into account the different circumstances associated with the order, especially the type of financial instrument. In the majority of cases it is typically expected that the most significant factor taken into account is the total consideration paid or received in each case, such that there will be greater weight on the price and costs associated with each trade. However, there will be circumstances where other factors may be more important or relevant as appropriate. These are described in greater detail below.

#### 4.2.1 Equities

##### Execution factors

For developed market / liquid equities, unless otherwise stated, the ranking of the best execution factors for equities is typically:

1. Price
2. Cost of execution
3. Speed and Likelihood of execution

The remaining factors are generally given equal ranking.



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For less developed markets or less liquid equities, the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

### Choice of venue

The firm has a wide range of approved venues and entities through which it can trade, including:

- Brokers who may transact on Regulated Markets, or through their own Multi-Lateral Trading Facilities ('MTFs') or as Systematic Internalisers ('SIs');
- Algorithmic trading
- Organised Trading Facilities ('OTFs').
- Independent MTFs.

Traders assess the potential venues in order to consider how best the order can be progressed given the specific characteristics of the order.

### Obtaining Best Execution

When executing an equity order the trader first considers any specific instructions from the fund manager (such as price limits) and then sets about obtaining best execution. For equity order gross consideration (price plus implicit and explicit costs) shall be the overriding driver of best execution,

The trader considers the size of the order relative to average daily volume in order to assess - under normal market circumstances - approximately how long the order would take to complete, as well as the natural liquidity of the stock. Traders will consider and review factors such as the size of the order relative to liquidity and bid/offer spread to decide whether it would be better to deal via, cheaper, electronic means.

Brokers' indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e.) by mitigating the bid/offer spread.

Other factors to be considered include whether the order is subject to ticket settlement charges; commissions associated with dealing and their impact on the "net price" received; and the best way to minimize information leakage.

### **4.2.2 Fixed Income**

#### ***Convertible bonds***

### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for convertible bonds is typically:

1. Price
2. Order size
3. Speed

The remaining factors are generally given equal ranking. On some occasions we believe a broker's ability to deal at size would be of greater importance than price.

### Choice of venue

Convertible bonds are traded over-the-counter ('OTC') with a broker as opposed to on exchange. In deciding which broker(s) to approach, we pay consideration to a number of



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factors such as a broker's advertised inventory, a broker's recent dealings in the security in question, or previous involvement in new issuance. In such OTC markets, the experience and knowledge of the investment team is of vital importance in broker selection.

### Obtaining best execution

Quotes are generally obtained from up to three counterparties as part of the price discovery process. This, however, may not always be possible or desirable to do so, for example in certain less liquid markets, where attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

For certain transactions, there may be only one potential counterparty and therefore obtaining multiple quotes is not possible. The Firm considers whether multiple quotes can or should be obtained depending on the security to be traded, the size of the transaction and the prevailing market conditions.

Where quotes are requested from brokers, the speed of response is considered to be an important factor, particularly for volatile securities and/or markets. If one quote is not forthcoming, the best of the other two will be selected rather than wait and risk the price moving, or having to provide the responding brokers with the opportunity to revise their quote.

Brokers who are consistently unable to provide competitive quotes will be removed from the panel to be approached until a discussion can be held with them to identify their commitment going forward. Likewise, brokers who advertise indications of interest yet fail to quote, or consistently provide late quotes, would similarly be removed.

### ***Other Fixed Income***

#### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for bonds is usually:

1. Price
2. Order size / liquidity

The remaining factors are generally given equal ranking.

#### Choice of venue

We may purchase short-term government bonds in one of two ways – either via an auction held by the issuing country (e.g.) the UK Debt Management Office, for which entry is via a primary dealer, or directly through a broker.

When dealing directly through a broker, a panel of at least two brokers is used.

#### Obtaining Best execution

We have the option of trading fixed income securities through either the primary or secondary markets. In the primary market, governments hold auctions on a periodic basis. This is an efficient way to purchase government bills, and may be utilised by the Fund Managers.

We also have the option of trading in the secondary market, and will do so when selling fixed income securities as the primary market is not accessible, and will also use it on occasion when buying fixed income securities.

When dealing through a broker the dealers will request quotes from their selected panel of at least two brokers. These quotes will be compared to any relevant exchange pricing, broker axes and recent auction results in order to ascertain whether they constitute best execution. If the dealer is satisfied that best execution will be achieved then they will deal on the best



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priced quote. In certain government bond markets (e.g. European), sourcing liquidity may in itself constitute best execution.

### **4.2.3 Exchange Traded Derivatives**

#### Execution Factors

The relative importance of the execution factors will differ depending on the liquidity of the option in question. For highly liquid options such as the S&P 500 options, unless otherwise stated, the ranking of the best execution factors is usually:

1. Price
2. Order size / liquidity
3. Speed of execution

The remaining factors are generally given equal ranking.

For other less liquid options, such as FTSE 250 options, these are typically traded OTC in a competitive auction and while technically exchange traded derivatives, they actually are traded in an OTC manner. Therefore, unless otherwise stated the ranking of the best execution factors would be:

1. Price
2. Order size and speed (given equal importance)

The remaining factors are generally given equal ranking.

#### Choice of venue

Where trading liquid ETDs, the relevant exchange will be chosen by the broker we choose to employ to execute the trade.

For less liquid ETDs, where we trade in an OTC manner, up to four brokers from a panel are approached to provide quotes within a suggested timeframe. Each broker's performance, whether successful or not, is recorded and tracked to enable ongoing monitoring. This data is discussed with brokers and used to manage the approved panel, (i.e.) brokers who are consistently uncompetitive will be removed.

#### Obtaining best execution

For liquid ETDs, quotes are generally obtained from up to two counterparties as part of the price discovery process. This, however, may not always be possible or desirable to do so. For example, where the speed of the execution is key, attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

For less liquid ETDs, where we trade in an OTC manner, up to four brokers from a panel are approached to provide quotes within a suggested timeframe. Options are priced by the investment team prior to sourcing liquidity, meaning an expected price is already known. Quotes received are assessed against each other and against our own indicative calculations, and the provider of the best price is chosen. Records of all quotes are retained to evidence best execution.

### **4.2.4 OTC Options**

#### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for OTC options is usually:

1. Price
2. Order size and speed (given equal importance)





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### 3. Strength and solvency of counterparty

The remaining factors are generally given equal ranking.

#### Choice of venue

Up to four brokers from a panel are approached to provide quotes within a suggested timeframe. Each broker's performance, whether successful or not, is recorded and tracked so as to enable ongoing monitoring. This data is discussed with brokers and used to manage the approved panel, (i.e.) brokers who are consistently uncompetitive will be removed. With OTC options the Firm will have direct exposure to the counterparty, hence their strength and solvency need to be assessed as a higher priority than some other criteria.

#### Obtaining best execution

OTC equity options are priced by the investment team prior to sourcing liquidity, meaning therefore that for any given option they already know the premium and strike required to meet their strategy. Quotes received are assessed, both against each other and against our own internal indicative calculations. The provider of the strike that is most out of the money for a given premium is chosen. Typically, if none of the strikes offered by the brokers are close to the internal calculation, the trade will not be executed, however, the internal model may be recalculated to incorporate the new market information upon which the broker's quotes were based and in such circumstances the trade may be executed. Records of all quotes are retained to evidence best execution.

### **4.2.5 Foreign Exchange**

#### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for foreign exchange is usually:

1. Price and timeliness of settlement (given equal importance)
2. Size and nature of the order
3. Liquidity

The remaining factors are generally given equal ranking.

#### Choice of venue

The majority of FX trading is done via Multi-Lateral Trading Facility which provides access to most major sell side institutions and other benefits such as netting functionality, tolerance checks and rate allocation per order.

#### Obtaining best execution

Although price is listed as the primary execution factor, when dealing FX we believe that timeliness of settlement is also of significant importance given the operational risks that would be caused by settlement failure and the resultant costs (both monetary and reputational). For this reason, we do not execute 'across the street' in competition. Instead we rely on a small number of counterparties where an ongoing relationship has been developed. We believe this approach delivers the best outcomes for clients as we have a greater influence with such counterparties.

We utilise a number of tools and reference points to ensure the prices quoted are competitive. These include 'onscreen' validation to live Bloomberg rates, 'benchmarking' to WM Reuters fix when appropriate, trading 'at market' (liquidity dependent) to avoid currency exposure and utilising our relationships with our peers and other providers to review possible poor fills. Given the strong relationships with our preferred counterparties, our ability to question and



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renegotiate quotes we perceive to be 'poor' is strengthened. As the FX market develops algorithmic trading may be utilised in future to work very large orders. As the majority of FX deals are passive, i.e. done to cover underlying instruments, rather than for investment purposes, we seek to deal immediately at market to avoid currency exposure.

Some markets in which we operate are restricted currency markets whereby local requirements require that any FX trade is undertaken by a local party (usually the client's sub-custodian). Although we are not party to the trade in such instances, the rates received are monitored on a post-trade basis.

### 5.0 Execution Venues and Brokers

- 5.1 The Firm selects the execution venue or broker that in our judgment is the most appropriate, taking into account the execution factors and execution criteria. The Firm also considers the market coverage and market intelligence that the execution venue or broker can provide if it improves the terms on which we can trade in the relevant markets.
- 5.2 RWC does not have any close links or conflicts of interest with any execution venue.
- 5.3 RWC does not have any specific arrangements concerning rebates or non-monetary benefits with any current execution venues.
- 5.4 RWC expects best execution to be achieved by all appointed counterparties in accordance with the requirements of the exchanges on which they operate and applicable terms of reference.
- 5.5 The Firm seeks to add value to client portfolios by selecting counterparties that not only provide the best possible execution capabilities for that particular asset class but also other value adding services, provided the provision of such services is in line with applicable rules, regulations and is not in contravention of applicable portfolio restrictions for a particular client. In giving effect to such arrangements, the Firm acts in accordance with applicable rules covering the use of dealing commission (e.g. safe harbour of Section 28(e) of the Act<sup>2</sup> for RWC's US investment management business and regulations under the FCA for RWC's UK-based investment managers.)
- 5.6 The Firm assesses its counterparties against a number of criteria including but not limited to their ability to achieve trading objectives in accordance with applicable market standards.
- 5.7 The Firm expects counterparties to be professional and to achieve and maintain high standards, in both execution and settlement. RWC has established a governance and oversight framework for the evaluation and management of its execution venues.
- 5.8 Portfolio managers evaluate the performance of the counterparties they use, taking into account the execution factors listed in this policy.
- 5.9 The Firm may seek to execute trades outside of a regulated market or on a multilateral trading facility. Where such methods are employed, it will be RWC's responsibility to obtain best execution.
- 5.10 The diversity in the markets and instruments in which the Firm trades and the kind of orders that the Firm may place means that different factors are taken into account when the Firm assesses the nature of its Policy in the context of different instruments and different markets. For example, in some markets price volatility may mean that the timeliness of execution is a

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<sup>2</sup> The Securities Exchange Act of 1934



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priority, whereas in other markets that have low liquidity, the fact an order has been executed may itself constitute best execution. In other cases, the Firm's choice of venue may be limited (even to the fact that there may only be one platform or market where the Firm can execute client orders) because of the nature of the order.

- 5.11 The Firm operates an approval process for brokers which incorporates both review and approval at the take on stage and regular review on an ongoing basis.
- 5.12 For the avoidance of doubt, the Firm is not permitted to execute decisions to deal with an execution venue or place orders with a broker that has not already been approved by the Firm, unless there are exceptional circumstances. Exceptional circumstances might include where the Firm wishes to trade in an unusual financial instrument that cannot be executed with or by one of the pre-approved execution venues or brokers (either at all or in a manner that would be likely to achieve the best possible result for the client). Any execution of a transaction with an execution venue or placing of an order with a broker that falls outside of the approved execution venues and brokers is approved before trading by the Firms Counterparty Committee.

### 6.0 Monitoring

- 6.1 The Firm has an obligation to monitor the effectiveness of its best execution arrangements and to demonstrate compliance with this policy. This obligation has been incorporated into the Firm's general compliance monitoring process. The Firm's processes are designed to ensure that monitoring assists the Firm in delivering best execution for its clients on a consistent basis and that, where necessary it identifies best execution failures or poor client outcomes.
- 6.2 Responsibility for best execution on a day-to-day basis rests with the person executing the trade. However, on an ongoing basis the Firm seeks to monitor the effectiveness of the execution arrangements for each asset class and subsequently each broker or venue. In addition to assessing whether internal processes and this policy are being followed, the compliance function assesses the monitoring performed by traders and assesses whether best execution is being achieved.
- 6.3 The Firm's monitoring process involves a periodic review of transactions to ascertain whether the best possible result was obtained in respect of those transactions. The Firm ensures that the sample size is adequate and appropriate given the scale of the Firm's activities and that it covers all asset classes. This is particularly relevant for those asset classes where transaction cost analysis may not be comprehensive.
- 6.4 When monitoring trade executions, the Firm will ascertain the appropriate benchmark to use dependent on the characteristics of the order, (e.g.) market orders will be judged against implementation shortfall bench marks whereas over the day orders will be judged against VWAP, these are notwithstanding potential allowances that may need to be made for very large orders .
- 6.5 The Firm conducts transaction cost analysis ('TCA') of both implicit and explicit trading costs for equities and FX.
- 6.6 For convertible bonds, we do not believe there is a suitable TCA provider which currently meets our requirements. As such, the investment team is primarily responsible for the ongoing monitoring of the quality of execution received, with independent sample testing being performed by the compliance department.
- 6.7 The outcomes from TCA is used to provide continuous feedback for the traders and to the fund managers, particularly when orders are passed with specific trading instructions, e.g. price limits. The Firm continually seeks to enhance and improve its execution capabilities for



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the benefit of its clients (for example, by providing evidence to demonstrate that outcomes could be improved by changing trading habits, or instructing executing brokers to remove any venues that the Firm believes deliver poor outcomes to our clients).

- 6.8 In the event that the Firm's monitoring procedures identify any deficiencies in the Firm's policy or that the best result is not being delivered to the Firm's clients, or if the Firm is made aware of a material change which may compromise at least one of the best execution factors, the issue shall be promptly escalated to the counterparty committee with sufficient detail and any proposed corrective action to be taken, including any proposed changes to this Policy.
- 6.9 The Firm conducts on-going scrutiny of its approved brokers and quality checks on the trades executed by each broker to assess whether best execution is consistently obtained. The execution quality actually delivered by the Firm's brokers is monitored either by comparing the result received against the market generally and, where relevant, by obtaining and reviewing data from the broker as to its execution quality.
- 6.10 On at least an annual basis, the Firm will conduct a formal review of the quality of execution in order to ascertain the effectiveness of its approved brokers, strategies and venues, and to implement any changes required from the findings, (e.g.) removing brokers from the approved list where execution quality is consistently poor on a relevant basis.

### 7.0 Senior Management and Escalation:

- 7.1 The Firm's senior management, via the counterparty committee, is responsible for ensuring that robust business practices are operating in all its trading activities to deliver best execution on a consistent basis and for promoting a culture that proactively identifies and manages conflicts of interest. The counterparty committee is also ultimately responsible for the on-going review and monitoring of this policy, to ensure that it remains robust and fit for purpose, taking into account, amongst other things, changes to market structures, execution practices and development of new products.

The counterparty committee receives quarterly management information relating to best execution from the central dealing desk and the compliance department.

Any deficiencies or issues identified by the Firm's monitoring procedures are promptly escalated to the counterparty committee for its review with sufficient detail and a proposal for corrective action to be taken, including any proposed changes to this Policy.

### 8.0 Policy Review:

- 8.1 The compliance department is responsible for the maintenance and annual review of this Policy and the Firm's execution procedures. The review focuses on whether the Firm would obtain better results for its clients if it was to:
  - include additional or remove existing execution venues or brokers;
  - assign a different relative importance to the execution factors applicable to each financial instrument class; or
  - modify any other aspects of this policy and/or the Firm's execution procedures.

The review takes into account a number of factors including:

- any deficiencies with this policy and/or the Firm's execution procedures identified during the Firm's monitoring processes;
- any factors that could damage the quality of execution being achieved, such as changes in the market environment and structure (e.g. the entry or exit of market participants, changes to execution venues, services provided by counterparties, significant changes in technology, etc.);



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- changes to the types of investment process used;
- changes to the financial instruments used and/or introduction of new products;
- changes to the nature of orders; and
- changes in relevant legislation.

In addition, this policy and the Firm's execution procedures are reviewed whenever a material change occurs in the market that could affect the Firm's ability to obtain the best possible result for the execution of its clients' orders.

The Firm's review also reviews of the monitoring program to ensure that monitoring processes remain fit for purpose and appropriate.

### 9.0 **Client Disclosure and Consent:**

In order to comply with this obligation the Firm provides its clients with a copy of the policy. The Firm notifies clients of any material changes to this Policy. A material change is a significant event that could impact parameters of best execution. For example this could relate to the inclusion or removal of a significant or new type of execution venue. Clients' express consent to such changes is not required.

### 10.0 **Related Policies**

In addition to this Policy, the Firm's policies and procedures encapsulate several other areas that are important to ensure robust procedures and form part of the Firm's overall order execution framework. These include policies for the following;

- Conflicts of interest management
- Inducements
- Aggregation and allocation of orders
- Trade errors
- Dealing commission policy

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