

## Thomas Miller Investment Order Execution Policy ('the Policy')

### Introduction

This document sets out the Policy of Thomas Miller Investment Ltd and Thomas Miller Investment (Isle of Man) Ltd (collectively 'TMI') on the execution of client orders.

This Policy applies to orders to buy and sell investments for TMI's discretionary investment management clients and covers institutional clients only.

When undertaking client orders on behalf of its clients, TMI is required:

- to take all reasonable steps to **obtain the best possible result** for its clients, taking into account the "**execution factors**", being: price; costs; speed; likelihood of execution and settlement; size; nature; or any other consideration relevant to the execution of the order. The relative importance of these factors must be determined by reference to the "**execution criteria**" being:
  - (i) the characteristics of the client including the categorisation of the client as retail or professional;
  - (ii) the characteristics of the client order;
  - (iii) the characteristics of the financial instrument that are subject to the order; and
  - (iv) the characteristics of the execution venues to which that order can be directed.
- to **establish and implement a policy** to enable it to comply with the obligation to take all reasonable steps to obtain the best possible result for its client. The policy must identify, in respect of each class of instruments, the execution venues with which the orders are placed or to which the firm transmits orders for execution. The execution venues identified must have execution arrangements that will enable TMI to comply with its obligations in relation to best execution;
- to **provide appropriate information** to its clients on the policy;
- to **monitor** on a regular basis the effectiveness of the policy and, in particular, the execution quality of the execution venues identified in that policy and, where appropriate, correct any deficiencies; and
- to **review the policy annually** and whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its clients.

### Policy

TMI may choose to execute client orders itself or alternatively use execution venues to execute client orders on its behalf.

Where TMI chooses to execute client orders itself TMI will control the allocation of orders among execution venues which are used for execution, and will not take instructions from clients in that respect.

In certain circumstances, TMI may execute the purchase and sale of the investment between clients' accounts, known as a "Matched Bargain". TMI will only undertake this where it believes that this will secure the best possible result for both clients.

TMI will assess what constitutes the best possible result for its clients in terms of the various execution factors and not simply on the basis of the total consideration (price and cost).

TMI takes care to select those execution venues which provide a high quality execution service in relation to those financial instruments in relation to which TMI places or transmits orders for clients, taking account of the execution factors. TMI does not, however, control or influence the arrangements made by each such execution venues relating to the execution of its orders (e.g. TMI does not control choice of execution venues, such as exchanges, multilateral trading facilities or internal dealing facilities). TMI's choice of execution venues for the execution of client orders is based upon TMI's view of the relative importance of the execution factors in different circumstances. Each execution venue is subject to an initial assessment and is monitored on an on-going basis.

Factors considered during the initial assessment of each execution venue include:

- Size and reputation of the execution venue;
- Market / sector coverage execution venue can provide to TMI;
- Key personnel that TMI will interact with at execution venue;
- Current and future technology available to the execution venue;
- Execution costs charged by the execution venue;
- Ability of the execution venue to provide TMI with regular reporting on the execution quality of TMI's trades.

Following the initial assessment, each execution venue will be subject to on-going assessment which will in the main be carried out by TMI IOM Head of Dealing using Trade Cost Analysis (TCA) software. This will identify any individual trades that are executed outside of expected parameters (typically benchmarks such as previous day's closing price for bonds, volume weighted average price for equities and specific fixing times for FX) and show any trends (positive and negative) that have occurred with TMI's chosen execution venues.

The TMI IOM Investment Committee has responsibility for the review and approval of any change to the execution venues used by the TMI IOM Dealing Team. When considering its choice of execution venue for each client order the TMI IOM Dealing Team will consider its execution strategy based on the following execution factors:

- Price
- Costs
- Speed
- Likelihood of execution
- Size of the order / market impact
- Liquidity
- Nature of the order
- Settlement/Counterparty risk
- Any other consideration relevant to the efficient execution of the order

Information on TMI's view of the relative importance of the execution factors, in the light of the **execution criteria**, is set out below.

- ***Collectives Investment Schemes (CIS)***

In relation to CIS where there is no secondary market, it is almost invariably the case that TMI will place an order for the purchase or sale of units with the fund's operator, manager or administrator. In this respect, **certainty of execution** (i.e. the ability to execute the order) is the most important factor.

- ***Cash Equities***

TMI will direct orders to the venue it believes will provide the best possible outcome, This may be one of:

- Regulated markets

- Systematic internalisers
- Market makers or liquidity providers
- Multilateral trading facilities (e.g: dark pools)

For equity orders that TMI does not consider to be large in size for the particular market or equity, TMI will generally consider that **price** is the most important factor. In order to obtain the best price, TMI will normally check prices using a provider of real-time and historic price data (eg: Bloomberg) or alternative sources of liquidity, such as market makers.

For **large orders**, TMI will generally consider that **reduction of market impact** and, as a secondary consideration; **price** and then **speed of execution** as the most important factors. In order to obtain the best possible results in the light of these factors, TMI may employ algorithmic trading strategies or request one or more of the execution venues to quote for the working of the order or the purchase of the block or split the order between different execution venues.

- ***Exchange Traded Funds (ETFs)***

TMI will direct orders to the venue it believes will provide the best possible outcome, this may be one of:

- Regulated markets
- Systematic internalisers
- Market makers or liquidity providers
- Multilateral trading facilities (eg: dark pools)
- Refer for Quote (RFQ) platforms

For ETF orders that TMI does not consider to be large in size for the particular market or product, TMI will generally consider that **price** is the most important factor. In order to obtain the best price, TMI will normally check prices using a provider of real-time and historic price data (eg: Bloomberg) or alternative sources of liquidity, such as market makers and will usually use a trading algorithm to obtain the best outcome for client orders.

For **large ETF** orders, TMI will generally consider that **reduction of market impact** and, as a secondary consideration; **price** and then **speed of execution** as the most important factors. In order to obtain the best possible results in the light of these factors, TMI may use either an RFQ platform to obtain multiple quotes from liquidity providers or use an algorithmic trading strategy.

- ***Bonds***

TMI has arrangements with execution venues in relation to the execution of bond transactions.

In relation to transactions in bonds, TMI generally considers that **price (including costs)** is the most important factor. In most cases, TMI will check the available prices using a provider of real-time and historic price data (eg: Bloomberg) and/or with an agency broker who has access to several different brokers when pricing isn't available using Bloomberg. Certainty of execution is the secondary factor.

In certain circumstances, including times of market stress or when trading in certain illiquid bonds, there will be occasions where **speed and certainty of execution** will be the most important factor, followed by price. In these circumstances, it may not be possible to check the available price against alternative sources.

- ***Exchange-traded derivatives***

Generally, exchange traded derivative contracts are unique to the exchange on which they are traded. In these circumstances, TMI considers **certainty of execution** is the most important element. Therefore, TMI will use execution venues that are able to execute the

derivative contract on the relevant exchange. TMI will check prices with a provider of real-time and historic price data (eg: Bloomberg) before instructing the provider to execute the transaction.

- **OTC Derivatives**

TMI considers **certainty of execution** (i.e. the ability to execute the order) as the most important element. Second to certainty of execution, TMI will consider price (including costs) as the most important factor.

In most cases, TMI will invest in derivative instruments (including options, futures and swaps) to hedge against market risk or to gain exposure to an underlying asset, on behalf of clients. Such derivatives will be either standard contracts or will be structured contracts.

In all cases referred to in the above paragraph, trading derivative contracts off-exchange will be effected by TMI with counterparties acting as agent under ISDA contracts and on a request-for-quote basis.

At this time, although TMI has the ability to trade OTC derivative contracts, the expectation is that any derivative positions would be taken in exchange traded derivatives.

## Disclosure

Following the introduction of MIFID II<sup>1</sup>, Thomas Miller Investment Limited is required to publish annually details of its order execution arrangements. These disclosures include a summary by asset class of the top five execution venues by trading volume in the preceding year along with information on the quality of execution obtained. This information is available on the TMI website using the following link, <https://www.tminvestment.com/documents/legal-and-regulatory-information/>

## Specific Instructions

When a client gives TMI a **specific instruction** as to where or how an order is to be executed, TMI will, as far as possible, act in accordance with the client's specific instructions. Clients should be aware that providing specific instructions may prevent TMI from executing orders in accordance with this Policy and therefore prevent us from taking the steps that we have put in place to obtain the best possible result for the execution of orders. It is likely to be only in rare cases that TMI will receive such "specific instructions" from clients.

## Algorithmic Trading

For certain client orders TMI may engage in Algorithmic Trading. This type of trading, used predominantly for equities and ETFs enables TMI to execute client orders based on prescribed parameters defined by TMI. TMI has in place effective systems and controls around its use of Algorithmic Trading as well as a clear governance structure to review and monitor its use of Algorithmic Trading.

## Governance

The TMI IOM Dealing Team are responsible for the day to day oversight of TMI client orders and ensuring clients receive best execution. The TMI IOM Dealing Team will utilise the output from the Bloomberg Trade Cost Analysis (TCA) system to assist its monitoring of its client order activities. The Head of the TMI IOM Dealing Team reports into the TMI IOM Investment Committee. The TMI Chief Investment Officer may attend the TMI IOM Investment Committee and has overall responsibility for ensuring TMIL clients receive best execution.

The TMI Compliance & Risk Team will review compliance with the requirements of this Policy including monitoring whether clients have received 'best execution' as part of the compliance monitoring programme. The TMI Compliance & Risk Team will also utilise the output from

Bloomberg TCA to assist its monitoring review. The monitoring will include a review of the assessment of the execution quality of the execution venues listed in **Appendix 1** of this Policy.

This Policy will be reviewed at least annually or whenever a material change occurs that affects TMI's ability to continue to obtain the best possible result for its clients.

The TMI Compliance & Risk Team will report to the TMI Board(s) on any weaknesses identified following its review or any material deficiency in the systems, procedures or controls in relation to this Policy.

The TMI Board(s) are ultimately responsible for this Policy and ensuring that TMI acts in their client's best interests to ensure clients receive best execution.

### **Regulatory Reference**

This Policy is designed to ensure compliance with TMI's obligations under the Markets in Financial Instrument Directive (MIFID2); the Financial Conduct Authority (FCA) Conduct of Business Sourcebook; and the Isle Of Man Financial Services Authority's (FSA) Rule Book 2013 as amended.

### **Further Information**

A copy of this Policy can be found on TMI's website, [www.tminvestment.com](http://www.tminvestment.com).

Questions or requests for further information relating to this Policy should be addressed to the TMI Compliance & Risk Team.

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**Appendix 1**

Below is a list of execution venues used by the TMI IOM Dealing Team when executing client orders on behalf of TMI clients. The list is not exhaustive and is subject to change.

Financial Instrument	Broker / Venue	Key Venue	Key Factors
Collective Investment Scheme (CIS)	<ul style="list-style-type: none"> <li>• Fundsettle</li> <li>• Bank of New York Mellon Nominees</li> <li>• BNP Nominees</li> </ul>	✓	
Fixed Income	<ul style="list-style-type: none"> <li>• Bloomberg MTF</li> <li>• Morgan Stanley</li> <li>• Bank of America Merrill Lynch</li> <li>• Goldman Sachs</li> <li>• Natwest Markets plc</li> <li>• Daiwa Securities</li> <li>• Bridport &amp; Cie</li> <li>• Oppenheimer &amp; Co</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Multi-lateral Trading</li> </ul>
Cash Equities	<ul style="list-style-type: none"> <li>• Goldman Sachs</li> <li>• Morgan Stanley</li> <li>• Royal Bank of Canada</li> <li>• ITG</li> <li>• Ramsey Crookall</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>• Direct Market Access</li> <li>• Direct Market Access</li> <li>• Direct Market Access</li> <li>• Direct Market Access</li> </ul>
Exchange Traded Funds (ETFs)	<ul style="list-style-type: none"> <li>• Bloomberg MTF</li> <li>• Goldman Sachs</li> <li>• Morgan Stanley</li> <li>• Royal Bank of Canada</li> <li>• ITG</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Multi-lateral Trading</li> </ul>
Foreign Exchange	<ul style="list-style-type: none"> <li>• Bloomberg MTF</li> <li>• Bank of New York Mellon</li> <li>• Natwest Markets</li> <li>• Mitsubishi UFJ Investor Services &amp; Banking</li> <li>• Pictet &amp; Cie</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Multi-lateral Trading</li> </ul>
Exchange Traded Derivatives	<ul style="list-style-type: none"> <li>• Morgan Stanley</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Reliance on single provider</li> <li>• Provision of clearing account</li> </ul>

<sup>1</sup> Directive 2014/65/EU of the European Parliament (15 May 2014) on markets in financial instruments (MIFID II)