

# Order Execution Policy

## CONTENTS

1.	<a href="#">CONTENTS</a>	2
2.	<a href="#">SCOPE</a>	3
3.	<a href="#">Execution factors</a>	4
4.	<a href="#">POLICY</a>	5
4.1	<a href="#">Best execution relevant factors</a>	5
4.2	<a href="#">Client order handling and aggregation</a>	6
4.3	<a href="#">Client order allocation</a>	6
4.4	<a href="#">Trade matching</a>	7
4.5	<a href="#">Best execution monitoring and oversight</a>	7
4.6	<a href="#">Managing commission rates and research</a>	7
5.	<a href="#">POLICY MAINTENANCE</a>	8
6.	<a href="#">APPENDIX: Counterparties on which Neptune places significant reliance</a>	9

## **2. SCOPE**

This Order Execution Policy (Policy) sets out the key steps Neptune Investment Management Limited (Neptune) deems sufficient to meet its best execution obligation and how these steps enable Neptune to obtain the best possible results for its clients over time.

This Policy applies where Neptune executes a client order or places a client order with another institution for execution in relation to financial instruments covered by the Markets in Financial Instruments Directive (MiFID). Neptune is authorised to deal in the following financial instruments:

- Equities (cash and depositary receipts)
- Fixed income products (bonds)
- Currency derivatives (forwards)
- Equity derivatives (options and futures)
- Units in collective investment schemes

For each financial instrument in which Neptune deals on behalf of clients, Neptune has selected execution venues in accordance with this Policy and under applicable underlying procedures. Appendix 1 sets out Neptune's current list of brokers and execution venues for each asset class. Neptune may select new execution venues where they serve in the best interests of clients. All execution venues are subject to a review process prior to inclusion on the approved execution venue list.

Throughout this Policy, the term "client order" refers to a decision to deal on behalf of one or more of Neptune's clients.

Neptune has permissions from the Financial Conduct Authority in the United Kingdom to manage UCITS funds and unauthorised alternative investment funds and to provide individual portfolio management services to its clients.

### 3. Execution factors

When executing client orders, Neptune takes account of a range of execution factors. These factors, and their relative importance, are determined by Neptune for each asset class and form the basis of the selection of execution venues and ongoing review of their performance. They include:

- Price;
- Costs;
- Order size;
- Speed of execution;
- Likelihood of execution;
- Speed of settlement;
- Nature of the order.

Ordinarily, price and costs are of relatively high importance in achieving the best possible execution result. However, there may be circumstances when other factors are given greater weight. Specifically, when determining the relative importance of the above execution factors the following is taken into consideration:

- The client's characteristics (i.e. in the case of the funds managed by Neptune, the fund's characteristics);
- The characteristics and nature of the order placed on the client's behalf;
- The characteristics of the financial instruments; and
- The execution venues to which the order can be directed.

In order to achieve the best possible execution result, Neptune, or the counterparties with whom Neptune places the order, choose trading methods and execution venues to satisfy the order. This may involve executing outside of regulated markets or using multilateral trading facilities or organised trading facilities (as defined by the FCA), submitting orders to systematic internalisers (as defined by the FCA), non-EU brokers, counterparties and venues and executing orders over-the-counter (OTC).

## POLICY

### 4.1 Best execution relevant factors

#### 4.1.1 Equities and listed equity derivatives

When Neptune trades equity and listed equity derivatives it passes its orders to a single broker.

Neptune has appointed Tourmaline Partners LLP (Tourmaline) as its single broker to select the most appropriate execution venue for equities and equity derivatives based on key execution factors. This appointment followed comprehensive market research and due diligence which established that Tourmaline would provide Neptune with significant market breadth, operate without conflicts of interest and enable Neptune to obtain results that are at least as good as the results that Neptune could reasonably expect from using alternative entities for execution.

Price is generally regarded as the primary factor for obtaining best execution unless any specific instruction requires otherwise. However, the following factors are also taken into account, in order of importance:

- Cost
- Order size
- Speed of execution
- Likelihood of execution
- Nature of the order

There may be circumstances under which factors other than price will take precedence. For example, when markets are significantly disrupted, speed, higher likelihood of execution and settlement are prioritised. Where a market is illiquid or order size is large relative to the instruments average volume of trading, the likelihood of execution and settlement may be prioritised over other execution factors in order to reduce market impact.

Neptune assesses Tourmalines quality of execution based on these factors against peer-based benchmarks.

#### 4.1.2 Debt instruments

Neptune directly executes orders for debt instruments with counterparties. This is typically executed on a request for quote basis where multiple counterparties (at least four) are requested to quote and therefore put into price competition simultaneously to achieve a fair price. This execution type is deemed to be reasonable when it provides access to sufficient liquidity. Unless instructed, the primary execution factor is price. Neptune also takes into account the following secondary factors:

- Cost
- Order size
- Speed

- Likelihood of Execution and Settlement
- Sufficient level of market liquidity is available at the time of execution

#### 4.1.3 Foreign exchange (currency derivatives)

Neptune directly executes orders for various FX-forwards with counterparties. This is typically executed on a RFQ basis where multiple counterparties (at least four) are requested to quote and therefore are put into price competition simultaneously to achieve a fair price. The primary execution factor is price. Neptune also takes into account the following secondary factors:

- Cost
- Order size
- Speed
- Likelihood of Execution and Settlement
- Sufficient level of market liquidity is available at the time of execution

#### 4.2 Client order handling and aggregation

It is Neptune's policy to handle client orders promptly, fairly and in due turn. Prior to execution, where appropriate, client orders are aggregated to achieve a better overall execution. Although Neptune will not enter into aggregated orders that it believes will materially disadvantage a client, there is a possibility that the effect of aggregation may work to the disadvantage of a client order. Order aggregation does not occur when the execution objectives of the clients differ.

Client orders are transmitted electronically using facilities provided by a third party (Bloomberg or brokers).

The execution venues available vary according to product and asset class. For equities and equity derivatives, Neptune has appointed Tourmaline Partners to execute all client orders. Neither Tourmaline Partners nor the other brokers instructed by Neptune for other asset classes are directed to prefer one execution venue over another, but adhere to their commitment to comply with best execution.

#### 4.3 Client order allocation

Neptune manages order allocations for client orders appropriately. Once executed, market executions are allocated to clients fairly and proportionately on a pro-rata basis. However, where allocations for a single portfolio would result in the holding being too small to be tradeable, which would be regarded as uneconomic to the client, Neptune adopts an alternative allocation process. Before execution, all Neptune trades are pre-allocated. If the order is incomplete by close of business and has multiple allocations, executions are allocated fairly and proportionately on a pro-rata basis.

## 4.4 Trade matching

When Neptune places a cross-trade it is identified to the broker in the order instructions. Cross-trades are executed at the close mid-price for the day and charged a reduced commission rate.

## 4.5 Best execution monitoring and oversight

- 4.5.1 Neptune has access to management information to analyse the equity transaction process from placement through trader instruction to execution by its counterparties. This allows Neptune to assess the efficacy of overall execution performance.
- 4.5.2 Transaction cost analysis (“TCA”) is regularly carried out for equities and enables Neptune to measure implicit costs, such as market impact, post trade slippage, and placement duration. TCA reports are produced on a regular basis and analysed by Fund Managers, the Counterparty Risk Committee, Head of Dealing, Chief Investment Officer and Compliance. Concerns are addressed by the Head of Dealing
- 4.5.3 Neptune uses peer-based benchmarks to assess the quality of execution achieved.
- 4.5.4 Neptune has access to management information to analyse debt instruments trading to ensure that competing quotes have been obtained where relevant and that exceptions are reviewed where applicable.

## 4.6 Managing commission rates and research

- 4.6.1 Neptune identifies preferred counterparties who have the skills and capabilities to provide cost-effective, efficient, professional, and timely trade execution
- 4.6.2 commensurate level of independent due diligence, including an assessment of potential conflicts of interest, is carried out before a counterparty is approved and added to the approved counterparty list
- 4.6.3 Neptune places orders to be executed by approved counterparties. This list of approved counterparties is reviewed regularly and may change over time.
- 4.6.4 The performance of counterparties in providing best execution for Neptune’s clients is evaluated at a frequency commensurate with their level of importance, ranging from monthly to annually.
- 4.6.5 Commissions paid to counterparties are subject to a regular analysis and oversight review, including market-based comparisons. This enables Neptune to ensure that these commissions remain commensurate with the service received and do not affect a counterparty’s ability to provide Best Execution.
- 4.6.6 Use of external research: As required under MiFID II, Neptune does not accept unsolicited “free” third party research, e.g. from brokers or specialist research firms. Where Neptune deems it necessary to use research in order to carry out its portfolio management activities, research is paid for using a research payment account. For more detail of the research charge see the Literature Library page on the Neptune website <http://www.neptunefunds.com>.

**POLICY MAINTENANCE**

This document is reviewed on an annual basis or more frequently in the case of material changes.



## **6. APPENDIX: Counterparties on which Neptune places significant reliance**

### **1. Equities and listed equity derivatives**

#### **Broker**

Tourmaline Partners

#### **ID Brokers**

India Infoline

CLSA

Jefferies

Merrill Lynch

Instinet

Santander

Merrill Lynch

BTG Pactual

### **2. Debt instruments**

HSBC

Barclays

Royal Bank of Canada

Royal Bank of Scotland

### **3. Currency derivatives**

Barclays

HSBC

BBTZ

Royal Bank of Scotland