



BEST EXECUTION POLICY

Edition 1 2019

This Document

This document sets out the summary of policies and methods used to ensure best execution of clients' trade mandates (herein referred to as "Best Execution")

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1. Purpose

As your asset manager, Meristem Wealth Management Limited (MWML) has a fiduciary responsibility to ensure and take reasonable actions necessary to achieve optimal result, subject to specific instructions or mandate, price, size of the trade, costs, market conditions, product concerned and any other relevant order consideration. This document sets out the summary of policies and methods used to ensure best execution of trade mandates (herein referred to as "Best Execution").

2. Scope

This policy applies to:

- ❖ All investment securities, funds or structured assets including but not limited to bonds, treasury bills, Eurobonds, shares, mutual fund, ETF, fund of funds etc.
- ❖ All clients' accounts managed by MWML including Advisory clients, pooled funds and other MWML's products clients;
- ❖ All staff involved in the management of clients' accounts, transmission and execution of mandates, including staff responsible for monitoring and evaluation of mandate execution processes.

When there is no specific instruction from the client, this policy shall apply on all trade executed on behalf of all clients. In relation to this policy, "mandate" or "order" shall be understood as client instruction to buy or sell a financial instrument. This includes trade activities arising in the course of portfolio management and fund management activities.

MWML commitment to this policy does not impose any additional fiduciary responsibility over and above regulatory obligation and term of any contractual agreement between MWML and the client.

3. Delivering Best Execution

When executing orders, we have a general duty to act fairly, honestly and professionally under any circumstances considering the client best interest. MWML is committed to seek the best result on all mandate given the peculiarity of each market structure and instrument.

In relative terms, best execution is benchmarked against the total consideration on trade executed on behalf of client. Net consideration is the price of the instrument less all the cost related.

3.1 Main Execution Factors

The following factors are taken into consideration when executing mandate on client's behalf;

❖ Price

Price is a major factor in achieving best execution. For securities that are publicly traded like equities or whose prices are market determined, the best available price will be sought as at the time of receiving the mandate.

For unlisted securities or such securities whose price are not market determined, the investment manager will request the research team to analyse and carry out an objective valuation of the asset. The price recommendation by the research team will form the basis for negotiating and concluding on such transaction.

Best execution will also be achieved by comparing prices across different counterparties. Trade will only be consummated with the counterparty that offer the best price. Where price has varied across several transactions, average price will be considered.

❖ Costs

Execution of mandates involves explicit transaction costs such as brokerage fees, regulatory costs and other mandate specific transaction costs. Likewise, implicit costs from delayed or missed execution, market impact are associated cost in determining best execution.

Best Execution will be achieved by factoring the impact of all these costs on the mandate to obtain the best possible result.

❖ Speed, Likelihood of execution and settlement:

The integrity, speed and quality of the trading platform/system and counterparty are key in determining the choice of execution venue. Mandates will only be routed through venue or counterparty which, in the minimum, meet all requirements listed in section 3.3. The speed, likelihood of execution and settlement may take precedence over price if they are crucial to delivering Best Execution and if permitted by the specific nature of the mandate.

❖ Nature of mandate:

The securities and uniqueness of clients' mandate determines the execution strategy and hence Best Execution. For a market order, mandate may be executed promptly without regards to price movement, hence timeliness of execution take priority. Where securities are offered less frequently, mandate may be delayed until such securities are available.

For price limit order, execution price is paramount. Mandate may be executed in tranches as permitted by the order book to achieve Best Execution. However, for a price limit order in a trending high volatility market, client will always be advised.

❖ **Size, market impact and price risk:**

The choice of execution venue/counterparties is determined by market liquidity and possibility of execution of large lot size with minimal market impact. The best investment terms will be sought for client from a large universe of counterparties. An order may be executed in tranches where such order is large enough to result in price impact.

An order size is termed large wherein such order is more than 10% of the average daily trade volumes of the securities within a week to the execution date. An order may also be deemed large where trading at the prevailing bid - ask spread may result in price impact or the counterparty is unable to fulfil the order during the trading day or such trade may significantly influence the price of the financial instrument.

❖ **Nature of the trade and any other consideration relevant to the trade**

In order to achieve Best Execution, FX movements, remittances and reporting are considered. Maintaining anonymity of client's transaction amongst others may also be considered in achieving Best Execution.

3.2 Other Execution Criteria

In order to achieve Best Execution, precedence may be given to one or more factors listed in section 3.1 when executing orders. For example, mandates may be executed in tranches due to its size or potential market impact in order to achieve optimal result.

Best Execution factor is determined relative to the peculiarity of each mandate or client's specific instructions. Under normal market conditions, the criteria below are further considered in determining the relative importance of Best Execution factors:

- ❖ **Client characteristics:** Unique characteristics of institutional and retail investors greatly influence priority of execution factors. Client's emotional and cognitive biases, past experiences, and other uniqueness are also relevant in achieving Best Execution.
- ❖ **Mandate characteristics:** Factors including market liquidity, size, and urgency of order has effect in achieving best outcome of a mandate. Priority of Best Execution factor shall be determined by nature of mandate and other client specific instruction.
- ❖ **Unique characteristics of financial instruments:** The unique differences in the pricing and other attribute of different financial securities varies, likewise

execution outcomes. Market conditions and behaviour of financial instrument may also be taken into consideration to achieve Best Execution.

- ❖ **The characteristics of execution venue:** Unique features of each execution venue are relevant in achieving Best Execution. The opening hours, reputation, reliability and liquidity determine the choice of execution venue. In addition, the inherent cost associated with the execution are considered in the choice of execution venue. Please refer to section 3.3 below for other expected features of executed venues.

However, under normal market conditions highest priority is given to price particularly for retail clients, subject to mandate nature.

3.3 Selection of Brokers, Trading Venues and other Execution Venues

MWML maintains an internal selection procedure for trading venues, counterparties and other agencies as may be relevant to achieve consistent best execution of mandate. Due diligence assessment of counterparties is conducted following checks by any combination of senior management, Client Investment Committee (CIC), Risk Management Unit and Internal Control and Compliance Units. The following are some of the counterparty selection criteria;

- ❖ Good standing Reputation;
- ❖ System Integrity;
- ❖ Market Share, Tenure and breadth of Coverage;
- ❖ Liquidity position;
- ❖ Confidentiality and Regulatory Status;
- ❖ Quality of Assets, Risk Profile and Credit Ratings;
- ❖ Quality of Service, Speed, Ability and Likelihood of Best Execution;
- ❖ Commission rates and spreads;
- ❖ Niche and Specialities;
- ❖ Other pertinent factors to the transaction;

MWML relies on a single broker: Meristem stockbrokers Limited for all domestic equity order execution.

4. Client Directed Mandate

For client directed instruction sent on all or an aspect of the trade, Best Execution is benchmarked against client instructions only. In this circumstance, instructions are executed in line with client's specified instruction within the confines of the Capital Markets Law and Regulations.

However, where instruction is only an aspect of the trade and where this does not create a constraint on execution of the mandate, Best execution will apply to the other aspects of the trade.

Other exempted mandate includes;

- ❖ **Electronic Trading Platform:** Where client is granted access to trading platform and other electronic exchange system, the client shall be solely responsible for achieving Best Execution of the mandate.
- ❖ **Contractual Right to Trade:** Where MWML is under a contractual right to liquidate investment to fulfil a client's financial obligation toward MWML, Best Execution may not apply.
- ❖ **Single Counterparty:** where there is only a single counterparty or venue available to execute the instrument.

5. Mandate Handling

All Client's mandate will be executed separately, sequentially and promptly as may be practicable given normal market conditions and peculiarity of the mandate.

5.1 General Application

When generating mandate for clients, the following are considered;

- ❖ Mandate is generated promptly and sequentially while ensuring fair dealing of all clients' account/portfolio;
- ❖ Mandates are transmitted promptly and traded sequentially except where market peculiarities/conditions or requests prevent immediate execution of mandate;
- ❖ Reasonable steps are taken to ensure instrument/fund are promptly and accurately posted in client's portfolio/account;
- ❖ Mandate may be aggregately executed where such arrangement result in the best possible outcome;
- ❖ Promptly inform client of trade execution/cancellation or delays as may apply.

5.2 Aggregation and Allocation of Order

Comparable mandates of two or more clients may be aggregated where such structure is more advantageous to the clients. Allocation of the financial instrument concerned is done at the average price i.e. price plus all related cost.

Where mandates aggregated for more than one client is partially filled, all clients whose orders were aggregated are treated with equity and fairness while allocating lot.

Mandate are aggregated only under the following:

- ❖ Leads to an optimal benefit or at least leave client indifferent to separately executed mandate;
- ❖ In line with MWML Best Execution policy and capital market regulations

The criteria below are some allocation factors:

- ❖ Available cash on settlement date;
- ❖ Client's asset allocation policy and investment objectives;
- ❖ Mandate size; and
- ❖ Other relevant factors.

Record Keeping

For all aggregated orders, Allotment schedule shall include the following

- ❖ Portfolio/Client Name;
- ❖ Type and Name of Instrument;
- ❖ Settlement Date;
- ❖ Amount Allotted.

5. Cross Trades

Best Execution policy shall also apply to all crossed transactions either done across a market or outside it. All crossed trades parties (buy and sell mandate of the same instrument between clients) shall be treated fairly without preference.

Cross transaction shall be treated like an arm's length transaction. All cross trade shall be executed in line with client's agreed term of management, executed on or off the market in the best interest of all parties.

6. Best Execution Monitoring, Review and Update

MWML is fully committed to this policy. Hence, compliance check is conducted regularly on all mandate generation and execution. The policy's effectiveness and all other connected third-party arrangements are checked on a going concern basis. Client Investment Committee (CIC) review this policy at least once a quarter to identify, adjust, or change where necessary for great effectiveness as we strive to achieve Best Execution of your mandate. During periodic checks, this policy is reviewed in line with:

- ❖ Relevance and effectiveness;
- ❖ Modification of Best Execution factors and criteria or other aspects of this policy document;
- ❖ Internal processes, procedure and controls; and
- ❖ Changes in Capital Markets Laws and Regulation or other relevant regulation.

The Client's Investment Committee (CIC) and Compliance unit are responsible for enforcing Best Execution policy compliance. Any review to this policy shall be updated and published on our website at <https://meristemwealth.com>.

Appendix

At MWML, we consider the kind of financial instrument in prioritizing Best Execution factors under market conditions and subject to client specific instruction. The table below is a summary of relevant factors on some financial instrument; Best Execution factors are listed in order of priority:

Equities

| Product Type | Main execution factors |
|------------------|---|
| Equity | <ul style="list-style-type: none"> • Price • Nature of Order • Liquidity • Size • Speed of Execution • Likelihood of Settlement • Cost |
| ETFs | <ul style="list-style-type: none"> • Price • Nature of Order • Liquidity • Size • Speed of Execution • Likelihood of Settlement • Cost |
| Convertible Bond | <ul style="list-style-type: none"> • Price • Nature of Order • Liquidity • Size • Speed of Execution • Likelihood of Settlement • Cost |

Fixed Income

| Product Type | Main execution Factors |
|--------------|--|
| Bonds | <ul style="list-style-type: none"> • Price and bid-ask spread • Counterparty liquidity profile • Market Impact • Likelihood and speed of execution • System integrity |
| Money Market | <ul style="list-style-type: none"> • Price and bid-ask spread • Counterparty liquidity profile • Market Impact • Likelihood and speed of execution • System integrity |

FX Transactions

| Product Type | Main execution Factors |
|------------------------------------|--|
| FX Derivatives traded on venue | <ul style="list-style-type: none"> • Price and bid-ask spread • Counterparty liquidity profile • Market Impact • Likelihood and speed of execution • System integrity |
| FX Derivatives not traded on venue | <ul style="list-style-type: none"> • Price and bid-ask spread • Counterparty liquidity profile • Market Impact • Likelihood and speed of execution • System integrity |
| FX Options | <ul style="list-style-type: none"> • Price and bid-ask spread • Speed of execution • Implicit Cost - Size impact |

Derivatives

| Product Type | Main execution Factors |
|-----------------------------|---|
| Exchange Traded Derivatives | <ul style="list-style-type: none"> • Price and bid-ask spread • Implicit Cost - Size impact • Transaction Fees and Commission • Likelihood of execution |
| OTCs Derivatives | <ul style="list-style-type: none"> • Price and bid-ask spread • Liquidity Profile • Implicit Cost - Size impact • Likelihood of Execution and settlement • Speed of execution • Transaction Fees and Commission |

Other Instruments

| Product Type | Main execution Factors |
|-----------------------------|--|
| Repos | <ul style="list-style-type: none"> • Repo rates or lending fees • Settlement cost |
| Security Lending /Borrowing | <ul style="list-style-type: none"> • Counterparty and quality of collateral • Duration of loan |
| Buy sell back | <ul style="list-style-type: none"> • Transaction fees and commission • Speed of execution |
| Sell buy back | <ul style="list-style-type: none"> • likelihood of settlement |