

#### General Information

The intention of this document is to set out our understanding of the obligations regarding Best Execution under Markets in Financial Instruments Directive (“MiFID”) and to explain how we intend to fulfil these obligations.

The core of our Best Execution policy is to ensure that all our clients are treated fairly. This means that the same procedures and safeguards will be in place for all of our clients, irrespective of the type of service that they receive from us.

Rensburg Sheppards Investment Management (“RSIM”) has made a commitment that we will not carry out principal business (i.e. dealing for our own account) apart from in exceptional circumstances (such as correcting an error). Thus, we do not have any conflict of interest with any of our clients’ dealings.

RSIM is a member of various exchanges: London Stock Exchange (“LSE”), PLUS Market (previously OFEX), The London Financial Futures and Options Exchange (LIFFE). We have access to other exchanges through our market counterparties. Wherever possible, transactions will be carried out and reported on a regulated market (“on-market”); however certain transactions (for example most Bonds) cannot be conducted on-market; where this is the case we will continue to operate on your behalf “off-market”.

Transactions that are carried out off-market when they are normally carried out on-market will require prior express consent from the client. In some circumstances and, when acting in your best interest, we may carry out transactions off-market.

By signing our agreement, you expressly consent to us carrying out off-market transactions on your behalf.

Best Execution does not apply to transactions in currencies, commodities and unit trusts/mutual funds. Most currency trades and commodities are normally transacted in a highly liquid environment but trades are not published. Unit trusts/mutual funds are normally traded directly with the manager at a fixed price on any given dealing day; these prices are usually available in financial sections of newspapers or on the managers’ own websites.

#### Best Execution/Best Possible Result

There is no formal definition of Best Execution but it refers to an obligation to transact deals on the right terms for our clients.

We “...must take all reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order”. Source MiFID Article 21.1

We refer to this obligation as the “Best Possible Result”.

Guidelines have been established for RSIM dealers so that in each class of security there is a procedure for achieving and recording Best Execution. In most equity markets, trade information is publicly available on electronic providers such as Thomson Financial, Bloomberg and Reuters; in other markets where there is no publicly available trade data, the RSIM dealers will record details to demonstrate Best Execution has been achieved.

When the dealing desk receives an order, it will prioritise the relevant factors in considering and achieving the Best Possible Result, including any specific client instructions (e.g. price limit); relevant factors could include the liquidity and volatility of the stock, width of the buy/sell spread and accessible markets and dealing platforms. If all relevant factors are considered, our obligations on a consistent basis will be fulfilled and Best Possible Result should be achieved.

RSIM accepts full responsibility to achieve Best Execution on all eligible orders; however, if specific instructions are provided by the client and RSIM agrees to act on these, then our obligation to achieve Best Execution may be limited by such instructions.

Best Possible Result can still be satisfied if RSIM aggregates several client orders into one larger order.

#### Equities – UK

RSIM dealers use a range of methods to execute a UK equity order:

- (a) Telephone negotiation. The dealers speak to market makers or other broker members of the London Stock Exchange.
- (b) Electronic order books. The principal ones are SETS and SETSmm, both set up by the London Stock Exchange to provide anonymous order books in all but the smallest UK shares.
- (c) Retail Service Providers (RSPs). RSPs are market makers who enable us to deal with them electronically.
- (d) Agency crosses. This is when RSIM match a buyer and seller in-house and the deal is struck at a mutually agreeable price.

Orders passed in UK equities to the dealing desk that fit certain criteria can be transacted through our “Auto Execution” facility; they are then traded automatically and instantly via an RSP who is willing to accept the trade. The transaction will be covered by the usual Best Execution obligations.

#### Equities – Non-UK

There are extra considerations when dealing in non-UK equities. RSIM is not currently a member of any non-UK exchanges; our obligations of Best Execution are shared with our market counterparties who transact on our behalf in non-UK markets. In order to achieve Best Possible Result, we must also take into account any local execution charges (commission, stamp duty etc) that will be included in the final price to the client.

#### Bonds – Gilts, Eurobonds Etc

Bonds include Government bonds (e.g. Gilts), Eurobonds, Floating rate notes (FRN), Zero coupon bonds and other similar debt structures. Most of these instruments cannot be transacted on-market and in these cases we will continue to operate on your behalf off-market.

Prices in the most actively traded bonds are available on information providers such as Bloomberg. In many instances, trades can then be effected by a direct electronic link to the best price from all the contributing market makers with which RSIM has a relationship. We are also

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**Group Offices**

Belfast Cheltenham Edinburgh Farnham Glasgow  
 Leeds Liverpool London Manchester Reigate Sheffield  
 Member firm of the London Stock Exchange. Member of LIFFE.  
 Authorised and regulated by the Financial Services Authority.  
 Rensburg Sheppards Investment Management Limited is registered  
 in England. Registered No. 2122340.

able to use other specialist electronic platforms (such as Bondscape) which formulate the best bids and offers from their participants. In some circumstances, dealing prices will be negotiated with market makers by telephone with additional reference to any available electronically displayed prices.

Liquidity varies between different bonds: for some bonds, there may only be one market maker and situations such as this might limit our ability to deal on a narrow buy/sell price spread.

Because there is usually no permanent historical record of intraday price quotations of bonds, RSIM dealers keep records of competing bond prices at the time of trade.

**Traded Options and Futures**

Options are a highly specialist area and an additional risk warning must also be signed before any transaction is entered into. Traded options are listed and reportable on exchanges such as LIFFE and the obligations for Best Execution will continue to be honoured.

Options listed on LIFFE will be executed either directly with a market maker or passed to another member firm to act on our behalf if we believe that this will achieve the Best Possible Result.

**Over the counter derivatives (OTC) – e.g. Currency Options**

OTC transactions are by definition not transacted on-market and are generally limited to only one liquidity provider. The pricing of OTC instruments are difficult to demonstrate if the liquidity provider chooses not to display the price in the public arena and therefore the Best Possible Result can only be achieved with limited supporting evidence. In some cases, using a single liquidity provider may be the only way to execute an order and hence trading at that provider's price may be the only way to comply with the client's instruction.

**Money market instruments e.g. Certificates of Deposit**

These instruments cannot be transacted on-market and we will continue to operate on your behalf off-market.

**Other instruments/securities**

On rare occasions, we will be required to trade in an instrument not covered by the above categories: any trade could be restricted to a limited number of liquidity providers that RSIM has connections with. RSIM will assume that best execution was achieved by reference to the prices provided by those liquidity providers and any relevant market display providers.

**Limits**

Limits passed by clients will be accepted on a reasonable endeavours basis and the contract note for the trade will disclose this information. Any client limit will normally only be accepted until the end of the trading period for the day it was passed.

**Timely executions**

To achieve timely execution, once RSIM has agreed, or decided in its discretion to execute a client order, it must do so as soon as reasonably practicable, unless RSIM has taken reasonable steps to ensure that postponing the execution of a client order is in the best interests of the client.

**In-house crosses (Agency crosses)**

Crosses of UK stock between two clients at a mutually agreeable price will be deemed to have taken place on-market. Crosses of non UK stock between two clients at a mutually agreeable price will be deemed to have taken place off-market.

**Allocation**

RSIM will usually allocate on a pro rata basis any partially completed orders that are received from different clients in the same stock; if this allocation would result in uneconomic or unsuitable holdings for the clients concerned, we may allocate other than on a pro rata basis. In every instance that an allocation other than pro rata is used then RSIM must take reasonable steps to ensure that any allocation is in the best interest of all clients concerned.

**Order Priority**

Client orders will normally be executed in the same order as they were received except where there are special conditions such as price limits or limited liquidity: such conditions might require extra time to ensure achievement of Best Possible Result. Orders that are tradeable under the Auto Execution facility will normally be executed immediately, even though the dealers may already be working orders in the same stocks. It is deemed acceptable to treat these trades separately and therefore Auto Executions do not need to be averaged with any other orders.

**Time of Execution**

Any execution time shown on the contract note will be stated as UK time. If the order is completed in a series of transactions and shown on the contract note as an averaged price there is no requirement to disclose the execution times. Trade times for an averaged price transaction are available upon request.

**System failures**

In the unlikely event of system failure, clients who contact RSIM during this time to pass deal instructions will be informed; any instructions received will be accepted on the basis that they will be executed once the relevant system has been restored.

**Policy Review**

RSIM will review its Best Execution policy annually and, if necessary, additionally on an ad hoc basis.