

BEST EXECUTION CLIENT DISCLOSURE STATEMENT

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Definitions

Term	Meaning
MiFID	Markets in Financial Instruments Directive
CAIM	Crown Agents Investment Management
MTF	Multilateral Trading Facilities

Introduction

Under MiFID II, Crown Agents Investment Management (CAIM) is required to comply with the obligation to act in the best interests of its clients when placing orders with other entities for execution.

Best execution involves CAIM taking all sufficient steps to obtain the best possible results for the clients' transactions. This result can be measured by a number of execution factors comprising price, costs (including execution venue fees), clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. There is no requirement for CAIM to obtain the best possible results for clients on every occasion. However, CAIM is required to verify execution arrangements, monitor executions and demonstrate compliance to MiFID II on an ongoing basis.

Best execution and order handling must be achieved in a manner which is fair and equitable to all clients.

We have provided a list of top five broker venues which we place significant reliance on for execution in each asset class – the list of those top five broker execution venues is available on www.caiml.com. The broker execution venue list is maintained in parallel with our execution policy.

CAIM monitors the arrangements described in this Statement in order to identify any deficiencies and to assess whether we need to make any changes. This monitoring includes the monitoring of the performance of connected parties and other third parties to whom client's orders are transmitted.

Scope

Best execution and order handling applies to all financial instrument types, although execution factors should be considered and applied as appropriate to different instruments depending on their relative importance.

Purpose

CAIM transmits its orders to brokers or executes its dealing decisions directly with brokers or other execution venues in respect of any of the financial instruments covered by MiFID II.

Policy Statement

CAIM does not need to obtain the best possible results for its clients on every single occasion; rather, it will verify on an ongoing basis that the execution arrangements it has established work well throughout the different stages of the order execution process. CAIM will take appropriate remedial actions if any deficiencies to achieve the best possible results for its clients on an ongoing basis are detected.

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Typical Dealing Arrangements for Different Types of Asset Class

Equities

For standard market orders, and in normal market conditions, CAIM will transact at market prices and transactions will be completed with minimal market impact. Quoted prices will be monitored against those in the market as part of the best execution procedure.

In securities where liquidity may be restricted, CAIM will generally instruct the broker to transact at a level based on prevailing market prices, having regard to the transaction size relative to normal daily volume. If the transaction is not completed by end of day, the transaction will be closed and booked and will be reviewed at the start of the next trading day.

In basket transactions CAIM may ask for quotations from more than one counterparty and will then transact based on cost.

Debt Securities (“bonds”)

Transactions in debt securities (or bonds) are complicated by the lack of a central record of prices or volumes and the fact that many securities may not be traded at all for lengthy periods. Assessment of all available options to provide as clear a picture as possible is the essential starting point for best execution in bonds.

Transactions may be conducted in an environment where there is ample liquidity e.g. US treasury bonds or UK government bonds (or ‘gilts’), or in debt securities issued by a range of other issuers where the liquidity may be more limited.

Where CAIM is undertaking a transaction in bonds, a number of competing quotations from a variety of different counterparties will typically be sourced including on-screen prices, Bloomberg ‘chat’ messages or axes and voice calls to brokers.

Where CAIM is undertaking a transaction, which is outside the normal market size (NMS), CAIM will contact brokers for quotations based on the size of the trade concerned. It is important to note that outside normal market size can apply to transactions which are smaller than NMS as well as those which are larger than NMS, as many fixed income securities have minimum denominations for trading.

CAIM will route the order to the counterparty which provides the most competitive overall pricing.

Collective Investment Schemes

ETFs and Investment Trusts are Collective Investment Schemes and dealing arrangements will be as per the underlying securities addressed as above.

For unit trusts, specialised funds and other similar investment vehicles, the firm will usually trade directly with the fund manager on negotiated terms not generally available to individual clients. In such circumstances there is usually a limited secondary market.

Foreign Exchange (FX) Forwards and Spot

Under normal market conditions, CAIM will generally execute with a primary FX counterparty using electronic trading tools. In certain circumstances and product types, CAIM will also use other FX counterparties to fulfil its best execution obligations. When fulfilling best execution requirements, CAIM may perform transaction cost analysis before trading and comparing this with the actual costs incurred.

Spot FX contracts remain outside the scope of MiFID where delivery is to be made within a period of two days for major currencies; and within the commonly accepted period in the market in respect of non-major currencies.

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Derivatives

Under normal market conditions, CAIM will transact via electronic trading tools. CAIM will check the fairness of the price for any transaction by gathering market data used in the estimation of the price of such a product with similar or comparable products.

Best Execution Factors

Subject to any specific instructions given by CAIM clients, when placing orders on their behalf, CAIM will take all sufficient steps to obtain the best possible result by considering the following execution factors:

Price

Costs

Speed

Likelihood of execution

Settlement

Order size

Nature

Venue

Any other consideration relevant to the order execution

Best execution applies to all financial instrument types, although execution factors should be considered and applied as appropriate to different instruments depending on their relative importance. In the majority of cases, CAIM considers price to be the most significant factor for undertaking Best Execution across all asset classes. However, there will be occasions when other factors may be more important or relevant and, as discretionary managers, CAIM may use its judgment and experience to give prominence to other execution factors other than price. When this is the case a rationale must be provided and stored in line with the Record Keeping Policy.

Execution Criteria

CAIM will determine the relative importance of each of the execution factors by reference to the following criteria:

The characteristics of the client including categorisation of the client as professional

The characteristics of the client order

The characteristics of financial instruments that are the subject of the client order, and

The characteristics of the execution venues or brokers to which that order can be directed

Execution Venues / Brokers

Brokers and venues are selected based on their ability to meet the Best Execution Factors.

The lists of brokers to be used will be updated from time to time depending on the nature of any changes to the type of investments and in the light of experience.

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Specific Client Instructions

Should a client ever give specific instructions as to execution of an order, the relevant part or the whole order will be executed in accordance with those instructions. Clients should be aware that by providing specific instructions they may prevent CAIM from taking the steps designed and implemented to obtain the best possible result for the execution of such an order in respect of the elements covered by those instructions.

Market Limit Orders

In the case of a market limit order in respect of shares admitted to trading on a regulated market or traded on a trading venue which are not immediately executed under prevailing market conditions, CAIM will, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately the client limit order in a manner which is easily accessible to other market participants.

Order Routing

CAIM does not accept remuneration, discount or any non-monetary benefit for the decision to route client orders to a particular trading or execution venue.

Reporting

CAIM will publish reports on an annual basis of:

The top five investment firms in terms of trading volumes where it transmitted or placed client orders for execution in the preceding year, and

The information on the quality of execution obtained taking account of the information published by execution venues

Review and Notification to Clients

CAIM will ensure that its clients are made aware of, and consent to its Best Execution Policy, and will notify them of any material changes.

Additional Information

Where a client makes reasonable and proportionate requests for information about CAIM policies or arrangements and how they are reviewed, CAIM will answer clearly and within a reasonable time.

Order Handling

The aggregation and allocation of client orders must be effected in a manner which is fair and equitable to all clients.

Aggregation

CAIM may aggregate a client order with those of other clients from time to time for the efficient execution of orders for the benefit of all clients. CAIM will endeavour not to carry out a client order or a transaction in aggregation with another order if it is likely that the aggregation of orders will work to the disadvantage of any client whose order is to be aggregated.

If an aggregation would disadvantage a client, it must be disclosed to each client whose order may be aggregated, that the effect of aggregation may work to its disadvantage in relation to a particular order.

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Allocation

When allocating orders across funds or client accounts, the following methodologies and factors will be considered:

Pro rata

Volume of the order

Capacity of the relevant portfolio in line with investment restrictions

Time horizons, and

Price of the order

Allocations among clients with the same or a similar investment objective should be pro-rata, or within constraints of minimum lot size for fixed income securities, based on the relative market values of the aggregated clients' portfolios.

Where aggregated orders are executed in differently sized tranches and at different prices, the allocation will be made at the weighted average price achieved.

If an order is partially executed, the subsequent related orders required to complete the original aggregated order must be allocated on the same basis as the original order.

Deviations from the general rule may be permitted in the following specific circumstances where allocations may be based on:

Existing positions in the client accounts

Different risk limits where the use of pro-rata based on portfolio assets may mean a client exceeds a risk limit

The availability of cash in the particular accounts

Tax reasons, and

Shares to be allocated to the smallest account if the securities traded are too small to be reasonably allocated to all clients

Reallocation of a transaction following its allocation will be pre-approved.

Cross Trades

The policy of the firm is that CAIM will not transact between client portfolios (cross trades).

Monitoring

CAIM will monitor the effectiveness of its order execution arrangements and policy and assess on a regular basis whether the execution venues it has selected provide the best possible result. The criteria used in the assessment must include both qualitative and quantitative factors.

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