

GUINNESS ASSET MANAGEMENT LIMITED

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Guinness Asset Management Ltd (“Guinness”) Order Execution Policy

Introduction

The EU ‘Markets in Financial Instruments Directive II’ (Directive 2014/65/EU, “MiFID II”) was incorporated into the rules of the UK regulatory authority, the Financial Conduct Authority (FCA), with effect from 3 January 2018 as set out in the New Conduct of Business Sourcebook Chapter 11 “Dealing and Managing” Section 11.2A “Best Execution MiFID provisions”.

The obligations in this chapter fall under two headings. Those that relate to when Guinness places orders with other entities for execution (the main bulk of Guinness’s order execution activity); and those that relate to when Guinness executes orders for its clients (relatively rarely)

The former are set out in COBS 11.2A.34 to 36

“Duty of Portfolio Managersto act in the Client’s best interest”

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The latter are set out in COBS 11.2A.2 to 33

“Obligation to execute orders on terms most favourable to the Client”

“Application of best execution obligation”

“Best Execution criteria”

“Role of price”

“Following specific instructions from a Client”

“Delivering best execution where there are competing execution venues”

“Requirement for order execution arrangements including an order execution policy”

In both cases Guinness is required to take all sufficient steps to obtain the best possible result for its clients. Thus when **placing orders** Guinness must satisfy itself that the entities it is using for execution appropriately take into account the execution **factors** such as price, cost, speed, likelihood, size and separately take into account the best execution **criteria** such as client; order type; instrument and venue. And likewise when **executing orders** itself Guinness must ensure it also appropriately takes into account those execution factors and criteria,

The wording “take all sufficient steps” is explained in the ESMA Q&A 18 December 2017 as requiring that Guinness must do more than take reasonable steps and thus must take additional care in designing policies; arrangements; front office accountability; systems and controls; ex-ante and ex-post quality and appropriateness monitoring so that intended outcomes can be achieved on an on-going basis. However, it also states that these requirements should not be interpreted as requiring that a firm must obtain the best possible results for its clients on every single occasion.

Rather, firms will need to verify on an on-going basis that their execution arrangements work well throughout the order execution process. Firms are also expected to take all appropriate remedial actions if any deficiencies are detected so that they can properly demonstrate that they have taken “all sufficient steps” to achieve the best possible results for their clients.

Guinness must set all the above out in an Order Execution Policy. The aspects of this policy that relate to where Guinness itself executes for clients must have the consent of its clients. Once a year Guinness must provide clients annually with information about the top five investment firms where it placed orders for execution as well as the top five venues used when Guinness itself executed orders in the preceding year. Venues include (see COBS 11.2A.8) regulated markets, systematic internalisers, market makers (including brokers acting as principals), multilateral trading facilities (MTFs) (self-regulated financial trading venues); and organised trading facilities (OTFs) (multilateral trading facilities that are not MTFs).

To meet obligations under the **“Duty of Portfolio Managersto act in the Clients best interest”** requirements, all Guinness employees with the authority and/or responsibility to place orders will follow the approach set out in this policy. Guinness will monitor the policy and execution arrangements at least annually, taking into account the effectiveness of the policy and the execution quality of the entities identified in the policy. Guinness will also carry out a review whenever a material change occurs that affects its ability to continue to obtain the best possible result for its clients.

The key elements of Guinness’s Order Execution Policy are summarised below.

Order Execution

As a discretionary investment manager, Guinness undertakes investment transactions on behalf of its clients. Guinness does not trade on its own behalf and does not trade with any connected parties.

There are two ways that Guinness trades on behalf of its clients:

1. Indirect execution (order placing) – where Guinness places an order with another entity (typically a broker) for it to execute on behalf of the client. In this case the broker is required to provide Best Execution; Guinness still has an obligation to the client to provide Best Execution and this is fulfilled by having robust procedures to ensure that brokers selected and used provide Best Execution. The applicable regulations are Article 24 of Directive 2014/65/EU (“MiFID II”) and Article 65 of the Commission Delegated Regulation (EU) 2017/565 (“the Delegated Regulation”).
2. Execution – where Guinness executes an order directly with an execution venue (for example a market maker, systematic internaliser, or by Direct Market Access or Request for Quote). In this case the execution venue does not have an obligation to provide Best Execution and therefore Guinness has responsibility for ensuring Best Execution in accordance with the rules outlined below. The applicable regulations are Article 27 of Directive 2014/65/EU (“MiFID II”) and Articles 64 and 66 of the Commission Delegated Regulation (EU) 2017/565 (“the Delegated Regulation”).

Indirect execution:

Where possible, Guinness trades on behalf of clients by indirect execution using brokers. This enables clients to benefit from the execution expertise provided by execution specialists. Guinness is responsible for selecting the brokers used to undertake trades on behalf of our clients and will do so on the basis that the broker will be able to provide Best Execution. The broker is responsible for providing Best Execution in accordance with the Execution Factors and Execution Criteria set out below. As most of our trades are in securities which are readily tradeable, the vast majority of our trades are undertaken in this manner.

Direct execution:

Where indirect execution is not possible, Guinness executes orders directly with an execution venue and Guinness is responsible for providing Best Execution in accordance with the Execution Factors and Execution Criteria set out below.

i) Execution factors

- The price that the order can be executed at;
- The costs of execution of the transaction to the client;
- The speed of execution of the transaction;
- The likelihood of achieving execution and settlement;
- The size and nature of the order; and
- Any other consideration relevant to the execution of the order

Guinness recognises that the execution factors may need to be weighed differently to obtain the best possible result for the client . Normally however the key outcome is total consideration (price and costs of execution). For retail clients, the best possible result will always be determined in terms of the total consideration.

When dealing with entities falling under MiFID rules, Guinness is classified as a professional client and the entity completing the order has a duty to provide best execution for us in accordance with their policy. We also seek to transmit orders to an entity that is subject to MiFID Rules on best execution, or the equivalent rules in another jurisdiction

ii) Execution criteria

The relative importance of the Execution Factors will be determined by taking into account the following criteria:

- The characteristics of the client, including the categorisation of the client as retail or professional;
- The characteristics of the client order;
- The characteristics of the financial instruments that are the subject of that order; and
- The characteristics of the execution venues/brokers to which that order can be directed.

Broker selection

Guinness will select the execution broker, taking into account the following considerations:

1. Approved broker status: Guinness maintains an Approved brokers list. Orders may only be placed with brokers who are included on Guinness's Approved brokers list. Brokers on the list are reviewed and monitored on a regular basis to ensure ongoing suitability.
2. Brokers will only be included on the Approved brokers list if Guinness is satisfied they can consistently provide a high-quality (high integrity, operational efficiency) execution service, taking into account the relevant Execution Factors and Execution criteria.
3. Brokers are additionally assessed according to a number of criteria, encompassing sector and market specific knowledge and dealing capability.
4. As regards which broker to use in a specific circumstance, the following are examples of relevant criteria:
 - a. Expertise relating to specific markets: the broker will be selected with due regard to their expertise and ability to execute deals in the relevant market, taking into account local market conditions.
 - b. Expertise relating to specific stocks: the broker will be selected with due regard to their abilities relating to the stock, notably in the case of thinly traded stocks.
 - c. Ability to deal in size: where transactions are large relative to normal market size, due consideration will be given to the broker's ability to deal in size.
 - d. Commission rates: cost of commission is not the highest priority in broker selection, but where other factors in the choice of broker are equal, lower commission rates will be preferred.
 - e. Volumes of business: to avoid undue influence or reliance on any one broker, levels of business with each broker are monitored to ensure no one broker receives too much or too little business. Where other factors are equal, due consideration will be given to this in selecting a broker for a specific trade.

Specific instructions from a client

Under normal circumstances, orders executed on behalf of a client will be executed by Guinness exercising its discretion under the Investment Management Agreement. If, in exceptional circumstances, Guinness receives specific instructions from a client as to the execution of an order, we must transact the order in accordance with those instructions. Clients should be aware that any specific instructions they provide in relation to the execution of an order may prevent Guinness from taking the steps we ordinarily would within this Order Execution Policy to obtain the best possible result for them. However, Guinness will still apply best execution to those aspects of the order not covered by the specific instructions.

Informing clients

Guinness is required to demonstrate to its clients that transactions have been executed in accordance with this Order Execution Policy. In order to comply with this obligation, Guinness will publish on an annual basis:

1. for each class of financial instruments, the top five investment firms in terms of trading volumes where we placed client orders for execution in the preceding year and information on the quality of execution obtained. The latest available report is attached at Appendix A.
2. for each class of financial instruments, the top five execution venues in terms of trading volumes where Guinness executed client orders in the preceding year together with information on the quality of execution obtained. The latest available report is attached at Appendix A.

Under FCA rules, Guinness is required to provide information to its clients on the Order Execution Policy, as well as appropriate information about the firm and its services and the entities chosen for execution. Consequently, this policy is published on Guinness's website.

Client consent

Under the FCA regulations, we are required to obtain the consent of each client to our Order Execution Policy. This is set out in the Investment Management Agreement with each client.

Additionally, before we are permitted by the regulations to execute client orders outside a trading venue, we must obtain the express prior consent of the clients. Such consent may be obtained either in the form of a general agreement or in respect of individual transactions.

Changes to this Execution policy

In the event of a change in policy, it is the responsibility of the Compliance Officer to ensure that we notify our clients of that change.

Monitoring and review of execution arrangements and policy

Guinness will regularly, and at a minimum annually, monitor the effectiveness of its Order Execution Policy and order execution arrangements and, where appropriate, correct any deficiencies.

The review will assess whether the brokers (and, where we execute directly, the execution venues) included in this Order Execution Policy continue to enable us to provide the best possible result for our clients and whether we need to make any changes to our execution arrangements. Such changes may include, for example, accessing other brokers with a view to improve the quality of execution if appropriate.

In addition, Guinness will undertake quarterly compliance monitoring to determine whether the transactions have been conducted in accordance with the policy.

A review will also take place whenever a material change occurs that affects Guinness's ability to continue to obtain the best possible result for our clients.

Guinness will notify clients of any material changes to the policy and execution procedures arising from these reviews.

The dates and details of any changes to the execution policy will be documented by the Compliance Officer.

These policies, procedures and control processes are current as at July 2018; Guinness reserves the right to make changes to them entirely at its discretion.

Appendix A

**Guinness Asset Management Ltd
("Guinness")**

**Execution Monitoring Report for the year
ending
31 December 2018
(RTS 28 and Article 65(6))**

Guinness is required to provide disclosure around the execution venues we use for each relevant class of MiFID II financial instrument and other specific information on the quality of execution in accordance with the requirements of Regulatory Technical Standard 28 (RTS 28) of the MiFID II Regulations and Article 65(5) of the MiFID II Delegated Regulations. This document provides a summary for each relevant class of MiFID II financial instrument, the top five execution venues in terms of trading volumes where Guinness has executed or placed client orders over the course of 2018 and information on the quality of execution obtained.

RTS 28 disclosures – trades executed by Guinness

Guinness did not execute client orders directly on execution venues and therefore has not included any RTS 28 disclosures in this report.

Article 65(6) disclosures – trades placed by Guinness

Guinness places orders with other entities (brokers) for execution and provides here information equivalent to the RTS 28 report in relation to those transactions.

Volumes of trades placed for the year ended 31 December 2018

Table 1 – Professional clients

Class of instrument			Equities – Shares & Depositary Receipts		
Class of client			Professional		
Notification if <1 average trade per business day in the previous year			No		
Top 5 brokers ranked in terms of trading volumes (descending order)	Proportion of volume by value traded as a percentage of total in that class	Proportion of volume by number of trades as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Credit Suisse	98.52%	92.37%	n/a	n/a	nil
CF Global	0.88%	6.11%	n/a	n/a	nil
Simmons	0.57%	0.58%	n/a	n/a	nil
Morgan Stanley	0.03%	0.93%	n/a	n/a	nil
n/a	n/a	n/a	n/a	n/a	nil

Table 2 – Retail clients

Class of instrument			Equities – Shares & Depositary Receipts		
Class of client			Retail		
Notification if <1 average trade per business day in the previous year			No		
Top 5 brokers ranked in terms of trading volumes (descending order)	Proportion of volume by value traded as a percentage of total in that class	Proportion of volume by number of trades as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
The Share Centre	100.00%	100.00%	n/a	n/a	nil
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a

For clients in our EIS services where The Share Centre is the Custodian, we will under normal circumstances also place orders with The Share Centre for execution, due to the incremental transaction costs to the client associated with using an external broker.

Qualitative criteria

We provide below a summary of the analysis and conclusions drawn from Guinness’s detailed monitoring of the quality of execution obtained by brokers with whom we have placed client orders for execution in the previous year.

Requirement under Article 3(3) RTS 28	Guinness responses
(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;	<p>The importance of the various execution factors stipulated by the Rules will vary depending on the circumstances and context of the order. That said, the execution factors that are commonly the most important in the achievement of best execution by Guinness are price and size. Guinness considers these two execution factors as inextricably linked as the price will be affected by the size of any intended bargain. Thus, business is allocated to brokers on the basis of their ability to execute transactions at competitive prices and in acceptable volumes. Brokers who prove unable to achieve these criteria will not be selected to deal on behalf of clients.</p> <p>Guinness does not consider the likelihood of settlement to be a material factor influencing execution due to the fact that Guinness’s investment universe comprises listed securities that normally settle through Central Clearing Houses. Guinness only ever deals through reputable counterparties that are themselves authorised and regulated and through whom settlement problems are rarely experienced. Nevertheless, Guinness monitor closely and pursue vigorously any failing trades with the broker concerned.</p>
(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;	Guinness does not have any close links, conflicts of interests or common ownerships with respect to any brokers used to execute orders.
(c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;	The Firm does not have any arrangements with any execution venues or brokers regarding payments made or received, discounts, rebates or non-monetary benefits received.

<p>(d) an explanation of the factors that led to a change in the list of approved brokers, if such a change occurred;</p>	<p>This is the first Report and there are no changes to note in the list of brokers listed in the firm’s Execution Policy.</p> <p>Brokers on our list of approved brokers are subject to an authorisation and ongoing monitoring process, which includes, regular reviews of the performance of execution services provided by the broker and the broker’s ability to trade effectively on our clients’ behalf, and a review of the broker’s own RTS 28 report.</p>
<p>(e) an explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;</p>	<p>All Guinness clients are treated the same under its Execution Policy.</p>
<p>(f) an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;</p>	<p>When placing retail client orders the overriding consideration is achieving the best possible result in terms of the total consideration to the client.</p>

<p>(g) an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 [RTS 27];</p>	<p>During 2017, Guinness has regularly monitored the quality of execution obtained from the brokers used to place client orders for execution.</p> <p>Guinness is satisfied that it has adhered to the requirements set out in its Execution Policy in seeking to obtain best execution for its clients by reference to all relevant factors.</p> <p>Each trade is monitored by the fund managers when placing the trade instruction to ensure that it is executed on the best terms available. It is a prerequisite of the terms of business of all brokers used by Guinness that they must provide Guinness clients with best execution.</p> <p>Brokers used by Guinness are kept under constant review by the fund managers and new brokers can be added if they demonstrate an ability to access relevant liquidity (subject to satisfying Guinness’s on-boarding requirements).</p> <p>From 2018 the fund managers will have access to analysis published by brokers on a quarterly basis to indicate how well the brokers have performed in achieving best execution in relation to price against others in the market. The fund managers will use this together with other sources of information available to them on a regular basis to consider whether the brokers used have provided the best possible results for clients or whether any changes require to be made to Guinness’s execution arrangements or brokers used. In addition, Guinness monitors the effectiveness of its Order Execution Policy and arrangements at least annually (and whenever any material changes are proposed) to identify, and where appropriate, correct any deficiencies.</p>
<p>(h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider.</p>	<p>Not applicable</p>