



SARASIN  
& PARTNERS

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# Execution Policy

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## Scope

This document contains the execution policy of the Sarasin UK Group of companies which are Sarasin & Partners LLP., Sarasin Asset Management Limited and Sarasin Investment Funds Limited and Sarasin Funds Management (Ireland) Limited (in their capacity as fund management companies of a number of authorised funds), together "Sarasin". Sarasin Investment Funds Limited and Sarasin Funds Management (Ireland) Limited have appointed Sarasin & Partners LLP (S&P) as investment manager to the funds. As your investment manager we will be exercising full discretion in the way in which we transact trades on your portfolio subject to and in accordance with your investment objectives, and in the case of the funds, the investment objectives and policies of the funds.

The Sarasin execution policy sets out the measures under which Sarasin meets its responsibilities to ensure the best possible result is obtained for clients when executing orders. The policy is derived from the Financial Conduct Authority's (FCA) rules on best execution (contained in Chapter 11.2A of the FCA's Conduct of Business Sourcebook "COBS") which implements the EU Markets in Financial Instruments Directive ("MiFID"). COBS 11.2A.2R of the Financial Conduct Authority (FCA) Handbook of Rules and Guidance (the "FCA Rules") requires that a firm ensures that all sufficient steps are taken to ensure the best possible result is obtained for clients when executing orders. COBS 11.2A.20 requires that Sarasin implements effective arrangements to ensure compliance with the requirement to take sufficient steps to obtain best execution.

The execution policy applies to any financial instruments which are covered by MiFID including: transferable securities, money market instruments, and units in collective investment undertaking, financial derivatives and contract for differences. The policy and oversight of best execution is owned by the Best Execution Committee who are responsible for the annual review along with ensuring the policy is fit for purpose in meeting our obligation to clients.

## 1 Introduction

Sarasin provides portfolio management services investing in various asset classes including equities, bonds, FX and derivatives on behalf of our clients. In carrying out these activities, we act in accordance with the best interest of our clients. Dependent on asset class we will either be placing orders with a broker for execution, or will be executing orders against an execution venue, market maker or other liquidity provider. In the latter case we will not receive a duty of best execution from the venue but will take all sufficient steps to obtain the best result for you.

### 1.1 Execution Criteria

When executing orders take into account a variety of execution criteria to determine the relative importance of the execution factors. These include the characteristics of the client, the characteristics of the client order, the characteristics of the financial instruments in which we are dealing, and the characteristics of the execution venue for that type of order.

### 1.2 Execution Factors

We believe that price and cost are the most important factors; therefore the best possible result is typically determined in terms of total consideration. Other factors such as speed, likelihood of execution, market impact and size are also taken into account. These may be given precedence over the immediate price and cost, but only if they help to deliver the best possible results in terms of the total overall price and cost to the client. We have listed these factors below, together with examples of when they may be a key

factor in getting the best result:

- Price – for the majority of transactions this is the key factor, subject to available liquidity.
- Cost – we will take into account the explicit costs for example, commission, stamp duty and fees along with the implicit cost such as market impact.
- Size – where orders are larger than normal market size we may not be able to deal at the price we would if the order were smaller. In this case the completion of the order whilst minimizing market impact may take precedence.
- Speed – there may be instances where speed becomes an important factor such as meeting a deadline such as a redemption of shares or units in a fund, or a portfolio liquidation.
- Likelihood of execution – may become important in illiquid/large orders, where the trading venue is not obvious and there is a need to execute on a timely basis.
- Nature of the Order / Instrument – the characteristics of a particular instrument may determine the available venues. As an example in OTC derivatives, we are obligated to trade with those counterparties with whom we have appropriate ISDA documentation.
- Credit Risk and Exposure – for OTC transactions we may be limited to the number of venues we transact with due to credit limits and exposure thresholds.

If you provide us with a specific client instruction in relation to an order in whole or in part, including selection of a particular broker or venue, we will execute the order on the basis of those instructions. As a result of following those instructions may prevent us from being able to provide best execution as outlined within this policy. For this purpose, if you give us specific instructions in respect of one part or aspect of an order this will not release us from our best execution obligations in respect of any other parts or aspects of the order that are not covered by such instructions.

### 1.3 Execution Venues

In meeting our regulatory obligation to take all sufficient steps to obtain the best possible results, we may use one of the following Execution Venues:

- Regulated broking firms, which may transact clients' orders on or off regulated markets
- Algorithmic trading
- Direct Market Access products
- Multilateral Trading Facilities
- Organised Trading Facilities
- Systematic Internaliser

The execution venues used will be determined with the goal of implementing the best strategy to get the best possible result taking into account the characteristics of the financial instrument being traded.

### 1.4 Centralised Dealing Desk

We operate a centralised dealing desk that is responsible for implementing the investment decisions made for our clients, with the exception of certain funds and mandates, where orders are executed directly by the fund manager. The same level of controls is placed on fund managers who execute orders directly, to ensure they achieve the best possible results. The dealing desk is located

in close proximity to the asset management team to ensure a high level of collaboration and communication.

### 1.5 Approved Brokers

Sarasin can only trade with counterparties who are on the approved list of brokers and every broker must undergo a thorough assessment to ascertain whether they meet the criteria for approval, using both quantitative and qualitative data. We ensure that all counterparties have execution arrangements in place that will allow us to comply with our obligation to take sufficient steps to provide the best possible result for our clients when executing orders. We also ensure that all counterparties treat us as a Professional Client. Commissions paid to counterparties are subject to regular review by the dealing desk.

### 1.6 Allocations and Aggregation of Orders

All client orders are pre allocated on our order management system before they are sent to the dealing desk for execution. Where trades are partially filled, fills are allocated on a pro rata basis by the order management system. If an order is being traded and a subsequent order arrives, then the dealing desk will allocate the fills to the existing order and aggregate the new order with remaining balance from the existing order.

## 2. Order Execution

### 2.1 Equities

In meeting our best execution for equity transactions, the venue and type of execution strategy is of importance. When executing equity trades, we use approved brokers only. We also use a variety of avenues when executing orders; from placing the order with a broker, algorithmic trading, program trading and Direct Capital Access (DCA). Each order is assessed on its own merit to assess the optimal trading avenue.

If the order is a small percentage of ADV, then we will either trade via a DCA or algorithm, depending on the region. DCA requires an order to be routed to a broker and completed immediately inside the bid offer spread, up to a pre agreed ADV and nominal value. If DCA is not available then we may use algorithms from third party providers. Execution quality is monitored and reviewed on a monthly basis by the Best Execution Committee. In addition there are agreed parameters set by the dealing desk to mitigate the risk of error.

Where orders are a large percentage of ADV, either due to the size or the illiquid nature of the stock, then in this instance, we will either try to source natural liquidity from an MTF or explore broker activity. If this does not yield a positive outcome then the dealer may place the order with either a broker that has recently been trading the stock or decide to use an algorithm. In both scenarios the dealer will control the parameters.

Program trades are used when a large group of trades are bulked together generally in the case of redemption, inflow and a change in asset allocation. Program trades allow a large number of orders to be executed in a low cost efficient manner. All Program Trades are conducted on an agency basis with an agreed commission rate. The orders are traded via specific instruction from the dealer.

Where permitted by the client, we may participate in IPOs and primary placings. Orders are placed on the order management system and run through pre trade compliance. If we do not get our full allocation then we will pro rata using the order management system.

There may be instances where we cross your order with another client via the market. This will be done at the prevailing mid-price.

### 2.2 Fixed Income

All fixed income transactions are traded over Bloomberg's MTF, using TSOX. For transactions in the liquid government bond market, We utilise an RFQ mechanism. This means simultaneously asking a minimum of three brokers for a quote. In selecting which counterparties to ask we will assess a number of factors such as axes, indicative prices and execution hit and miss rate. If the order is deemed large in nature, then the number of counterparties we request a quote from, might be reduced, to minimize information leakage.

In less liquid bond markets, where liquidity and market impact are greater factor, we will try to source natural liquidity and will refrain from seeking multiple quotations so as to limit adverse price impact.

### 2.3 Derivatives

Derivatives are only used if specifically sanctioned in a client's Investment Management Agreement. When and where appropriate they are used for efficient portfolio management and to express a variety of investment views.

Exchange traded derivatives are centrally cleared and provide considerable flexibility when seeking price transparency and liquidity. Depending on the size of the order, we may choose to execute via an RFQ where we would ask a minimum of 3 counterparties. If the order is below block size, then we may give the order to a broker to work in the market.

When trading OTC, we must have industry standard legal documentation before we can trade (an ISDA). Therefore when trading instruments OTC we are limited to a small number of counterparties.

### 2.4 Unit Trusts

Where we transact on your behalf in collective investment schemes, we will execute these trades via the Authorised Corporate Director. We set internal deadlines for receipt of Unit Trust orders (never longer than an hour before the fund's valuation point) to ensure that there is sufficient time to process the trade on the intended trade date. We also perform various post trade checks, to ensure there is time for resolution of queries in case this in turn could cause a delay to the trade.

### 2.5 Cash Deposits

We use interbank brokers to assess the best rates for client money. Counterparties must firstly go through a counterparty approval process before money can be deposited. There is internal exposure limits placed on such counterparties on both an individual and aggregated basis which are reviewed on a daily and monthly basis by the risk department.

### 2.6 FX

We trade foreign exchange spot transactions in settlement of securities in non-base currencies and also when instructed by portfolio managers, these are dealt and settled through clients' custodial banks. Forward foreign exchange transactions conducted as currency hedges are made with approved, regulated banks. These include, but are not limited to clients' custodial banks. Except where clients have appointed our majority shareholder, Bank J. Safra Sarasin as custodian, associate companies are not normally used.

## 3. Monitoring Best Execution

To measure best execution we use independent Transaction Cost Analysis (TCA) reports and data, along with in-house data to measure best execution and adherence with the policy.

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## First line

**Equities:** For Equity orders we operate an exception based approach. Trades that fall outside of tolerance are flagged on a T+1 basis. These tolerance levels have been agreed by the Best Execution Committee. For any exception, the Dealing Desk will provide a rationale for the underperformance, which is evaluated on a quarterly basis, by the Best Execution Committee.

**Bonds and Listed Derivatives:** For derivatives and bonds, we use internal data to ensure competing quotes have been obtained where relevant and that any trades whereby 3 brokers were not selected is flagged and discussed on a monthly basis at the best execution meeting.

**OTC products (Swaps/CFDs):** To ensure best execution we request for a quote from four different counterparties and select the cheapest financing rate. Details of these quotes are stored and reviewed monthly by compliance. Orders and quotes are communicated with brokers by email and therefore an audit trail is maintained.

## Second Line

The second line Compliance and risk monitoring teams also performs independent monitoring according to a risk-based monitoring plan or on an ad hoc basis when necessary, to verify the adequacy and effectiveness of the measures and procedures put in place to ensure that we comply with our obligations under this policy.

## 4. Reporting To Clients

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To comply with our reporting obligations, we will publish data on our website disclosing our top five execution venues, in terms of trading volume, per asset class. Where relevant we will publish the top five entities (brokers) where we have placed orders on behalf of clients for execution.

## 5. Glossary

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**Algorithm Trading:** Algorithmic trading relies on computer systems to buy shares automatically when predefined market conditions are met.

**ADV, Average Daily Volume:** is the amount a security has traded on average over a specific period of time.

**IPO:** Initial Public Offering

**ISDA:** An ISDA Master Agreement is the standard document that is commonly used to govern over-the-counter derivatives transactions. The Agreement, which is published by the International Swaps and Derivatives Association (ISDA), outlines the standard terms to be applied to a derivatives transaction between two parties.

**MTF:** A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with the provisions of Title II of MiFID.

**OTC:** Over the Counter

**(OTF: Organised Trading Facility:** A multilateral system that is not a Regulated market or MTF. Within an OTF, multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in a way that results in a contract. Equities are not permitted to be traded through an OTF.

**Program Trading:** A basket of securities traded together, which are all executed vs a defined benchmark.

**Regulated Market:** A multilateral system, operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title II of MiFID.

**Request For Quote:** A trading protocol available in certain asset classes where a number of counterparties are asked simultaneously for a price.

**Systematic Internaliser:** An investment firm which, on an organised, frequent and systematic basis, deals on its own account by executing client orders outside a Regulated Market or MTF.

**TSOX:** Bloomberg's Execution Management System for fixed income.

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