

# Best Execution Policy

City Financial Investment Company Limited

September 2018

Prepared by:	Compliance
Version Number:	2.0
Date Last Approved:	24 September 2018

## Overview

City Financial Investment Management Limited (“City Financial”) is authorised and regulated by the Financial Conduct Authority (“FCA”) as a Collective Portfolio Management Investment firm (“CPMIF”). Its permissions enable it to advise on investments, arrange deals in investments, deal in investments as agent and make arrangements with a view to transactions in investments and manage investments. As a CPMI, City Financial makes the decisions to deal and subsequently either transmits or actually executes these decisions on behalf of a range of collective investment schemes and segregated portfolios (“the Clients”), and therefore City Financial is subject to COBS 11.2 of the FCA Handbook of rules and guidance (the “FCA Handbook”) issued by the United Kingdom Financial Conduct Authority (the “FCA”). In accordance with COBS 11.2, City Financial will, when executing orders (either directly with counterparties or passing orders to third party brokers for execution), take all reasonable steps to obtain the best possible result on behalf of its Clients. (“Best Execution”). This Execution Policy sets out how City Financial will seek to achieve Best Execution.

This Execution Policy is intended to function as a guideline for ensuring Best Execution by the investment making teams within City Financial. It is not intended to be interpreted or applied in a rigid manner that unnecessarily restricts or limits City Financial ability to achieve the best result for Clients in any given situation. Please note that although the procedures set out in this Execution Policy are generally expected to produce the best possible result for Clients, there is no guarantee that circumstances will enable this to be achieved in every single transaction.

This Execution Policy is owned by the City Financial Chief Investment Officer (“CIO”) for each of the Fund structures, with support from City Financial investment risk, legal and compliance teams and subject to oversight by City Financial Investment Oversight Committee.

## Scope

This Execution Policy applies only to City Financial in respect of Financial Instruments (as such terms are defined for the purposes of MiFID and the FCA Handbook) where City Financial executes orders directly with counterparties or transmits orders to third party brokers for execution. Therefore, throughout this Execution Policy, references to execution of orders should be interpreted as executing orders directly with counterparties or passing orders to third party brokers for execution. City Financial will be arranging deals for Clients whether by way of (i) arranging and executing purchases of listed securities, bonds, collective investment schemes or other instruments in the secondary market. Execution of ancillary transactions such as the execution of foreign exchange or other derivative transactions (“Ancillary Transactions”) shall also be covered by this Execution Policy. Some of these transactions may not be regarded as “financial instruments” (for example commodities). However, in line with City Financial commitment to high regulatory standards, it will seek to apply equivalent compliance standards to all transactions as part of its best practices.

## Client

City Financial manages a range of collective investment schemes as the Alternative Investment Fund Manager or the Authorised Corporate Director (collectively as the “Management Company”) and as an Investment Manager to a range of collective investment schemes and segregated portfolios (“the Clients”) as noted by its FCA authorisation as a CPMIF.

## City Financial strategies and order types

Execution of orders by City Financial may take place in the context of the following strategies:

- Liquid investments: orders are executed on a global Recognised Market stock exchange or through the Transfer Agent of a recognised collective investment scheme that is readily realisable on a daily basis. This includes Money Market funds.
- Illiquid investments: orders are executed in relation to the primary participation or secondary purchase of bonds, hedge funds or other instruments that are generally illiquid and/or not regularly traded in any market.
- Liquid investments: orders are executed in relation to the secondary purchase of bonds and other liquid instruments. Traders generally will execute transactions in respect of liquid investments in open market transactions with a broad number of regulated broker-dealers.
- Ancillary Transactions: orders are executed in relation to derivatives, particularly FX derivatives, and generally as part of a hedging policy to manage portfolio risk.

## Execution Factors

When executing orders on behalf of City Financial in relation to a financial instrument, City Financial will take reasonable steps to achieve Best Execution to ensure Clients are treated fairly. City Financial will exercise its discretion in assessing the factors that it needs to take into account (and their relative importance) to provide Clients with Best Execution. City Financial may receive minor non-monetary benefits from Brokers such as macro research which is not considered to be “research” for the purposes of the FCA research payments rules. City Financial operates a separate policy on research and operates a fully unbundled approach to execution payments.

The relative importance of the execution factors will be judged on an order by order basis in line with City Financial commercial judgement and experience in light of current market information and taking into account:

- the characteristics of Clients;
- the characteristics of the transaction in question;
- the characteristics of the financial instrument(s) in question; and
- the characteristics of the possible Execution Venues to which the order may be directed.

In many circumstances, the Execution Venue will be the counterparty to the trade. For liquid investments, City Financial maintains a list of approved Execution Venues that are included in Appendix A.

City Financial may take into account the following execution factors for market traded or OTC securities:

- price (relative importance – generally high);
- location of assets which are the subject of the deal (relative importance – generally medium);
- location of professional support (relative importance – generally medium);
- market impact (relative importance – generally high);
- costs and tax issues (relative importance – generally high);
- order size (relative importance – generally high);
- certainty of execution (relative importance – generally high);
- speed of execution (relative importance – generally high);
- settlement (relative importance – generally high); and
- any other criteria relevant to the execution of the order.

City Financial may prioritise other factors at its discretion.

Due to the differences between City Financial strategies and the types of instruments in which City Financial transacts, different execution factors may apply to each strategy and/or instrument.

City Financial, therefore, applies its Best Execution obligations in a manner which takes into account the circumstances associated with the execution of orders in relation to the strategies and particular types of financial instruments in which City Financial deals, including:

- credit fundamentals, investment thesis, risks and mitigation factors;
- deal structure;
- likelihood of deal completion;
- capital structure;
- jurisdiction; and
- financial analysis.

## Bonds

Orders for bonds are generally placed on over-the-counter (“OTC”) markets. The OTC markets, which are characterised by proprietary trading transactions, are decentralised, fragmented and may have low transparency, because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis with the counterparties. The choice of counterparties for bonds is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. In volatile non-transparent markets, it may be necessary to accept the first price offered without the opportunity to obtain or request other prices. Moreover, there may be bonds offered exclusively through one counterparty, or for which settlement of an order of a certain size can only be guaranteed by one counterparty, in which cases it is not possible to obtain a comparative offer.

## Equities

The types of equity instruments in which City Financial invests will generally be traded on recognised markets. In addition, equity instruments may be ancillary to a primary debt investment where a company issues an equity instrument in the same transaction where a debt investment has been made.

## Derivatives

Orders for derivatives are generally executed via trading intermediaries (broker-dealers). All derivatives must be traded under industry standard legal documentation. City Financial choice of counterparty for trading derivatives is limited to those counterparties where the required documentation is in place.

Given the nature of the particular financial instruments that City Financial deals in, some execution factors may not be applicable to the orders executed by City Financial

When executing orders, in the absence of any specific instructions, City Financial will give precedence to the factors that allow it to deliver Best Execution in terms of total consideration, representing the price and the costs associated with the execution, which includes all expenses incurred by City Financial which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in executing an order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, City Financial may appropriately determine that other execution factors are more important than price in obtaining Best Execution. In order to make any such determination, portfolio managers will use their commercial judgement and experience in light of available market information to achieve the best balance across a range of sometimes conflicting factors. This does not necessarily mean achieving the best price for every order, but the best possible result that can reasonably be expected given the resources available to our front office staff. In determining the “price” of a financial instrument, we will take into account a number of considerations including market parameters (i.e., the price at which a financial instrument may be trading on a regulated market or Multilateral Trading Facility (“MTF”)), level of market liquidity and volatility, valuation, and the risks incurred by entering into transactions.

Examples of specific scenarios where price may not be the most important execution factor are:

- **Certainty of execution:** in some circumstances, City Financial ability to actually execute the order may be the primary factor to be considered, for example where the instrument is illiquid or rarely traded or the size of the order is very large.
- **Costs and tax issues:** where charges, taxes or other settlement costs may make the consideration prohibitive, then this may be the most important factor for City Financial to consider.
- **Order size:** The best price in a market is usually represented by the opportunity to trade in a particular size which may not match the size of the Client order. Where the order is bigger than the typical quoted size, then the part of the order executed over and above the threshold may only be available at a less favourable price. Similarly, large orders may be available at a more favourable price than smaller orders.

## Execution Venues

When City Financial transacts directly with a counterparty, the counterparty is the execution venue for that trade. For more liquid investments, broker-dealers and other similar market participants is likely to be the relevant execution venue.

Having assessed the relevant execution factors and relative importance of the execution factors specific to that order to achieve consistently the best overall result as well as any specific instructions, City Financial will select the most appropriate Execution Venue(s) from those available (when there is a choice) and execute the order accordingly.

For purposes of MIFID, a “venue” includes an exchange, a multilateral trading facility, a broker, a market maker, a systematic internaliser or another liquidity provider. City Financial expects to use a selection of Execution Venues. Sometimes there is only one appropriate venue, and, in such cases, City Financial will only use a single venue.

City Financial may execute otherwise than on a Regulated Market or MTF where bringing together the parties of a transaction in relation to a financial instrument which is not traded on a traditional execution venue, for example when arranging or participating in a primary lending transaction.

The factors affecting choice of Execution Venue are price, the need for timely execution, market liquidity, the size and nature of the order and counterparty risk. Our choice of venue may be constrained by the fact that there may be no choice of venue where an order can be executed due to the nature of the order or requirements by a Client or due to the nature of the particular instrument (e.g. an illiquid loan is likely to have no choice of venue) and the fact of execution may itself constitute Best Execution.

## Price

In the context of selecting execution venues, price refers to whether an execution venue generally offers prices that are as good as, or better than, its competitors. Price is therefore a relevant factor in selecting execution venues to execute orders.

### Counterparty risk

While trading of bonds generally settle quickly, primary or secondary settlements in respect of some assets may be more extended, particularly if the asset is trading under distressed circumstances. In order to manage counterparty risk in respect of Execution Venue, City Financial monitors and manages extended settlements through settlement updates from Depositories/Custodians with a view to minimising, where possible, settlement time, thereby managing counterparty risk.

In addition, City Financial maintains a list of approved brokers or counterparties. City Financial expects to undertake appropriate due diligence of approved brokers to mitigate counterparty risk, with a particular focus on the following criteria: financial soundness; market presence; rating; and no material adverse market information.

The Execution Venues typically used by City Financial will vary depending on the type and geographical location of the transaction.

## Private Market transactions

Execution of orders by City Financial on behalf of Clients may take place in private market type transactions; including private equity, venture capital, loans and real assets such as property. The execution of such a transaction is generally by way of signing a contract, by City Financial as agent of the Client, directly to take ownership of, or a percentage of, an asset. The asset will generally be illiquid and/or not regularly traded in any market. For these particular investments City Financial may take into account the following execution factors:

- price (relative importance – generally high);
- location of professional support (relative importance – generally medium);
- costs and tax issues (relative importance – generally high);
- yield (relative importance – generally high);
- certainty of execution (relative importance – generally medium); and
- any other criteria relevant to the execution of the transaction.

The relative importance of the execution factors will be judged on a transaction by transaction basis in line with City Financial commercial judgement and experience in light of relevant information and taking into account the characteristics of:

- the Client;
- the transaction in question, including liquidity and yield;
- the asset type in question; and
- the execution venue the order may be executed.

In private market transactions City Financial will transact as agent of the Client directly with the counterparty and in private market trades the counterparty will be the execution venue.

## Specific Client Instructions

As a discretionary investment manager of collective investment schemes and segregated portfolios, Clients are unlikely to provide specific instructions. In the event that a Client did provide City Financial with specific instructions to deal on their behalf, it will execute the orders in accordance with those specific instructions and will have complied with its obligation to obtain the best possible result when executing that order by following those instructions. Where the instructions relate to only part of an order, City Financial will continue to apply its Execution Policy to those aspects of the order not covered by such specific instructions. Client's should be aware that providing specific instructions to City Financial in relation to the execution of a particular order may prevent it from following this Execution Policy which is designed to obtain Best Execution for City Financial Clients on a consistent basis taking into account the factors outlined above.

Subject to any specific instructions that Client's may give to City Financial (see the section above, this is unlikely to occur), City Financial may transmit an order to another entity which is affiliated with or related to City Financial or to an external entity for execution. In doing so, City Financial will act in the best interests of the Client and consider the provisions of this Execution Policy.

## Monitoring and Review

City Financial regularly monitors the effectiveness of this Execution Policy and its execution arrangements to identify, and where appropriate, correct any deficiencies.

When City Financial executes an order directly with a counterparty or broker-dealer and there is a choice of counterparties or broker-dealers to use as the execution venue, City Financial Fixed Income authorised traders intend to check prices with at least two different counterparties to ensure it is achieving best execution (to the extent available, and particularly in respect of liquid instruments). For more liquid investments, City Financial expects to be able to monitor execution quality by comparison to the last Bloomberg price and current observable pricing and quotes at the time of the trade. From time to time, the City Financial compliance team may also undertake a periodic review of concentration by broker to flag trading levels that appear off market or show high levels of concentration by broker.

The best execution obligation requires City Financial to take all reasonable steps to deliver the best possible result for Clients. Although City Financial expects to find instances where it will be apparent that best execution was not provided, there may be legitimate reasons for this, or it may be that City Financial could have improved the service provided to Clients. The relevant teams will work together to learn from these incidents and correct any deficiencies identified as a result of City Financial best execution monitoring.

City Financial will review this Execution Policy at least annually or whenever a material change occurs that affects City Financial ability to continue to obtain the best possible result for Clients on a consistent basis using the methods described in this Execution Policy. This Execution Policy will be provided to Clients.

## Consent

Under MiFID and the FCA Handbook, City Financial requires the prior consent of Clients to this Execution Policy and prior express consent to allow it to execute orders outside a Regulated Market or Multilateral Trading Facility. City Financial ordinarily obtains this consent in its management or advisory agreements with the Client.

## Approved Execution Venues Appendix A

The following are approved execution venues i.e. eligible securities markets, for the purposes of this Best Execution Policy:

### EEA Member States securities markets regulated in accordance with MiFID

Austria	Greece	Norway
Belgium	Hungary	Poland
Bulgaria	Iceland	Portugal
Czech Republic	Ireland	Romania
Denmark	Italy	Slovak Republic
Estonia	Latvia	Slovenia
Finland	Lithuania	Spain
France	Luxembourg	Sweden
Germany	The Netherlands	United Kingdom

### Other EEA regulated markets:

Alternative Investment Market (AIM)

International Securities Market Association (ISMA)

The Grey Book Market

### Non-EEA securities markets:

<b>Argentina</b>	Bolsa de Comercio de Buenos Aires
<b>Australia</b>	ASX Group
<b>Brazil</b>	BM&F BOVESPA
<b>Canada</b>	TMX Group
<b>Chile</b>	Bolsa de Comercio de Santiago
<b>China</b>	Shanghai Stock Exchange Shenzhen Stock Exchange
<b>Colombia</b>	Bolsa de Valores De Colombia
<b>Hong Kong</b>	Hong Kong Exchanges & Clearing
<b>India</b>	BSE Ltd National Stock Exchange
<b>Indonesia</b>	Indonesia Stock Exchange
<b>Israel</b>	The Tel-Aviv Stock Exchange
<b>Japan</b>	Japan Exchange Group The Fukuoka Stock Exchange The Nagoya Stock Exchange The Sapporo Securities Exchange
<b>Korea</b>	The Korea Stock Exchange

<b>Malaysia</b>	Bursa Malaysia
<b>Mexico</b>	Bolsa Mexicana de Valores
<b>New Zealand</b>	NSX Group
<b>Peru</b>	Bolsa de Valores de Lima
<b>Philippines</b>	The Philippines Stock Exchange
<b>Russia</b>	Moscow Exchange
<b>Singapore</b>	Singapore Exchange
<b>South Africa</b>	Johannesburg Stock Exchange
<b>Switzerland</b>	Swiss Exchange
<b>Taiwan</b>	Taiwan Stock Exchange
<b>Thailand</b>	The Stock Exchange of Thailand
<b>Turkey</b>	Borsa Istanbul
<b>United States of America</b>	NYSE MKT LLC BATS Exchange Inc CME Group NASDAQ Stock Exchange National Stock Exchange New York Stock Exchange (including NYSE MKT LLC and NYSE Arca) The Intercontinental Exchange (ICE)
<b>Vietnam</b>	Ho Chi Minh Stock Exchange Hanoi Stock Exchange

**ELIGIBLE DERIVATIVES MARKETS**

<b>EEA derivatives markets</b>	Borsa Italiana (IDEM) EUREX Exchanges Euronext Amsterdam Euronext Brussels Euronext Paris ICAP Securities & Derivatives Exchange London International Financial Futures and Options Exchange (LIFFE) London Stock Exchange OMX Nordic MEFF Exchange (Spain) NASDAQ OMX Group
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