



Heartwood Best Execution and Order Handling Policy

1. Execution Policy

It is in the mutual interests of us and you that we obtain the best possible results when executing transactions on your behalf or when transmitting orders on your instruction. We are required under the rules of the *FCA* to take all sufficient steps to provide "best execution" when doing so and also to provide you with a copy of the policy we adopt to achieve that objective. The best possible result is determined in terms of total cost, taking into account not only the price of the financial instrument but also all expenses incurred by you, which are directly related to the execution of the order. This policy sets out how we aim to achieve the best possible result.

2. Order handling and execution

Subject to any specific instructions that you may give, we will take all sufficient steps to obtain the best possible result when executing orders, taking into account the factors affecting execution listed below. We will determine the relative importance of each of these factors by using our commercial judgement and experience in light of market information available and by taking into account the execution criteria.

When carrying out orders on your behalf we will ensure that all sales and purchases are carried out promptly and are accurately recorded and allocated. Comparable orders are dealt with in the order that they are received by our dealing team unless the characteristics of the order or prevailing market conditions make this impracticable or this would not be in the best interests of our clients. In circumstances where we experience material difficulty in carrying out an order where you have given us specific instructions we will inform you promptly upon becoming aware of the difficulty.

Some orders may be *aggregated* where we have reasonable grounds to believe that this will work to the advantage of each of the clients concerned, for example by achieving a more advantageous price through benefits of scale, or by achieving processing efficiencies at no disadvantage to clients. We will not *aggregate* orders if we consider that this is likely to disadvantage you although the effect of *aggregation* may work on some occasions to your disadvantage. If we *aggregate* an order, the subsequent allocation will not give unfair preference to any client for whom we have dealt.

The attainment of similar end *investment* performance for all clients within the same *investment strategy* is of key importance to Heartwood Investment Management.

In the trading of *investments*, our overriding principle is the fair treatment of our clients. Ordinarily this will result in equal allocation of a specific transaction across all client accounts mapped to a relevant *investment strategy* or strategies, without favour to any particular individual client or group of clients. However, situations may arise where it is not possible to allocate across all relevant clients, either for reasons of liquidity or practicality (the *de minimis* principle). Similar *investments* may be traded differently across the strategies for a variety of reasons, including the presence or size of other holdings in a particular strategy, the number of clients within a particular strategy and the subsequent impact on liquidity/trading (e.g. it may not be practical or cost effective to place trades for a very small client base) or for prudent portfolio management.

It may be that the Heartwood-managed funds ("the Funds") trade differently from segregated portfolios following the same *investment strategy*, again for a variety of reasons which may include fund size, limits on individual position sizes, type of allowable *investments* within the Funds or Fund cash flow. In such a situation we will seek to allocate trades in the most efficient manner possible.

3. Factors affecting execution

When executing an order we will take into account the following factors:

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- size and nature of the order;
- market impact; and
- any other consideration relevant to the execution of the order.

If you are a Retail Client, the best possible result will be determined in terms of the total consideration, which is determined by the price of the financial instrument and the costs related to execution incurred by you. Depending on the venue chosen, this could include execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other considerations will be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to you.

If you are a *Professional Client*, price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, for some clients, orders, financial instruments or markets, we may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.

4. Execution criteria

To assist us in determining the relative importance of each of the factors described above, we will consider the characteristics of the following criteria:

- the client (e.g. retail or professional clients);
- the order, including where the order involves a Securities Financing Transaction (SFT);
- the financial instruments that are the subject of that order;
- the execution venue to which an order can be directed and
- current market structures.

When executing orders or taking decisions to deal in over-the-counter (OTC) products, including bespoke products, we will check the fairness of the price proposed by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

5. Execution venues

An execution venue is a firm or entity to whom we direct buy or sell orders for conclusion, for example, a market maker. A list of the execution venues that we use in respect of each class of financial instrument can be found in section 11 of this policy. This list is not exhaustive but includes those venues on which we place significant reliance in meeting our obligation to obtain, consistently, the best possible execution result. We may use other execution venues or intermediaries, for example stockbrokers, where we deem it appropriate in accordance with this policy. We will regularly assess the execution venues available for any financial instruments that we trade to identify those that will enable us, consistently, to obtain the best possible results. We may add or remove execution venues from the list following such assessment.

6. Selecting an execution venue

Subject to any specific instructions that may be given by you, we will select the execution venue that we consider the most appropriate taking into account the factors affecting execution, the execution criteria detailed above as well as qualitative factors such as the credit rating financial standing of the venue, its structure and the systems and controls it has in place. Where there is more than one execution venue that would be appropriate, we will take into consideration our own commissions and costs for executing the order on each of the eligible execution venues.

Under certain circumstances we may select a single venue for execution, for example when we participate in a placing or when we are asked to buy or sell a stock that is difficult to trade, such as an illiquid stock. A single venue will only be selected where we are able to show that this provides the best possible result for our clients on a consistent basis and where we can reasonably expect that the selected venue will enable us to obtain results that are at least as good as the results that could reasonably be expected from using alternative entities for execution.

When transactions are carried out on, and reported to, a regulated exchange, for example the London Stock Exchange, they are considered to be "on-market". Certain transactions (for example most bond transactions) cannot be conducted on-market and where this is the case we will continue to operate on your behalf "off-market". Transactions that are carried out off-market even though they could be carried out on-market require your express consent. In some circumstances, we may choose to carry out transactions off-market because we believe it is in your interests to do so. However, there are risks associated with off-market transactions, such as counterparty risk. By entering into your *Client Agreement* you agree that we may carry out off-market transactions on your behalf. If you would like to understand more about these types of transactions, please contact us at: <http://www.heartwoodgroup.co.uk/contact-us/london-office/>

Heartwood will only act as the execution venue where we believe that it is in the best interests of you to do so, for example, where Heartwood matches a purchase transaction for one client with a sale transaction from another, rather than going through another execution venue.

7. Instrument type considerations

• *Equities*

This instrument class includes *equities*, warrants and depository receipts. All *equities* transactions would be executed by passing an order to a relevant and approved execution venue. These are outlined in section 11. A live bid offer price is provided by a live terminal feed and this is compared against an execution venue's quoted equity price. Dependent on the direction of trade, where the bid or offer price quoted by the execution venue is the same or better than the live bid offer price, the order is normally executed on this basis, whilst also taking into consideration the cost of the transaction. Other execution factors are permitted to be taken into account at the discretion of the dealers as it is appropriate for the type, size and nature of the relevant order.

• *Fixed income*

The dealer will on most occasions consider that price (including costs) is the most important factor. Other execution factors are permitted to be taken into account at the discretion of the relevant dealer as is appropriate for the type, size and nature of the relevant order. Heartwood utilises a reliable screen-based quotation system, which provides at least two prices for the fixed income instrument. The dealer will in almost all cases select the best quoted price, however on occasion other execution factors will be taken into consideration. In circumstances where the dealer considers that speed of execution or certainty of execution are important execution factors, the dealer is permitted to deal on the basis of the prices quoted by / available on a single execution venue.

8. Specific client instructions

Where you give us a specific instruction as to the execution of an order, for example, asking us to deal at a specific price, we will execute it in accordance with that instruction. Where the instruction relates to only part of the order, we will apply our order execution policy to the parts of the order not covered by your specific instructions. **You should be aware that providing specific instructions may prevent us from taking the steps set out in our order execution policy to obtain the best possible result for those elements covered by those instructions.**

9. Requesting a limit order

A limit order is when you instruct us to buy or sell a specific amount or number of shares in an *investment* at a specified price or better. When a limit order, which would usually be placed on a regulated market or traded on a trading venue, cannot be immediately executed under prevailing market conditions, we are required to make that limit order public unless you instruct us not to. If we are required to make a limit order public we will be restricted to using only those execution venues who can / will make that limit order public on our behalf and these may not be the venues who can give us best execution as described in our order execution policy. Therefore by entering into your *Client Agreement*, you instruct us not to publicise limit orders 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, where we consider it appropriate not to do so in accordance with the *FCA rules*.

10. Monitoring and review

We will review our order execution policy and our execution arrangements annually or whenever a material change occurs that affects our ability to obtain the best possible result for the execution of your orders consistently, using the execution venues included in the order execution policy. A material change would be a significant event that could impact the factors affecting execution or the execution criteria stated in this policy.

We will verify the effectiveness of our order execution policy on a regular basis and analyse the quality of execution obtained by using results from our in-house monitoring and reporting provided by external execution venues. This process will enable us to identify and, where appropriate, correct any deficiencies in our process and policies. We will also consider whether or not it is appropriate to make changes to the importance placed on each type of execution factor according to each type of instrument and to the execution venues we use. We will notify you of any material changes to our order execution arrangements or order execution policy. The most recent execution quality data can be viewed and downloaded from our website at: www.heartwoodgroup.co.uk/best-execution-and-order-handling/

11. List of execution venues

This is a list of execution venues on which we place significant reliance in meeting our obligation to obtain on a consistent basis, the best possible execution result for our clients. This list may be subject to change and we will not notify you of any changes. The most current list is available on request and can be found on our website at: heartwoodgroup.co.uk/order-execution. If you would like more information about the execution venues used by Heartwood please contact us at: <http://www.heartwoodgroup.co.uk/contact-us/london-office>

Financial instrument	Client type	Execution venue
<i>Equities (including equity stocks, warrants and depository receipts)</i> UK & Overseas	Retail Professional	Barclays Capital Securities Bank of New York Fidante Capital Partners J P Morgan Securities Ltd Numis Securities Ltd Susquehanna International Securities Winterflood Securities Ltd
<i>Fixed Income (including gilts and bonds)</i> UK & Overseas	Retail Professional	Barclays Bank Plc Bank of New York Jefferies International RBS Global Banking and Markets Société Générale Paris TRADEWEB Winterflood Securities Ltd
<i>Open Ended Funds (including Money Market Funds)</i>	Retail Professional	Calastone External Fund Managers Heartwood Wealth Management
<i>Exchange Traded Funds (ETFs)</i>	Retail Professional	Barclays Capital Securities JP Morgan Cazenove Susquehanna International Securities Winterflood Securities Ltd Société Générale, London Branch TRADEWEB
<i>Closed Ended Funds (including Investment Trusts)</i>	Retail Professional	Winterflood Securities Ltd TRADEWEB Bank of New York Numis Securities Ltd Fidante Capital Partners JP Morgan Cazenove

Hedge/Property Funds/Private Equity Funds	Retail Professional	Heartwood Wealth Management External Fund Managers
FX	Retail Professional	Bank of New York Northern Trust RBS Global Banking and Markets
Structured Products	Retail Professional	Société Générale, London Branch JP Morgan Cazenove
Securities Financing Transactions (<i>including repurchases, securities or commodities borrowing or lending, buy-sell back and sell-buy back transactions and collateral swaps</i>)	Professional	We do not currently undertake these types of transactions

12. Inducements

Heartwood does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue.

Heartwood receives research from a number of sources. However, this research is paid for directly from Heartwood's own resources and we do not make any charge to our clients for such research.

Version 1

27 November 2017