

Pyrford



Part of



Order Execution and Allocation Policy

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1 Scope

As an investment manager Pyrford is required to take all sufficient steps to obtain the best possible outcome when executing trades or transmitting orders to another person for execution. This is a requirement of the Financial Conduct Authority's Conduct of Business rules as well as other regulators from whom Pyrford has obtained licenses and/or exemptions.

This policy applies to clients classified as Professional or eligible counterparties as defined by the relevant regulations.

2 General

In the course of our investment management activities, what constitutes 'best execution' varies depending on the particular circumstances of a transaction at the point of execution. In order to meet the 'sufficient efforts' test laid out by regulations, we need to demonstrate that we have considered the execution factors identified below and have abided by our policies and procedures.

This policy outlines a process designed to ensure consistency and to achieve best execution for our clients. This does not necessarily mean that the best outcome will be obtained on every occasion. The policy also outlines how we evaluate whether best execution was obtained and how our procedures are regularly and rigorously reviewed.

3 Order Execution: Fixed income and forward foreign exchange

Responsibility for best execution applies to Pyrford when we are executing client orders. This will generally be the case when we:

- Execute a trade with a broker or counterparty following a price quotation from them and as a result buy from or sell to them directly;
- Execute a trade on a Multi- Lateral Trading Facility (MTF).

4 Order transmission: Equities

When we transmit client orders (rather than executing them ourselves) and rely on brokers to execute we are responsible for monitoring the execution quality of the broker and retain full responsibility for best execution.

The majority of our orders are transmitted for execution via brokers. Typically we will transmit orders for execution on regulated markets.

5 Factors considered

In meeting our best execution obligation to our clients, we consider one or more of the following execution factors (in no particular order):

- Price;
- Transaction costs;
- Speed of execution;
- Likelihood of execution and settlement;
- Size of order;
- Time of the order;
- Any other consideration relevant to the execution of the order.

Price and associated costs of a transaction will ordinarily be given high importance; however the relative importance of the execution factors will vary based on the characteristics of the order (for example market, limit orders or negotiated transactions), nature or type of financial instrument (for example if it is traded over the counter) and the execution venue to which the order can be directed. In some cases we may determine that factors other than price and costs, such as the ability to retain anonymity and the prevention of information leakage, have greater importance in meeting our responsibility toward best execution.

6 Venue selection

Our policy is to maintain a selection of venues and entities that offer the potential to achieve the best possible result on a consistent basis. Venue selection and the type of execution strategy are imperative in meeting best execution. Venues that may be used include Regulated Markets, Systematic Internalisers and liquidity pools for equities, and Multi-Lateral Trading Facilities for Fixed Interest and Foreign Exchange trading.

6.1 Equities

All equity trades are transmitted to brokers for execution and in doing so we consider the broker to be an execution venue. When we place orders with brokers we will satisfy ourselves that the broker has arrangements in place to enable us to comply with the best execution obligations to our clients. We are not affiliated with any broker or venue, allowing us full flexibility to select trading partners on the basis of best execution.

For large single stock orders, we will aim to identify counterparts which are sources of natural liquidity. Finding a natural counterpart helps reduce market impact. Liquidity, a combination of price, costs and size, are usually the most considered combination of factors when assessing how to minimise market impact.

When a natural counterpart is not visible, or for relatively small orders, we will use a combination of experience, historical execution data, and market information to route orders to a broker's 'high-touch' desk.

We may use program trading when rebalancing a portfolio or implementing changes to asset allocation. When trading in a basket of stocks simultaneously, using a program broker can be the most cost-effective and operationally most efficient method of execution. Program trades are transmitted to a broker's program trading desk and are charged at a reduced commission rate; relative to a cash desk, hence cost is usually the principal execution factor.

We may use a broker's algorithmic trading facility for orders that do not require a high-touch level of service. Relatively liquid orders can be worked in the market against a suitable benchmark (e.g. VWAP, Arrival Price) with the minimum of cost and market impact.

Where brokers are given discretion on how a trade is executed, we also carry out regular checks to compare the price achieved with the market Volume Weighted Average Price (VWAP).

6.2 Fixed income

It is important to have a selection of appropriate counterparties available in order for us to source liquidity. Fixed income transactions are predominantly executed on a Multilateral Trading Facility (Bloomberg TSOX) with approved counterparties.

For smaller and more moderate size tickets, we route orders electronically for execution using the request for quote (RFQ) protocol. Typically we request 3-4 counterparties to quote with the best price securing the order. Cost is usually the principal execution factor.

For larger, more sensitive orders, we ordinarily work with a single counterparty in securing a risk price. We will compare the price offered by the counterparty with those displayed by an observable and independent pricing source (e.g. Bloomberg) to ensure a level of execution quality. Price, market impact and the ability to maintain anonymity are the most relevant execution factors in these situations.

6.3 Forward foreign exchange

Forward foreign exchange transactions are executed on a Multilateral Trading Facility (FX Connect) with approved counterparties. Quotes are sought and checked on Bloomberg for reasonableness, and this information is used to assist in determining best execution.

7 Client-specific instructions

Where a client gives us a specific instruction for the execution of an order, which we accept, we will execute that order in accordance with the instruction where permissible under applicable laws and regulatory requirements. Where their instruction relates to a part of the order, we will apply the Execution Policy to the remainder of the order.

In such circumstances we may not be able to aggregate orders with those of other clients and may utilise different brokers for clients. This may result in us entering into transactions where client specific orders and other orders in the same security are priced differently.

Such instructions may prevent us from following this policy and from taking the steps we have designed and implemented to obtain the best possible result for the client.

8 Trades outside a venue

In the event client orders are executed outside a regulated market, MTF, or alternative trading system, we will consider the nature of the order, type of financial instrument (for example whether it is admitted to trading in a regulated market), the characteristics of the execution venue and any client instructions or consents.

9 Order aggregation

In order to facilitate best execution, we shall place all orders for the same security and execution criteria arriving at the trading desk at approximately the same time through a block order. Where specifically directed by a client to not participate in a block trade we shall place the client's trade separately.

Where orders arrive at the dealing desk for the same stock with the same execution requirements but at different times, it may be that the first order received is already in the market being traded. When this occurs, the subsequent order will be placed in the market and traded separately in its own right.

In the event of the above scenario where neither trade execution has started (usually due to that market having not yet opened) the opportunity to merge trades together will be taken and the block will be placed as appropriate in the market.

We do not net buy orders against sell orders.

10 Order allocation

We generate a block trade instruction in our order management system, which is made up of individual client allocations, before that order is submitted to the dealing desk.

Securities bought or sold through a block trade shall be allocated on a pro-rata basis amongst the clients participating in the block trade in proportion to the size of the original orders placed for each client. Where the execution of an order is 100% complete, each client participating in a block trade will receive the same average price and shall be charged the same commission rate.

Where the supply of a security is insufficient to fully execute an order and the executed portion represents 15% or more of the order placement (i.e. a partial fill), the executed portion of the order shall be allocated on a pro-rata basis amongst the clients in proportion to the size of the original orders placed for each client. In this scenario, clients will achieve the same average price.

Where the executed portion represents less than 15% of the order placement and the Trade Execution Managers determine that pro-rata allocation is not appropriate (for example where the costs of settlement outweigh the benefit to clients if the trades are allocated to all participating clients), we will allocate the executed portion to participating client accounts using the 'random allocation' feature in our trade management system.

11 Monitoring and review

We review this Policy as and when circumstances require us to, but at least annually. We review our execution arrangements monthly to ensure we satisfy our obligation to best execution. We monitor the execution quality of all orders as part of the dealing function.

Equity orders are monitored internally in real-time and on pre and post-trade basis in conjunction with the transaction cost analysis provided by Bloomberg's independent transaction cost analysis tool, BTCA. BTCA provides us with actionable information to make better informed trading decisions.

We review a VWAP tolerance exception report for all equity orders on a monthly basis.

Given the nature of Bond and Forward Foreign Exchange trading execution quality is evaluated at the point of execution. We conduct a review of these executions on a quarterly basis.

Our execution venues are reviewed at least annually and we use qualitative factors, such as the quality of service, access to markets, standing with regulatory bodies, financial stability and reputation, in addition to key performance indicators for best execution.

In addition we have documented procedures which illustrate the process for ensuring the prompt, fair and timely execution of client orders. Best execution forms part of our regular compliance monitoring program and is independently reviewed by the Risk and Compliance Committee.

12 Broker commissions

From 1st January 2018, we moved to execution-only commission rates to compensate brokers for equity trading, away from the previous bundled regime whereby client dealing commission was used to pay for both permitted research services and execution services.

These rates have been negotiated following dialogue with our brokers and have been set at industry competitive rates. We use the annual and independent Greenwich Associates 'Comprehensive Commission Rate Study' as part of our benchmarking exercise.

Commission rates can vary from market to market with higher rates generally payable in less developed markets. At a firm-wide level, execution-only rates vary from a rate of 3 basis points in developed markets to 10 basis points for trading in emerging markets. We have negotiated lower rates for both program and electronic trading services.

13 Counterparties by asset class

Equity	Fixed income (Bloomberg TSOX MTF)
Bernstein Autonomous LLP	ANZ Banking Group Ltd, Melbourne
Citigroup, London	Citigroup, London
Credit Lyonnais, London	HSBC Bank, London
HSBC Bank, London	Lloyds Bank, London
Instinet, London	National Bank of Canada Financial, Toronto
JP Morgan, London	Royal Bank of Canada, New York
Kepler Equities, Frankfurt	Société Générale, Paris
Macquarie Equities, Hong Kong	Toronto Dominion Securities, London
Morgan Stanley, London	
RW Baird, Milwaukee	Foreign exchange (FX Connect MTF)
	HSBC Treasury, London
	State Street Treasury, London

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