
City of London Investment Management Company Limited

Order Execution Policy

As at March 2019

1. Scope

This Order Execution Policy (“OEP” or the “Policy”) covers the City of London Investment Management Company Limited, including all its subsidiary and branch companies, together, known as the “Firm” or “CLIM” and is applicable to all Firm employees regardless of jurisdiction. This policy applies from the above date and will apply unless and until amended.

For the purpose of the Policy, the “Firm” or “CLIM” is used to represent the following regulated entities and branch office:

- City of London Investment Management Company Limited (“CLIM”) (registered in England and Wales No. 2851236), is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) and registered as an Investment Advisor in the US with the Securities and Exchange Commission (“SEC”).
- City of London Investment Management (Singapore) Pte. Ltd (“CLIM Singapore”) (No 200709045R) is registered with the Monetary Authority of Singapore (“MAS”) and holds a Capital Markets Services Licence for Fund Management.
- City of London Investment Management Company Limited (Dubai branch) (“CLIM Dubai”) is authorised by the Dubai Financial Services Authority (“DFSA”).

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3. Statement of Policy

This document sets out the policy CLIM has established to provide the best possible result when executing orders on behalf of its clients.

This Policy applies to all regulated entities within the Firm and has been written in accordance with FCA applicable regulations and guidance and the fiduciary duty obligation under the US Investment Advisers Act of 1940 (“Advisers Act”).

In accordance with its regulatory obligations, CLIM takes all sufficient steps on a consistent basis to obtain the best possible result when executing orders on behalf of its clients. In obtaining the best possible results (rather than merely the best price) the Firm takes into account the execution criteria and factors applicable to the particular type of transaction.

The instruments covered by this Policy (collectively referred to as “financial instruments”) are:

- Equities including Closed End Funds (“CEFs”), shares, warrants, rights, depositary receipts;
- Exchange-traded funds;
- Collective Investment Scheme Units including open end funds and feeder funds; and
- Foreign exchange (spot).

Best execution applies to all financial instruments, although execution factors are considered and applied as appropriate to different instrument types depending on relative importance. As an investment manager, CLIM will always act in the best interests of its clients when placing orders with other entities for execution. Those orders result from decisions by the Firm to deal in the financial instrument on behalf of its clients.

As at the date of this Policy, all clients of CLIM have been classified as Professional Clients according to FCA rules.

4. Responsibilities

The Investment Management Group (“IM”) has primary responsibility for implementing CLIM’s Order Execution Policy. IM works closely with Compliance and brokers to analyse and review the execution of orders on an ongoing basis. Compliance will

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undertake periodic reviews to monitor whether transactions have been conducted in accordance with this Policy.

5. Background

The Firm undertakes discretionary portfolio management for a range of segregated account clients, with a mixture of strategies. It also acts as the alternative investment fund manager (“AIFM”) of a number of alternative investment funds (“AIFs”). Its FCA permissions enable it to *advise on investments, arrange deals in investments, make arrangements with a view to transactions in investments, and manage investments*, as well as *managing unauthorised Alternative Investment Funds*.

Under applicable laws and regulations, CLIM is required to ensure that it takes all reasonable steps to deliver the best result possible when executing orders on behalf of clients, taking into account the execution factors. The Best Execution requirements are set out in (i) the FCA Handbook (COBS 11.2, which is modified by COBS 18.5A for CLIM's activities as AIFM only), and (ii) article 27(3) of the AIFMD Level 2 Regulations. A failure to seek best execution is a violation of Section 206(2) of the Advisers Act. Certain of CLIM's clients also have their own best execution obligations to their underlying clients and therefore rely on the execution quality achieved by CLIM.

6. Purpose

As required by its regulators, the Firm has developed this OEP setting out the arrangements that the Firm has in place in order to comply with its best execution obligations. The purpose of documenting the Policy is also to ensure CLIM is able to communicate its policy on execution to clients and to obtain their consent where necessary.

7. Obligation

All CLIM employees with authority and/or responsibility to place orders must ensure that in placing orders, they always act in the best interests of each client. This requires following the approach set out in this Policy unless it is demonstrable that a better outcome would have been achieved for the relevant client by an alternative approach. In the event of employing any such alternative approach, the CLIM employee(s) with authority and/or responsibility for placing the order must record and report the circumstances to Compliance, who will consider whether amendments to this Policy are required. ‘Placement’ is where a portfolio management firm (such as CLIM) places an order with another entity for it to execute, such as a broker (also referred to as transmitting an order for execution). In this scenario, the other entity will also owe CLIM the duty of best execution, by virtue of CLIM being classified as a ‘Professional Client’.

Insofar as CLIM receives specific instruction from a client in relation to a transaction, those instructions supersede the OEP. Execution of such an order must comply with the

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client instructions and where not covered by the client's instructions, with the OEP as appropriate in the context of the client's instruction.

From time to time, CLIM may determine, in accordance with the OEP and the CLIM Cross Trades Policy, that it is appropriate and in the best interest of each client if one client account purchases a security from another client account that is selling the same security such as when an account is redeeming or liquidating, other factors specific to a client or when CLIM is rebalancing client portfolios. In such circumstances, CLIM may be able to reduce or eliminate transaction costs by arranging for one client account to buy or sell a portfolio security directly from or to another client account (using market quotations).

CLIM will be involved in the placing and transmission or execution of transactions in a range of financial instruments, according to the trading strategies followed. The Firm may seek to execute trades outside of a regulated market or on a multilateral trading facility for foreign exchange. In determining how to achieve best execution, reference should be made to the Execution Factors (see section 8 below) and the Execution Criteria (see section 9 below).

8. Execution Factors

The execution factors are the points that CLIM must consider when undertaking to deliver best execution. They constitute the differing considerations that can be given precedence in the trading process, dependent on the individual situation. This OEP sets out the process for determining the relative importance of the execution factors in relation to each trade.

The factors to be considered are:

- Price;
- Broker's ability to provide liquidity;
- Broker's relevant expertise related to the specific instrument traded;
- Speed of execution;
- Transaction costs, including fees and commissions;
- Likelihood of execution and settlement (including any features of the order likely to affect this);
- Capacity to accommodate unusual trading volumes;
- Nature of order; and
- Ability to minimize market impact and accommodate unusual market conditions.

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The relative importance to the client of each of the above will be dependent upon the facts. The circumstances of the transaction will determine the priority given to each of the execution factors. In considering that priority, IM will take account of the characteristics of the financial instrument, the market in question and the circumstances of the order, including any criteria specific to the client.

9. Execution Criteria

When executing trades and placing orders for execution, the Firm will consider the following criteria in conjunction with the relevant execution factors:

- The characteristics of the client;
- The characteristics of the client order;
- The characteristics of the financial instruments that are the subject of that order; and
- The characteristics of the broker or execution venue to which that order can be directed.

10. Best Execution Methodology

10.1 Detailed requirements for each financial instrument traded

CLIM applies best execution in a manner which takes into account the different circumstances associated with the order, especially the type of financial instrument. In the majority of cases it is typically expected that the most significant factor taken into account is the total consideration paid or received in each case, such that there will be greater weight on the price and costs associated with each trade. However, there will be circumstances where other factors may be more important or relevant. These are described further below.

Execution factors for Equities

Unless otherwise stated and recorded, the ranking of best execution factors for Equities is typically:

1. Price
2. Broker's ability to provide liquidity
3. Broker's relevant expertise related to the specific financial instrument traded.

The remaining factors are generally given equal ranking.

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For less developed markets or less liquid Equities, the likelihood of execution and as such the broker's ability to provide liquidity, increase in importance, particularly when the size of the order is material versus average daily volume.

Execution factors for Exchange Traded Funds ("ETFs")

ETFs may be used as an investment option and also to equitize cash flows. For ETFs, unless otherwise stated, the ranking of the best execution factors is typically:

1. Price
2. Speed of execution
3. Transaction costs including fees and commissions

The remaining factors are generally given equal ranking.

10.2 Choice of broker/ venue

For each instrument, once the decision to deal has been made, IM will decide which broker(s) to use for execution based upon the relative importance of the execution factors and execution criteria.

CLIM utilises a wide variety of approved brokers through which IM can trade including those who may transact on Regulated Markets, through Multi-lateral Trading Facilities ("MTFs") or as a Systematic Internaliser ("SI"). A number of brokers offer algorithmic trading via their own so called 'Algo suites'.

Where CLIM deals for clients in the shares/units of collective investment schemes or funds on a private placement basis, the practice is to place those transactions directly with the operator/administrator of the fund.

The majority of FX spot trading is done via a MTF which provides access to most major sell side institutions.

10.3 Obtaining Best Execution

When placing an equity order with a broker, price is usually the overriding driver of best execution.

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The size of the order relative to average daily volume will give an indication under normal market circumstances as to approximately how long the order will take to complete as well as the liquidity of the security.

Brokers' indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e. by mitigating the bid/offer spread).

Other factors to be considered include the broker's known expertise in relation to a security, the commissions associated with dealing and their impact on the net price received. Furthermore, in circumstances where price movements are rapid and any delay considered likely to be disadvantageous to the client, speed may be treated as the priority factor, over and above considerations of price, liquidity, expertise and cost.

The diversity in the markets and instruments in which CLIM trades and the kind of orders that are placed, means that different factors are taken into account when the Policy is assessed in the context of different instruments and different markets. For example, in some markets, price volatility may mean that the timeliness of execution is a priority, whereas in other markets that have low liquidity, the fact that an order has been executed may itself constitute best execution. In other cases, the choice of brokers may be limited to one because of the nature of the order.

10.4 Considerations when selecting brokers/venues

As described above, before placing an order, the potential brokers are assessed in order to consider how best the order can be progressed given the specific characteristics of the order.

10.4.1 Considerations relating to algorithmic trading

A number of CLIM's approved brokers offer algorithmic trading capabilities which are generally low-cost relative to high-touch broker execution. Where brokers offer electronic and algorithmic trading capabilities that are appropriate for the nature of the order, broker selection will be made on the basis of strategies available for the security in question, with transaction costs as an important best execution factor.

10.4.2 Considerations relating to broker expertise and illiquid securities

In selecting the appropriate broker, the priority factor may be their expertise in relation to the security on the basis that this will result in the best overall execution in terms of

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achievement of execution and price, albeit that occasionally transaction costs – especially the broker's commission – may not be the most competitive and is de-prioritised.

10.4.3 Considerations relating to commission rates

As made clear elsewhere in this Policy, transaction costs including fees and commissions may in some circumstances be a lower-rated factor, but where there is a direct choice of brokers with other factors being equal, the lower commission rated broker will be employed.

10.4.4 Considerations relating to large transactions

Where a transaction is large in comparison to the normal market size for a security, CLIM may use a broker to manage the execution of the transaction, utilising that broker's discretion and expertise. In these circumstances, the priority factor(s) will normally be the broker's ability to complete the transaction successfully and/or price. Consequently, the transaction costs in terms of broker commissions may have a relatively low priority, reflecting the importance of selecting a broker known to have the ability and expertise to achieve execution in these circumstances.

10.4.5 Considerations relating to speed of transactions

When the price of the contemplated security is moving quickly, either as a result of news relating specifically to that company or because of wider market movement, speed of execution may increase in priority. Speedy execution is achieved by selecting a broker known to be capable of achieving fast execution in the circumstances and in the stock in question. In these circumstances the price factor may be de-prioritised.

10.4.6 Considerations relating to speed of settlement

In the situation that the speed of settlement is of material importance, that factor will be prioritised above transaction costs and price, although this does not imply that cost and price are irrelevant - merely lower priority. As a means of procuring speedy settlement, it will normally be necessary to negotiate with a broker for special settlement terms. Usually this will result in the selection of a substantial and well capitalised broker capable of providing such a service, notwithstanding that they might not be the most cost competitive.

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10.4.7 Considerations relating to geographical location

In the selection of broker, geographical location will sometimes be a material consideration. Where appropriate, in order to minimise the transaction costs, the use of a broker with known expertise in relation to that security and wherever geographically it is traded will usually be the preferred means to ensure successful execution and best price but recognising that the broker may not be competitive on cost.

11. Monitoring of Best Execution

The Firm has an obligation to monitor the effectiveness of its best execution arrangements and to demonstrate compliance with this Policy. This obligation has been incorporated into the Firm's general compliance monitoring process. The Firm's processes are designed to ensure that monitoring assists the Firm in delivering best execution for its clients on a consistent basis and that, where necessary, it identifies best execution failures or where improvements are required. Responsibility for best execution on a day-to-day basis rests with IM including the portfolio manager authorising the trade. However, on an ongoing basis the Firm seeks to monitor the effectiveness of the execution arrangements for each asset class and subsequently each broker or venue. In addition to the monitoring of execution performance carried out by IM and Compliance, the brokers' Performance/ Transaction Costs Analysis reports are also utilised where available.

12. Client Consent

In the UK, CLIM is required to obtain the consent of each client to the OEP. It is the Firm's usual process to obtain this consent when agreeing CLIM's appointment as investment manager or AIFM.

Additionally, before CLIM is permitted by the regulations to execute transactions on behalf of clients outside a 'Regulated market' or a MTF, CLIM must receive from the clients, their prior express consent. It is CLIM's policy, upon CLIM's appointment as investment manager, to also obtain such consent for execution outside any form of 'trading venue' as defined in the FCA Handbook (e.g. when a broker crosses a trade internally as brokers may rely on CLIM having done so.)

13. Client Instructions

As set out above, in the event that specific instructions are received from a client in respect of the execution of a transaction, CLIM is deemed to have complied with its best execution obligations (in respect of the aspect(s) of the transaction covered by those specific instructions only) by following them. Clients must not be induced to give specific instructions in order to remove the need for the provision of best execution.

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14. Governance & Oversight

CLIM has established a governance and oversight framework for the evaluation and management of brokers. The Firm operates an approval process for brokers which incorporates both review and approval by senior management prior to any trading and regular review on an ongoing basis. CLIM assesses its brokers against a number of criteria including, but not limited to, their ability to achieve trading objectives in accordance with applicable market standards. Trading with brokers that are not approved by CLIM is not permitted unless there are exceptional circumstances. Exceptional circumstances might include where the Firm wishes to trade in a financial instrument that cannot be executed with or by one of the pre-approved brokers (either at all or in a manner that would be likely to achieve the best possible result for the client). Any trading with a broker that has not been previously approved, is permissible only with consent of senior management and Compliance before trading.

On a semi-annual basis, the Trade Management Oversight Committee (“TMOC”) reviews the approved broker list to determine whether each broker continues to provide access on appropriate terms. Each broker is assessed and those falling below the necessary standard are required to improve their performance or cease to be utilised by the Firm. Any amendment to the list of approved brokers and venues are to be communicated to Compliance.

The details of any changes to the OEP, execution brokers or venues will be documented by the TMOC and material changes to the OEP will be provided to the Risk and Compliance Committee for approval and acknowledgement.

The latest version of the OEP is available via CLIM’s website under Form ADV and Regulatory Disclosures. In the event the OEP is amended in such a way as to bring about a material change, CLIM is required to notify clients of that change. For these purposes, a material change is one where its disclosure is necessary to enable a client to make a properly informed decision about whether to continue utilising CLIM’s services. Non-material changes will not be subject to notification.

15. Policy Owner

The OEP is jointly owned by the Chief Investment Officer (“CIO”) and Compliance to ensure that the OEP remains appropriate and in line with the requirements. The TMOC will ensure it is reviewed annually. A review will also take place in the event of any change of circumstances which may affect the Firm’s ability to achieve best execution.

Compliance is responsible for disclosing a summary of the Firm’s best execution practices in the Form ADV Part 2 on an annual basis.

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16. Related Policies

In addition to this Policy, the Firm's policies and procedures encapsulate several other areas that are important to ensure robust procedures and form part of the Firm's overall order execution framework. These include policies for the following:

- Conflicts of Interest Policy
- Research and Inducement Policy
- Trade Aggregation and Allocation Policy
- Cross Trades Policy

17. Version Control

Version	Date	Author	Section	Detail
v.1	Oct 2017	External Counsel	All	Review to bring in line with MiFID II requirements
v.1	Nov 2017	IM	6	Minor amendments to section to bring it up to date with current practice
v.1	Nov 2017	Compliance	All	Updated version put into firm policy template
v.2	Nov 2017	Compliance	All	Review from US perspective
v.3	Mar 2019	Compliance	All	Regular review and update