

# Order Execution Policy

Church House Investments is obliged under the rules of the Financial Conduct Authority (“FCA”), to take all sufficient steps to obtain, when executing orders, the best possible result for its clients. The ‘best possible result’ must take into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. This obligation is referred to as “Best Execution”.

As part of this obligation, Church House must establish and implement effective arrangements to meet the requirements, including establishing an Order Execution Policy.

## Order Execution Policy

Church House is a discretionary investment manager and therefore undertakes investment transactions on behalf of its clients. We act in an agency capacity, which means that when we contact an *execution entity* (e.g. broker) to undertake a trade, we are acting as agent on your behalf. As a consequence, we form part of the chain of execution and so bear the responsibility to ensure that we obtain the best result for you, our client.

We are responsible for selecting the *execution entities* through whom we undertake our trades on behalf of our clients. As part of this process, we undertake due diligence checks and reviews on our selected entities to ensure that they are appropriately authorised to conduct trades on our instruction, and can meet the execution factors to ensure Church House obtains the best result for our clients.

## Execution Factors

Whilst there are a number of execution factors used to determine the best possible result, there is no set requirement to place any preference over any of the specific factors, except as determined by Church House and the clients. Trades conducted on behalf of clients may require a different weighting placed upon the various execution factors to obtain the best possible result, and these are considered on a trade-by-trade and client-by-client basis. The execution factors are:

### Price

Church House considers that this is the most important factor for retail clients and likely to be the dominant factor in most cases. All transactions through *execution entities* must be evidenced as complying with best price through reviewing against the execution quality data published by *execution venues*. The best price may not represent the best outcome in all circumstances, e.g. when dealing in the shares of a small company with limited liquidity, and it may be appropriate to transact at a price outside the quoted market price to establish liquidity and achieve the whole transaction. If an *execution entity* takes a significant time to

complete a transaction then it is likely to be appropriate to note the market price at completion as well as at the time of placing the order. When a transaction has taken place outside the original market price (at our volition or the *execution entity's*) we must note the reasons for this on the transaction record.

For transactions in collective investment schemes (unit trusts and OEICs), there is less of an obligation to demonstrate best price since the relevant fund managers only price once-a-day.

## Cost

When dealing directly for a client, the best possible result is determined in terms of the total consideration, representing the price of the security and the costs related to execution, including all expenses directly related to the execution of the order. Cost is generally not an issue as we have a pre-agreed schedule of charges for transactions, unless dealing in any particular venue or via a particular entity incurs an extra cost for the client. When dealing for clients in our collectives (CH UK Equity Growth, CH Balanced Equity Income, CH Tenax Absolute Return Strategies, CH UK Smaller Companies, CH Esk Global Equity and CH Investment Grade Fixed Interest), transaction costs are an issue. We have agreed terms with our *executing entities* at commission levels ranging from nil to 20bp. Church House does not wish to limit transaction venues by price but expects to see a balance of business transacted with different *execution entities* and this will be monitored.

When placing transactions, careful consideration must also be given to any exceptional settlement costs arising with Church House or our any of our clients' agents.

## Size

As mentioned above in 'Price', the size of order that can be executed at a particular price is relevant to best execution. Church House recognises that dealing outside the quoted market price to complete the size of order may be appropriate, and, when completing such a transaction, the justification will be noted on the transaction record for the price.

## Speed

Speed of execution may be the best result in volatile markets, but is generally more relevant to Church House's selection process for *execution entities* rather than an issue for a particular order. As discretionary investment managers, the Church House policy is to transact all orders on a timely basis unless it is considered that delay may result in a more orderly market or better price for the client.

## Likelihood of Execution

The best price may be illusory if the *execution entity* is unlikely to complete the order. This is relevant to the comments on dealing outside the market price (see Price and Size above): Church House recognise that an apparent market bid/offer may be illusory, particularly in

relation to completing sizeable orders and that dealing in a small number of (shares) at a good price can be detrimental to the likelihood of completing an entire transaction.

### Likelihood of Settlement

Best price may also be illusory if the venue cannot settle satisfactorily. Church House does not expect this to be a relevant issue very often as dealings in non-mainstream venues will be rare, but careful consideration should be given to the likelihood of satisfactory settlement in such circumstances. Best execution might be achieved in the more established market.

### Nature of Order

The nature of an order can be relevant to its best execution, e.g. orders in particular small companies, limit orders. Anything unusual should be noted on the transaction record.

### Any Other Considerations

Generally, Church House expects the achievement of best execution to be clear from each transaction with anything unusual clearly noted on the transaction record. Best execution for a retail client should be crystal clear; Church House recognises that the client's retail or professional status can also be relevant to best execution.

### Specific instructions from a client

When receiving specific instructions from a client as to the execution of an order, considerable care must be taken. Church House warns that any specific instructions received from a client in relation to the execution of an order may prevent Church House from taking the steps we ordinarily would within this Order Execution Policy to obtain the best possible result.

In the event that we receive specific instructions from a client as to the execution of an order, we must transact the order in accordance with those instructions, but best execution still applies to those factors not covered by the specific instruction.

### Execution Venues

The *execution venues* that Church House uses for the execution of quoted securities are regulated/recognised investment exchanges, such as the London Stock Exchange and the New York Stock Exchange. Church House selects a number of *execution entities* who trade on these venues to meet its trading obligations. For dealings in collective investment schemes, Church House will normally transact directly with the manager of the relevant fund.

Transactions in collective investment schemes are subject to best execution but less on price, as there is generally only one price quoted per day. Care must be exercised as regards the placing of such orders in relation to the valuation time for each fund (e.g. CH funds valued at 12.00 by IFSL), which is the time the units are priced. Church House has considered the use of a 'dealing platform' for such funds to address the settlement problems (part of best execution) associated with a number of management companies. In the event that we establish links with such platforms, we will have a choice of venues.

Transactions in transferable securities are undertaken via *execution entities*, which are generally brokers. Church House has established a list of brokers with whom we will carry out transactions. The selection is designed to include a range of brokers to cover different areas of the markets and different specialities, recognising that their capabilities are varied. The list as a whole is reviewed annually and specific brokers may be added to, or removed from, the list during the year after agreement of the Church House board of directors. We recognise that we may only have established contact with specific areas of some of the larger brokers. For each broker on the list, we specifically note:

- Their FCA/PRA registration number,
- The principal contact(s),
- Particular areas of expertise,
- Particular reason(s) for inclusion in our list,
- Our view as to their strengths and weaknesses,
- The agreed commission/fee arrangements.

Church House also recognises the need for some electronic dealing capability (e.g. Winner) to assist with the best execution of smaller orders.

Client orders may not be executed outside a regulated market without prior approval of the investment director and compliance officer who will approve the transaction record.

#### *Execution Entities List*

The top five execution entities by volume that are used by Church House are:

- Lloyds Bank plc
- JP Morgan Securities
- CitiBank
- Barclays Capital Limited
- Royal Bank of Scotland plc

## Aggregation and Allocation

In the interests of achieving best execution, we may aggregate your orders with the orders of other clients. We will only aggregate orders where we reasonably believe that this will not be to a client's disadvantage. However, on occasions the effect of aggregation may work to the client's disadvantage in relation to a particular order. The order aggregation process determines an average price for the security while the order is executed, to ensure that all clients receive the same price.

Where an order for multiple clients is only partially executed we will usually allocate on a pro rata basis. If this allocation would result in uneconomic or unsuitable holdings for the clients concerned we may allocate other than on a pro rata basis. We will take reasonable steps to ensure that any non pro rata allocation is in the best interest of all clients concerned.

## Informing Clients

Church House is required under the FCA rules to provide clients with appropriate information about our execution policy. This information must include sufficient detail to enable clients to make "meaningful choices" about our arrangements, information about the importance we attach to the *relevant factors* is central. This policy enables Church House to properly inform our clients of our arrangements.

We must be able to demonstrate to clients that we have executed an order in accordance with our Order Execution Policy. To be able to demonstrate such compliance, we refer the prices executed against the quality of execution data published by the *execution venues*. We will publish the results of the analysis each year for clients to review.

## Review and Monitoring

Church House is required to monitor the effectiveness of its order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies.

The review will assess, on at least an annual basis, whether the *execution entities* included in this order execution policy provide for the best possible result for our clients and whether we need to make changes to our execution arrangements, as per the information reported in the execution quality data by the *execution venues*. In conducting such a review, we are required to look beyond the present arrangements at (for example) other *execution entities and/or venues* that we could possibly access with the objective of identifying any changes in our arrangements that could improve the quality of our execution.

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