
BEST EXECUTION POLICY

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1. Introduction

The purpose of this document is to provide you appropriate information about the Order Execution and Allocation Policy (“Policy”) of Cape Wrath Capital Limited (CWC) (“the firm”, “we”, “our”, “us”).

We are committed to maintaining the highest professional standards in providing our services and in doing the right thing. This extends to making sure that we transact our clients’ orders quickly, efficiently and in line with a client’s best interests.

We will provide you with a copy of the Policy and obtain your prior written consent to it, where we are obliged to do so. If any material changes occur to the way we execute orders or our Policy, we will tell you about the changes. A material change would include an alteration of the best execution factors or the entities where we place decisions to deal.

This Policy should be read in conjunction with our Terms and Conditions which form part of our client agreement.

2. Scope

The implementation of Best Execution processes has been delegated to Valu-Trac Investment Management. For Cape Wrath Capital to satisfy its overall responsibility for Best Execution, the firm performs an oversight function which includes an annual review of those processes.

This Policy is applicable to clients who are categorised as ‘Retail’ or ‘Professional’. We do not deal directly with retail investors, but the firm is aware that it must act their best interest under this policy.

Regarding clients categorised as an Eligible Counterparty, although we will endeavour to provide Best Execution, there is no obligation to provide this.

3. Our Approach

When executing orders on your behalf, relating to relevant financial instruments, we will take all sufficient steps to achieve the best possible result for our clients, considering the execution factors - this is known as ‘Best Execution’. To achieve this, we have established, implemented, and maintain a Policy, along with effective execution arrangements and procedures. We have established that the trading entities used comply with the best execution requirement when placing orders.

For firms that do not directly execute client orders, but rather place or transmit them with other entities for onward execution (i.e., they do not directly execute on a venue), the Financial Conduct Authority (“FCA”) has made clear that the relevant provisions should be interpreted in light of Article 65 of the Markets in Financial Instruments Directive (“MiFID”) II delegated regulation.

This provision imposes best execution requirements on portfolio managers and on firms, such as CWC, that receive and transmit orders for execution, by placing an obligation on them to provide disclosures in relation to the entities or intermediaries to which they pass orders in the chain of execution. This is consistent with Article 65(6) of the MiFID II delegated regulation, which obliges firms to provide information on the entities it selects for the execution of orders.

4. Execution factors

To take all sufficient steps to achieve best execution when executing your order, we consider a number of execution factors:

- Price
- Cost of the transaction
- Speed of execution
- Likelihood of execution and/or settlement
- Size and complexity of the order
- Characteristics and nature of the order
- Any other consideration relevant to the execution of an order

5. Retail clients

The firm is aware that, for a retail investor, best execution must be determined in terms of the “total consideration”, representing the price of the financial instrument and the costs related to execution, including all expenses incurred by the client 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 the execution of the order.

We are also aware that the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution must be delivered. Speed, the likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only in so far as they are instrumental in delivering the best possible result in terms of the total consideration to the retail client.

6. Professional Clients

Price will also be of high relative importance in obtaining the best possible result for professional clients. However, in some circumstances, for some clients, orders, financial instruments, or markets, it may be that execution factors are more important than price in obtaining the best possible execution result

7. Execution criteria

When executing your order, there are certain criteria for determining the relative importance of the execution factors:

- Your characteristics as a client, including your categorisation (retail or professional)
- The characteristics of the order
- The characteristics of the financial instruments that are the subject of that order
- The characteristics of the execution venues to which that order can be directed

An execution venue includes a regulated market, a multi-lateral trading facility (“MTF”), an organised trading facility (“OTF”), a systematic internaliser, or a market maker, or other liquidity provider.

We will not structure or charge commissions in such a way as to discriminate unfairly between execution venues.

8. Specific Client Instructions

If you give us a specific instruction about an order, we will execute the order following that specific instruction. In these circumstances we will have satisfied our general obligation to provide best execution, in respect of the part or aspect of the order to which the instructions relate.

When you provide us with specific instructions, these may prevent us in following our Policy that is designed to obtain the best possible outcome.

We acknowledge that the fact you have given specific instructions that cover one part or aspect of the order will not release us from our best execution obligations in respect of any other parts or aspects of your order that are not covered by those specific instructions.

9. Aggregation and Allocation

The FCA’s General Principles require regulated firms to implement procedures and arrangements that provide for the prompt, fair and expeditious execution of your orders, relative to other orders or the trading interests of the firm. In carrying out your orders, we strive to ensure that orders are executed promptly and accurately recorded and allocated. For the purposes of this section, carrying out client orders includes the execution of orders on behalf of clients.

We will not undertake to carry out your order or a transaction for its own account in aggregation with another client order unless the following conditions are satisfied:

- it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- it has been disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order; and
- we have established and effectively implemented an order allocation policy. This Policy will provide for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determine allocations and the treatment of partial executions.

Where we aggregate a client order with one or more other orders and the aggregated order is partially executed, we will allocate the related trades on the following basis:

- The aggregated order, which is executed in whole, is divided on the average price, and allocated to clients.
- If an aggregated order can only be executed in part, the part that has been executed will be divided in proportion on the average price and allocated evenly across all clients.

Execution entities

We will place orders through:

- Equities via Instinet on the LSE and AIM
- Corporate bonds and Gilts via Winterfloods and King and Shaxon on the LSE

We have reviewed the best execution policies of the above and details can be provided on request. The use of the entities allows us to meet the overarching execution requirement for providing best execution on a consistent basis. We use venues that we judge to be reliable (e.g., from a systems perspective) and demonstrate financial health and good reputation.

Having considered the execution factors, we will select the most appropriate execution entity, from the list above, and execute the order accordingly.

10. Contract Notes

For each executed order you will receive a contract note which includes the details of the trading venue used.

11. Demonstration of Best Execution

On request from you, we will, as soon as reasonably practicable following such a request, demonstrate that orders have been executed in accordance with this Policy.

12. Review

Every year we will formally review the Policy and execution arrangements. Consideration will be given to the steps that we take to obtain the best possible result. These will include:

- The use of additional or different execution entities;
- Assignment of the relative importance to the best execution factors;
- Modifying other aspects of the Policy and/or arrangements

We will assess from time to time whether the venues relied upon allow us to meet our regulatory obligations on a consistent basis or whether we need to make changes to our execution arrangements.

We will also review our order execution arrangements and Policy in respect of material changes either in respect of one of our chosen pricing venues or otherwise that affects our ability to continue to meet our regulatory obligations.

13. Monitoring

On a regular basis, we will monitor transactions to determine whether the execution entities have complied with the Policy and/or arrangements and whether they are effective.

We will also monitor our own arrangements and actions and the impact on the execution quality.