

**Nikko Asset Management  
Europe Ltd**

## **Order Execution Policy**

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## A. General Policy

This policy, which we refer to as the “General Policy”, sets forth the general basis on which Nikko Asset Management Europe Ltd (we refer to ourselves in this policy as “Nikko AME”, “we” or “us”) will provide “best execution” to its portfolio management clients, as required by the European Union’s Markets in Financial Instruments Directive (known as “MiFID”<sup>1</sup>)<sup>2</sup> and the Conduct of Business Rules (“COBS”) of the UK Financial Conduct Authority (the “FCA”). Where a particular Nikko AME business has established additional policy requirements, applicable specifically to that business, we refer to each of those policies as a “Desk Policy”. All Desk Policies together with the General Policy are referred to as the “Policy”.

The General Policy is divided into five sections:

1. Scope and Purpose
2. Achieving Best Execution
3. Selecting brokers, counterparties and other execution venues
4. Updating the Policy
5. Contact Details

The Desk Policies for Equities, Fixed Income and Foreign Exchange businesses follow this General Policy. This policy applies to non-retail business only.

### 1. Scope and Purpose

**What is the purpose of the Policy?** We value our relationship with all of our portfolio management clients and we strive in all cases to act fairly and reasonably in carrying out investment transactions for and on behalf of our clients. When Nikko AME transmits its orders to brokers or executes its own dealing decisions directly with counterparties or other execution venues, it is required under MiFID and the COBS to establish and comply with a policy on best execution. The purpose of the Policy is to fulfil that obligation to our clients in a clear and concise manner.

**When does the Policy apply?** The Policy applies when Nikko AME transmits its orders to brokers or executes its dealing decisions directly with counterparties or other execution venues in respect of any of the financial instruments covered by MiFID<sup>3</sup>.

If the portfolio management has been outsourced to a third party, we oblige such third party to select its brokers with due care and to establish, on its own account, an appropriate order execution policy.

### 2. Achieving Best Execution

The regulatory requirements governing dealing and managing are set out in COBS 11, which states that “a firm must take all reasonable steps to obtain, when executing orders, the best possible result for its clients taking into account the execution factors”.

<http://fshandbook.info/FS/html/FCA/COBS/11>

- This Policy is designed to achieve the best result (taking into account all relevant factors described below) whenever Nikko AME transmits its orders to brokers or executes its dealing decisions directly with counterparties or other execution venues in respect of any of the financial instruments covered by MiFID;
- We are committed to complying with the Policy; and

<sup>1</sup> Directive 2004/39/EC

<sup>2</sup> As further detailed in Article 45 of the MIFID implementing Directive 2006/73/EC.

<sup>3</sup> See Section C of Annex 1 of MIFID

- We will annually review and update the Policy to ensure that it continues to achieve such results.

Demonstrating best execution does not necessarily involve a transaction-by-transaction analysis, but rather involves an assessment of a record of transactions over a period indicating that overall the best result is achieved for our portfolio management clients on the venues and in the manner described in the Policy.

**What factors do we take into account to achieve best execution?** In achieving best execution, we take into account a number of factors (unless otherwise instructed by you). These include:

- Price
- Costs
- Speed
- Likelihood of execution and speed of settlement (liquidity)
- Size of the order
- Nature of the order

Ensure protection for clients

While price is generally a key factor, the overall value to a client of a particular transaction may be affected by the other factors listed above. The relative importance of each of the factors will differ depending on the characteristics of:

- The order
- The financial instruments to which the order relates; and
- The venue (if there is more than one) where the relevant order is to be executed.

We will usually pass an order to a third party broker or dealer to execute our dealing decision in relation to your portfolio. In such cases, we will have processes to review periodically our choice of third party brokers and dealers to ensure that, taking into account all the relevant factors, the third party broker or dealer is providing best execution on a consistent basis. In some cases we may make this determination on the basis of a review of the best execution policy of the relevant broker or dealer.

In cases where the third party broker or dealer is outside of the EEA and we do not have an approved broker or dealer that can execute the order from within the EEA (such as where the broker or dealer in question is the only entity on our approved broker list which is a member of the relevant exchange), the non-EEA broker or dealer may not be subject to requirements similar to the best execution requirements under MiFID.

Trades between certain fixed income client accounts may be executed with the prior approval of the local CCO on a case by case basis, if the interests of beneficiaries of both client accounts coincide with each other and it is considered desirable to do so. Should there be an opportunity to cross securities between clients, the security will be crossed formally in the market at a mid market price.

### 3. Selecting Brokers, Counterparties and Other Execution Venues

For purposes of MiFID, a “venue” includes a broker, an exchange, and a multilateral trading facility. Unless we agree with you otherwise, we will use a selection of venues that will be reviewed periodically. Sometimes there is only one appropriate venue, and we will only use a single venue in such cases.

Where a dealing decision in relation to your investment portfolio is executed through a broker, we will review periodically the brokers that we use to execute dealing decisions taking into account the factors we describe below for determining execution venues to ensure that the broker or brokers that we use are providing best execution taking into account all orders executed during the review period. Where it appears in a particular case that better execution is available from a broker that we do not ordinarily use, we may use such other broker on a case-by-case basis. However, we are not under any obligation to check a variety of brokers with respect to each transaction unless we have otherwise undertaken an obligation to do so in a Desk Policy.

Nikko AME operates a centralised dealing function in order to foster specialisation and expertise in execution services and to incorporate a natural check-and-balance.

**What factors are taken into account in determining the execution venues?** Factors that we consider in determining the execution venue for your orders in respect of a particular financial instrument include:

- General prices available
- Depth of liquidity
- Relative volatility in the market
- Speed of execution
- Cost of execution
- Creditworthiness of the counterparties on the venue or the central counterparty; and
- Quality and cost of clearing and settlement

**What execution venues does Nikko AME use in order to execute trades on behalf of its clients?** Nikko AME's order execution process takes into consideration the aforementioned execution factors, depending upon those factors and the type of instrument being executed, Nikko AME may route its order via electronic trading platforms such as FXALL (FX) or Bloomberg Tradebook (Equities). Alternatively the order may be executed directly with a broker from its approved broker and counterparty list. This list includes, but not limited to, the following broker venues listed in **appendix 1**:-

**How might factors vary between choices of venue?** In some markets price volatility may mean that timeliness of execution is a priority. In other markets that have low liquidity, the fact of execution may itself constitute best execution. In other cases, our choice of venue may be limited because of the nature of your requirements. For example, when investment products are more illiquid, there may be little (or no) choice of venue.

**How often do we review our venues?** We generally will review annually the venues we use to transmit orders to or to execute our dealing decisions on directly.

**Where we have a choice of venues in respect of a particular order, how do we choose?** In some cases, taking into account factors such as cost (both implicit and explicit costs) and benefits of accessing multiple venues and the accessibility of the venues, we may have access to more than one venue for executing an order in a particular financial instrument. In such cases, we will endeavour to choose the best venue for the order taking into account the factors applicable to choosing venues.

#### 4. Updating the Policy

**How often will we update the Policy?** We will update the Policy periodically to take into account changes as and when appropriate.

**How can you obtain the most recent version of the Policy?** If you would like to receive a copy of the most recent Policy, however, please contact us in the manner described in the next section.

**5. Contact Details**

***How do you contact Nikko AME in connection with this Policy?*** If you have queries about the Policy, please contact any of the individuals listed below.

**Katie Holt, Head of Compliance**

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## B. Equities Desk Policy

### 1. Relationship to Nikko AME's General Policy

This Equities Desk Policy is part of the Nikko AME's Execution Policy (the "General Policy") to which it is annexed, and you should read it together with the General Policy. If there is any inconsistency between the General Policy and this Desk Policy with respect to the equities business covered, the more specific policy set forth in this Desk Policy applies. We use the same defined terms in this Desk Policy as defined in the General Policy.

This Desk Policy applies when Nikko AME transmits its orders in relation to your portfolio to brokers or executes its dealing decisions in relation to your portfolio directly with counterparties and other execution venues for the following groups of equities products and services: cash equities and equity and hybrid derivatives.

### 2. Cash Equities

i. **General.** Nikko AME operates across all EEA equities markets through the use of local brokers as set forth in the General Policy.

ii. **Types of Execution.** The General Policy sets forth the circumstances under which best execution applies, namely where Nikko AME transmits its orders to brokers or executes its own dealing decisions directly with counterparties and other execution venues. Where we are taking investment decisions for your portfolio we will look at all venues to which we have access. We will consider all execution factors as set forth in the General Policy when determining the venue. We may request a third party broker to execute our order over a period of time (of up to several days where permitted by local regulation) in order to achieve the best result.

iii. **Self Directed Trading and Direct Market Access.** When Nikko AME uses direct market access ("DMA") or direct server access ("DSA") products offered by certain brokers, Nikko AME will have the ability to select certain parameters and strategies for the order itself. The selected broker will follow Nikko AME's instructions to the extent possible for the broker to do so, and will not accept responsibility for those parameters selected by Nikko AME as factors for providing Nikko AME with best execution. However, the relevant broker will provide best execution based on any remaining factors. DMA and DSA connect only to certain exchanges, MTFs and brokers. In some circumstances, and where it is no less advantageous to Nikko AME, the relevant broker may internally cross DMA order flow instead of seeking execution on another venue. In such circumstances, the relevant broker would of course be providing Nikko AME with best execution.

### 3. Equity and Hybrid Derivatives

Where brokers act on our behalf with respect to a derivative product, including products in securitized form, we will seek to obtain best execution as set forth in the General Policy.

### 4. External and Internal Research

Externally and internally produced research is utilised in order to manage portfolios and assist with enhancing portfolio performance. In addition, portfolio managers undertake face-to-face meetings with the relevant company executives.

Portfolio managers will assess the relative quality of external research as part of a formal commission governance process. Nikko AME have a robust Conflicts of Interest Policy in place, copies of which are available on request.

## 5. Commission Sharing Agreements (CSA's)

Nikko AME operate CSA's with a number of our counterparties. Whilst the executing broker retains the execution portion of the commission, they may be asked to "pay away" some of the research portion to another research provider. These payments are calculated after a rigorous internal process which is overseen by members of the Nikko AME Commission Governance Committee who validate the research received is permissible and that the payment amounts are appropriate.



## C. Fixed Income Desk Policy

### 1. Relationship to Nikko AME's General Policy

This Fixed Income Desk Policy is part of the Nikko AME Execution Policy (the "General Policy") to which it is annexed, and you should read it together with the General Policy document. If there is any inconsistency between the General Policy and this Desk Policy with respect to the fixed income businesses covered, the more specific policy set forth in this Desk Policy applies. We use the same defined terms in this Desk Policy as defined in the General Policy.

This Desk Policy applies when Nikko AME transmits its orders in relation to your portfolio to brokers or executes its dealing decisions in relation to your portfolio directly with counterparties and other execution venues for the following groups of fixed income products and services: money market instruments, fixed income instruments including floating rate notes over 3 years as well as fixed income derivatives.

### 2. Use of Third-Party Dealers or Brokers and Regular Review

We will periodically review the panel of dealers and brokers with whom we deal to ensure that they continue to offer best execution. We will generally deal with dealers and brokers who have been subject to such periodic review.

### 3. Dealing Procedures

When dealing in money market instruments or fixed income instruments we will in principle compare quotes from more than one source. For highly liquid government and non government issues we compare quotes from at least three sources. For less liquid issues there may be occasions where only one or two quotes are available for a given issue. On occasions where only one quote is available it will usually be possible to look at reference yield curves, swap rates and issuer spreads for a given bond or money market instrument. For the more liquid instruments that we deal in on occasion we use electronic trading platforms, particularly for foreign exchange. On by far the majority of occasions, three or more sources will be showing prices on electronic trading platforms for a given instrument. All trading platforms that are used maintain an audit trail of both the execution level and the competitive quotes given for a particular deal.

## D. Foreign Exchange (FX) Desk Policy

### 1. Relationship to Nikko AME General Policy

This FX Desk Policy is part of the Nikko AME Execution Policy (the “General Policy”) to which it is annexed, and you should read it together with the General Policy document. If there is any inconsistency between the General Policy and this Desk Policy with respect to the FX businesses covered, the more specific policy set forth in this Desk Policy applies. We use the same defined terms in this Desk Policy as defined in the General Policy.

This Desk Policy applies when Nikko AME transmits its orders in relation to your portfolio to brokers or executes its dealing decisions in relation to your portfolio directly with counterparties and other execution venues for the following types of FX trading- spot foreign exchange trades and forward foreign exchange trades.

### 2. Use of Third-Party Dealers or Brokers and Regular Review

We will periodically review the panel of dealers and brokers with whom we deal to ensure that they continue to offer best execution. We will generally deal with dealers and brokers who have been subject to such periodic review.

### 3. Dealing Procedures

When dealing in FX we will in principle compare quotes from more than one source and typically 3 or more sources will be showing prices. The use of an electronic platform such as FXALL in this context helps us both in achieving and in evidencing best execution.

For the majority of accounts for which we execute FX the FX deals are dealt on almost every occasion through FXALL, a live streamed platform – which displays the prices provided by the brokers that have been approved as counterparties for any given client.

FXALL stores historic records of all deals dealt together with the comparative prices provided by all the brokers asked at the point of dealing. For example with a certain deal you are able to see the rate that was dealt with Counterparty1 and the comparative rates from Counterparty2, Counterparty3, Counterparty4.

FXALL shows in USD the amount saved by dealing with, in this example Counterparty1, as compared with if we had dealt with any of the other brokers asked including the custodian. On FXALL the best price is always selected.

The only occasions where we would deal off the FXALL platform are

**Appendix 1.** Where the deal size is too large to deal on platform – in this case the rate would be compared against market rates indicated from Bloomberg,

ii. On non-deliverable forwards as there are occasions where some banks will not price on FXALL (so less frequently traded currencies like BRL/NGN for example) – for this example we would go to two or three banks on and ask them for their levels away from FXALL if they're not trading through that platform for comparative quotes; and

iii. On restricted currencies such as KRW, IDR and MYR where dealing in cash currencies is with the custodian only using an overnight order for the majority of cases.

## Appendix 1.

List of Nikko AME execution venues:

### Equity

Bank of America Merrill Lynch
Berenberg
Citibank
CLSA
Deutsche Bank
Goldmans
Insinet
Macquarie Group Ltd
Morgan Stanley
Redburn Partners
RW Baird
UBS
William Blair

### Foreign Exchange (FX)

Brown Brothers Harriman
J P Morgan
Barclays Capital
HSBC
RBC Europe
Bank of New York / Mellon
State Street
UBS
Standard Chartered
Northern Trust
Toronto Dominion
Nomura
ANZ
Goldman Sachs
BNP Paribas
SMBC Nikko Bank Lux

**Fixed Income**

ANZ
Bank of America Merrill Lynch
Barclays Capital
Bradesco Securities
CBA
Citigroup
Commerzbank
Deutsche Bank
Dragon Capital
Goldman Sachs
HSBC
ING
Jefferies International Ltd
J P Morgan
Mitsubishi Trust
Morgan Stanley
RBC Europe
Royal Bank of Scotland
Toronto Dominion
UBS
Nordea
NAB
Danske
Westpac
Societe Generale
Standard Chartered
SEB

Please note that Nikko AME reserves the right to use other execution venues that are not listed above, where we deem appropriate in accordance with this Policy and may add or remove any execution venues from this list without notice. In addition, Nikko AME will place a restriction on certain execution venues on a client by client basis in accordance with client instructions.