



# SANDERSON

## ASSET MANAGEMENT

### ORDER EXECUTION POLICY

#### A. DUTY OF BEST EXECUTION

Sanderson Asset Management LLP (“**Sanderson**”) has always considered best execution to be an integral part of the investment services that it provides to its investors. This document sets out Sanderson’s current best execution practices and procedures, and describes how it will meet applicable regulatory requirements, including those set out in COBS 11 of the FCA’s Handbook of Rules & Guidance.

Sanderson is required to take “all sufficient” steps to obtain best execution on its transactions in “financial instruments”. Strictly speaking, for Sanderson, this obligation relates to its security trading and any forward foreign exchange transactions that it may from time to time carry out. The formal duty does not extend to Sanderson’s spot foreign exchange transactions, as these are not “financial instruments” within the meaning of the regulations. However, Sanderson would be happy to provide information on its spot foreign exchange trading separately to this Policy.

#### B. CLIENT CLASSIFICATION

Sanderson has determined that each of its privately offered commingled funds are clients of the firm (“**Clients**”). Sanderson has classified each of its Clients as a Professional Client (as defined in the regulations) for the purposes of the regulatory rules to which it is subject.

#### C. EXECUTION FACTORS

When carrying out transactions on behalf of its Clients, Sanderson will consider a range of factors as set out below (the “**Execution Factors**”):

- Price i.e. this is the price that a transaction in a financial instrument is executed at;
- Costs i.e. any additional charges that may be incurred in executing the order in a particular way, this includes implicit costs e.g. the possible market impact, as well as explicit external costs e.g. commission rates, exchange or clearing fees;
- Speed of execution i.e. time it takes to execute a client transaction;
- Likelihood of execution and settlement i.e. the likelihood that Sanderson will be able to complete a client transaction;
- Size i.e. accounting for how the size of a transaction will affect the price of execution;
- Nature of the transaction or any other consideration relevant to the execution of the transaction i.e. this is how the particular characteristics of a transaction can affect how best execution is received.

The Execution Factors set out above are not listed in any order of priority and their relative importance will be judged on an order-by-order basis, in line with Sanderson’s commercial experience and with reference to certain execution criteria. The criteria considered may include market conditions, the characteristics of the order and the financial instrument to which the order relates, and the execution venues to which Sanderson can direct the order (the “**Execution Criteria**”).

Other factors, such as costs, remaining equal, price is typically the most important Execution Factor for Sanderson. However, in some circumstances and for some orders, financial instruments or markets, other Execution Factors may become more significant to obtaining the best possible execution result for Clients. For example, for transactions in less liquid securities, likelihood of execution and market impact increase in importance.

#### **D. SECURITY TRANSACTIONS**

##### *1. Introduction*

In light of its assessment of the above Execution Factors and the relevant Execution Criteria, Sanderson, in its sole discretion, selects third party brokers to execute all security transactions on behalf of its Clients. Sanderson is not affiliated with any broker and does not execute security transactions as principal. In order to fulfil its best execution obligations in relation to security transactions and select the appropriate broker, Sanderson uses the selection processes and monitoring controls set out below.

##### *2. Approved Broker Relationships*

Sanderson maintains relationships with a number of brokers to execute Client security transactions (each an “**Approved Broker**”), although, as at the date of this document, Tourmaline is Sanderson’s primary brokerage counterparty.

From Sanderson’s perspective, each Approved Broker represents an “execution venue” as that term is typically used in relation to the regulatory best execution obligation. Ordinarily, Sanderson maintains relationships with approximately five (5) Approved Brokers at any given time. Noting that Sanderson focuses on a primary brokerage counterparty, it nonetheless believes that maintaining this number of overall relationships ensures that it:

- has a suitable choice of brokers when determining how best to meet its best execution obligations to its Clients;
- can build and maintain sustainable business relationships with each of the Approved Brokers, allowing them to appropriately understand the requirements of and add value to the services they provide to Sanderson’s Clients; and
- can effectively monitor the performance of each Approved Broker, both in the context of the overall relationship and on a transaction-by-transaction basis.

Within this, Sanderson believes that having a primary brokerage counterparty allows it to layer some additional risk reduction and other benefits on top of the above general considerations. These include simplification of order routing and intra-day monitoring, improved settlement status, heightened quality of execution given the value and volume of securities traded, consistency of execution reporting and reduced contractual and regulatory compliance burdens.

Sanderson initially selects and continuously monitors each Approved Broker based on a number of factors, including, but not limited to (i) the rates of commission that the Approved Broker is willing to accept; (ii) the capacity in which the Approved Broker acts or will act; (iii) the coverage the Approved Broker offers; (iv) the Approved Broker’s observable level of integrity and regulatory standing; (v) the Approved Broker’s credit-worthiness and financial responsibility; (vi) the Approved Broker’s error rate, as well as its efficiency in taking corrective action when an error does occur; and (vii) specialist knowledge or experience that the Approved Broker has that will likely add value to the quality of the service offered, taking into account details such as the size or type of the transaction, or the market on which the transaction will be executed. As such, and in assessing the Execution Factors set out above, Sanderson may determine to pay an Approved Broker commissions or mark-ups in excess of that which another Approved Broker might have charged for effecting the same transaction, in recognition of the particular execution services or expertise provided by that broker in relation to the specific transaction.

Sanderson reviews the standard terms of business for all of its Approved Brokers and will require that a formal variation letter is signed by the broker if it does not believe that those Terms hold to them to the relevant

standards of conduct or do not adequately protect Sanderson's Clients. All Approved Brokers are subject to a specific contractual obligation to achieve best execution.

A list of Approved Brokers as at the date of this policy is set out in Appendix 1. An up to date list of Approved Brokers is available on request from Sanderson.

### *3. Rates and Use of Commission*

Sanderson does not share, directly or indirectly, in any of the revenues generated by Client brokerage transactions. Additionally, Sanderson does not use brokerage commissions to pay for research or any services other than trade execution. These other services are paid for by Sanderson out of its own financial resources.

Commission rates for Sanderson's Approved Brokers will vary dependent on the type of brokerage arrangements being used to execute transactions on behalf of Sanderson's Clients. Rates of commission may also reflect the varying commission schedules in effect in different global markets.

Commission rates are generally subject to periodic reappraisal and careful monitoring and renegotiation to ensure that they remain competitive.

### *4. Termination and Suspension of Approved Brokers*

In the event that Sanderson believes that there is a significant deterioration in (a) the quality of service offered by an Approved Broker, or (b) market confidence in an Approved Broker, or there is another issue of a similar nature and magnitude, Sanderson will likely suspend trading with the Approved Broker until it is satisfied that suitable action has been taken to correct the issue at hand.

Sanderson may, in its sole discretion, terminate the relationship with an Approved Broker at any time. This will likely occur if Sanderson believes that: (i) there is an issue with an Approved Broker that is so significant that it is not capable of being corrected; (ii) an issue with an Approved Broker has not been suitably corrected within a reasonable timeframe; (iii) an issue is one of a number of issues that has impacted the quality of services over an unacceptably short period of time; or (iv) Sanderson is looking to replace an Approved Broker with another broker that it believes will better serve the interests of its Clients.

### *5. Brokerage Arrangements and Transaction Types*

Once a decision to trade has been made and appropriately authorised by Sanderson's Implementation Committee, the Administration Team will calculate the number of shares needed to be bought/sold for each Client and create a trade file for import into our investment accounting and order management system. The pending trade information is then reviewed by a second Administration Team member and a Senior Manager, before it passes onto our trade blotter. At this point, the trade details are also run through our pre-trade compliance checks, to ensure that the trade will not create any investment guideline breaches or other similar transgressions. At this point, an Approved Broker will be selected by a member of Sanderson's Dealing Group based on the qualitative and quantitative factors as outlined above.

Sanderson executes transactions with Approved Brokers on behalf of its Clients using various brokerage arrangements and transaction types. Details of some of these are set out below:

- Day to day broker arrangements. In implementing investment decisions and for other routine trading activity, Approved Brokers ordinarily execute Sanderson's trades on an agency or riskless principal basis. Sanderson prefers to use natural market flow to facilitate trades and will, as appropriate, use price and participation limits to minimise market impact.
- Program trade arrangements. To facilitate subscriptions into and redemptions from its privately offered commingled funds and separate accounts and to minimise liquidity risks to its Clients, Sanderson may execute program trades. Program trades involve directing an Approved Broker to trade a large number of securities at a specific point in the day (for example, at market open or close) or over the course of part or all of the trading day.

- Internal cross transactions. Subject to ERISA or other applicable laws, to reduce transaction costs, rebalance Client portfolios or for other reasons, Sanderson may cause a Client account to enter into cross transactions directly with other Client accounts for which Sanderson also acts as a discretionary investment manager. Please refer to Sanderson's Cross Trading Policy for further information.
- Order aggregation. When Sanderson determines that it would be appropriate for more than one Client to participate in an investment opportunity, Sanderson seeks to execute orders for all of the participating Clients on an equitable basis. If Sanderson has determined to invest at the same time for more than one Client, Sanderson may place combined orders for all such Clients simultaneously and, if any order is not filled at the same price, Sanderson will average the prices paid. Similarly, if an order is placed on behalf of more than one Client and the order cannot be fully executed under the prevailing market conditions, Sanderson may allocate the trade execution among different Clients on a basis that it considers equitable.

Equitable allocation is normally achieved by pro-rating actual trade executions among Clients in accordance with the total number of shares outstanding on each Client's order and rounding such executions to reflect minimum trading sizes, minimum allocations necessary to avoid undue costs being realised by clients (such as transaction and foreign exchange costs resulting from smaller allocations) and efficiencies inherent in trade reporting. Where Sanderson elects to participate in initial public or secondary offerings, governmental privatisations or other similar events, all allocations are done on a strict pro rata basis, taking into account minimum trading sizes and other regulatory restrictions.

In accordance with applicable regulations and as outlined above, Sanderson is required to formally state that situations may occur where a Client could be disadvantaged because they participated in an aggregate order. Please refer to Sanderson's Allocation Policy for further information.

#### 6. *Directed Brokerage and Specific Client Instructions*

Sanderson's investment programme is based upon one strategy, which is implemented across all Sanderson's Client's. As such, Sanderson does not participate in directed brokerage arrangements or accept specific instructions from investors in relation to trade execution.

#### 7. *Execution Monitoring and Review*

Sanderson actively monitors and reviews compliance with this Policy, to ensure that it is obtaining best execution in relation to the securities transactions that it carries out on behalf of its Clients. Sanderson does this by:

- Intra-day/intra-trade monitoring. Sanderson's dealers can use Sanderson's OMS to monitor live trades at the individual fill level, including the price and the trading venue used. They are able to compare the information provided to them by the broker with information obtained from other sources e.g. Bloomberg and Factset. Maintaining a close relationship with a small pool of Approved Brokers means that lines of communication with key broker contacts are always open, allowing Sanderson to respond quickly to relevant changes, such as sudden price movements or a desire to raise participation.
- Post-trade monitoring. Sanderson's Approved Brokers typically provide a short write up or analysis for live trades at the end of each trading day, with a more detailed analysis at the end of the ticket. These analyses will be reviewed by a member of Sanderson's Dealing Group, ordinarily on a next business day basis, by comparing the data provided by the broker with other independent sources. The use of a primary brokerage counterparty means that this review can normally take a standardised format.
- Approved Broker performance monitoring. Using the monitoring elements described above, Sanderson monitors the firm's Approved Brokers and the execution services they provide on an ongoing basis and across different trades, to ensure that their performance is consistent with the duty of best execution. The performance of Sanderson's Approved Brokers is discussed between the

members of Sanderson's Dealing Group, including at their regular meetings and qualitative notes are maintained on a monthly basis.

- Third party transaction cost analysis ("TCA"). Sanderson has spent some time considering the merits of third party TCA and how to make it a useful part of Sanderson's procedures for achieving best execution. Sanderson obtains regular reports from a leading TCA provider (LiquidMetrix) and reviews these in order to support its own TCA analysis.

## **E. FORWARD FOREIGN EXCHANGE TRANSACTIONS**

### *1. Introduction*

In accordance with its specified investment strategy, Sanderson may actively manage its Clients' currency risk through the use of forward currency contracts.

### *2. Method of Execution*

In the event that Sanderson determines that it would be in its Clients' best interest to execute forward currency contracts, these contracts will ordinarily be executed directly with the counterparty custodian for that Client, which is Northern Trust in the case of Sanderson's privately offered commingled funds. No collateral is obtained from the counterparty custodian.

In the case of Sanderson's privately offered commingled funds and in an effort to reduce counterparty risk, Sanderson has entered into a master netting agreement with Northern Trust. Where unrealised gains exceed a given amount, Sanderson may close out a specific contract, restate the positions at the close out price, pay an interest rate charge and bring gains forward in cash.

### *3. Price Formation*

Forward currency contracts are executed in two phases. First, a spot foreign exchange transaction is executed. Sanderson will first establish the market price of the given currency pair before contacting the counterparty custodian. Smaller forwards may be executed immediately by Sanderson using the counterparty custodian's foreign exchange desk. Some forwards, however, may be for larger amounts.

Given the size of the transactions being undertaken, Sanderson may direct the counterparty custodian's foreign exchange trading desk to "work" these larger orders in the market. This can take several hours so as to seek to avoid disturbing market prices. A "points" adjustment is traded in substantially the same manner.

A "points" adjustment is the amount by which a spot rate is revised to take into account the time delay for delivery of the foreign exchange and generally represents the difference in the bilateral interest rates of two currency pairs. Sanderson may execute forward contracts over three, six, nine or twelve months, amongst other time periods. Market liquidity is a significant factor in determining the length of the forward contracts as points adjustments can become expensive during times of market turmoil or where significant concerns exist over the strength of market counterparties.

### *4. Execution Factors and Assessing Execution Quality*

Some general commentary on how Sanderson views the relative importance of different Execution Factors is provided above. However, in relation to foreign exchange forwards and as these are traded off exchange directly with counterparties, Sanderson will generally place the highest priority on total consideration, this being the combination of price and costs associated with dealing. Sanderson is able to assess the prices offered against other live sources to ensure that best execution is achieved.

## **F. REPORTING AND POLICY REVIEW**

Sanderson will regularly, and at least annually (or otherwise at such time as there is a material change that affects Sanderson's ability to obtain the best possible result for the execution of Client orders), review this Policy and its order execution arrangements. Sanderson provides a copy of this Policy to all its investors on at least an annual basis. Additional copies can be provided to investors at any time on request.

Sanderson currently provides all its investors with detailed information on sources of commissions. This report is provided to investors on a six monthly basis and states both the year-to-date value for the relevant Client and a breakdown of amount by Approved Broker. The commissions incurred on cross transactions are included within the information set out in the report.

A copy of this Policy is posted on Sanderson's website ([www.sandersonam.com](http://www.sandersonam.com)).

## **Appendix 1**

### **List of Approved Brokers**

- CLSA
- Instinet
- Liquidnet
- Tourmaline
- Virtu

**Correct as at: February 2023**