



MARTIN CURRIE

# EXECUTION POLICY

NOVEMBER 2020



## OVERVIEW

Martin Currie are active equity specialists, crafting high-conviction portfolios for client-focused solutions. Investment excellence is at the heart of our business.

This policy document sets out the approach we take in order to ensure we take all sufficient steps to obtain best execution on behalf of our clients. It forms part of our obligations in accordance with the Markets in Financial Instruments Directive (MiFID) and the Financial Conduct Authority's (FCA) Conduct of Business Sourcebook (COBS) chapter 11.

Included in the scope of this policy is the execution of all trades, in all financial instruments, undertaken by Martin Currie's trading team on behalf of a client. This policy covers all clients of Martin Currie Investment Management Ltd (MCIM), Martin Currie Inc. (MCI) and Legg Mason Asset Management Singapore (LMAMS), collectively referred to as 'Martin Currie' or 'we' throughout this document. This policy applies to all Martin Currie clients categorised as Professional Clients, as defined in the FCA Handbook.

## MARTIN CURRIE'S BEST EXECUTION OBLIGATION

Best execution is the term used to describe the obligation investment firms have to obtain the best outcome for clients when executing trades on their behalf. Best execution does not necessarily apply to individual transactions, nor does it mean that a better price or terms could not have been obtained. It is a process by which Martin Currie takes all sufficient steps to achieve the best results for our clients on an ongoing basis, taking into consideration all applicable regulatory requirements to which it is subject.

Martin Currie executes transactions through its trading teams in Edinburgh and Singapore. All orders executed through both desks will adhere to this policy.

## ORDER EXECUTION

The principal service we provide to our clients is portfolio management. This involves the execution of investment decisions. Martin Currie will always execute client orders as agent. Execution can mean both placement through a broker or direct execution on a venue.

We consider various execution factors in order to provide the best possible result for our clients on a consistent basis. These factors include, but are not limited to:

- price
- costs (implicit and explicit)
- speed, or likely speed, of execution
- information from the market on order flow
- liquidity (including any volume limits recommended by the product manager)
- likelihood of execution
- efficiency of settlement
- size of order
- the nature of the order
- volatility
- the financial status, responsibility and solvency of the counterparty
- any other consideration relevant to the execution of the order.

The relative importance of the execution factors listed above will vary depending upon the following criteria:

- the characteristics of the financial instruments to which the order relates
- the portfolio manager's objectives
- the characteristics of the client, including categorisation
- the characteristics of the execution venues to which the order can be directed.

## AGGREGATION OF CLIENT ORDERS

Where we receive orders to trade in the same stock, in the same direction and with identical instructions for multiple clients, whether prior to the market open or simultaneously during market hours, then these orders are normally aggregated, assuming this is permitted under local exchange rules.

Our policy is to pro-rate on all trades relative to the intended allocation, where permitted, allocating where applicable to the nearest board lot size, unless the allocation is so small it is not viable and it is not in the client's interest to receive an allocation.

## CROSS TRADES

When we have an order where one or more client accounts are buying and one or more client accounts are selling, we may look to execute an agency cross transaction through a broker at a fair market price, seeking best execution. We will only execute such a transaction when it is permitted by both applicable law and client restrictions, and when it is in the best interests of all clients involved in the transaction.

## BROKER AND VENUE SELECTION

We use one or more of the following venue types when executing an order on behalf of our clients – see Appendix I for further definition:

- a regulated market, more commonly referred to as an exchange
- a Multilateral Trading Facility (MTF)
- an Organised Trading Facility (OTF)
- a Systematic Internaliser (SI)
- a third-party investment firm (a 'broker').

The most appropriate broker and/or venue are considered on an order-by-order basis. No approved broker or venue is an affiliate of Martin Currie and we do not receive any form of rebate, allowance, discount or refund from commission paid to a broker or execution venue. The list of all approved brokers and the venues used, in all asset classes, can be found in Appendix II.

From time to time, Martin Currie will trade away from a trading venue. The primary examples of this are when we execute with an SI or 'Over the Counter' (OTC).

We have robust controls in place to ensure that broker or venue selection is not influenced in any way by inducements. All amendments to the approved broker list are authorised by the Execution Committee. A strict take-on process is adhered to with a full risk analysis undertaken before any new broker is added. The analysis includes an assessment and understanding of the broker's:

- execution quality;
- financial strength
- operational risks
- reputation, including any regulatory breaches
- terms of business
- execution policy.

Once approved, all brokers are subject to regular reviews.

Our selection of execution brokers is agnostic to our selection of research providers. This is an important factor in meeting our obligation to ensure best execution for our clients.

## COMMISSION

We have established a standard execution-only rate, by country and by trading strategy (high-touch, algorithmic or programme trading), with all our brokers. These are maximum rates we pay for agency trades. These are reviewed at least annually and overseen by the Execution Committee. We reserve the right to negotiate a lower execution rate on any trade where we feel it is reasonably justified and, in the client's, best interests.

On occasions, we may enter into a risk / principal trade where the commission rate is typically higher. These are agreed on a case by case basis and will only be entered into in pursuit of best execution and where it is in the client's best interests to do so. Such rates receive monthly oversight by Compliance.

## EXECUTION PROCESS BY ASSET CLASS

We primarily manage equities on behalf of our clients. On occasion, certain clients will transact in collective investment schemes and corporate bonds for investment purposes and derivatives for risk management and yield enhancing purposes. In addition, we will transact in fixed income and money-market instruments for liquidity management, and foreign exchange for cash management and hedging purposes. The process by which we deliver best execution to our clients will differ by asset class, as will the importance we assign to the execution factors.

### Equities

Equity orders – including the underlying hedge of a derivative such as a Contract for Difference (CFD) – are generally placed with approved brokers who, in turn, will execute on regulated markets, through MTFs or with SIs. In determining the appropriate execution venue and method of trading, we will consider the reason for the order, the size of the order relative to liquidity, together with any specific instructions of the portfolio manager (including limit price). While price will normally be the most important factor, the likelihood of execution and market impact may on occasions have greater relevance.

We employ a variety of execution strategies, depending on the specific nature of the order. Examples include high-touch, programme trading and algorithmic trading. The algorithm providers we use can be found in Appendix II. Which strategy to deploy and which broker or venue to use is determined on an order-by-order basis by the trading team and is done by

considering the execution factors and deciding on which execution strategy we believe can achieve the best result. Our aim is to execute in the most efficient and effective manner for our clients. Naturally, this means keeping costs, whether explicit or implicit, to a minimum.

For certain clients, we may use equity-like instruments (for example, CFDs or low-exercise-price warrants), some of which may be deemed OTC to gain equity exposure in specific markets. On occasions, we may only have access to one execution venue or broker. In these instances, we would validate the price at which we are trading at, with an independent pricing source.

### **Corporate Bonds, Fixed income and Money Market Instruments**

Orders for corporate bonds are executed through brokers either on a risk/principal basis or placed with the broker as an agency order. Price and/or yield and the likelihood of execution will be the most important factors we take into consideration. Additional factors are considered where there is no live price freely available, or where our data vendor's price is considered indicative rather than firm and executable. Where this is the case, we will obtain a quote from a minimum of two sources, if available, one of which may be an indicative on-screen price.

### **Exchange Traded Derivatives**

Orders for exchange-traded derivatives are executed through approved derivative brokers (listed in Appendix II). The price and the likelihood of execution will normally be the most important factors. Where we can execute the given size, using the size quoted on an exchange, we will normally place the trade in this manner. Otherwise, we will look to get a minimum of two competitive risk prices from brokers and execute based on the best price.

### **Collective Investment Schemes**

Orders in collective investment schemes are executed at the next available price after the traders receive the order. We would normally execute through the administrator or issuer of the scheme at the next available Net Asset Value (NAV).

### **Foreign Exchange**

We actively monitor the requirement to execute foreign-exchange (FX) transactions to repatriate non-base currency, for most of our clients, daily. Projected currency balances resulting from trading activity, cash flows and corporate actions are executed accordingly to or from the base currency.

Where a client permits the use of third parties, we conduct FX transactions via an electronic trading platform with approved banks. Trades are released for competition with all our approved banks, which allows for greater price discovery. We will normally execute at the best price.

Examples of when we may not choose price as the most important factor include trading with a specific bank or custodian for settlement capability, credit worthiness, timely trading or the ability to trade in size. For larger, more sensitive orders, a single bank may be selected to reduce information leakage. For such transactions, we would select a bank using our discretion, considering historic Transaction Cost Analysis (TCA) for that particular currency pair.

Where a client does not permit the use of third-party banks for FX transactions, we can only place orders with the client's appointed custodian bank or Prime Broker (PB). In such circumstances, we would ensure the price is validated against an indicative on-screen price from our data vendor.

Certain FX transactions, such as share class hedging, are generally outsourced by the client to a third party of their choice. Martin Currie will retain oversight of the rates achieved and ensure they adhere to the terms of the outsourcing agreement. These may not always be best execution in terms of price.

### **Securities Financing Transactions (SFTs)**

Stock-borrow transactions are executed through a client's Prime Broker. The price, size and stability of the stock borrow will be the most important factors. Where an improved execution can be obtained away from the client's PB, we will arrange a put through transaction, whereby the stock borrow is passed through to the client's PB at rates agreed with another broker.

## EXCEPTIONS

In certain circumstances, Martin Currie may deviate from this policy or its normal processes. Examples of this include:

- Where there are special market circumstances at play. Examples are extreme market volatility, disruptions in order systems, power outages and other emergencies outside of the control of Martin Currie.
- Where there is a specific client instruction, we will execute that order following that specific instruction. This may prevent Martin Currie from obtaining the best possible results for the execution of that order.

## MONITORING & GOVERNANCE

We continuously monitor the effectiveness of our execution arrangements and review our execution factors and venues to ensure they remain adequate to deliver the best possible result for our clients.

Monitoring is conducted 'real time' by the trading team to ensure the best execution process has been followed in order to attain the best possible outcome. Portfolio managers will normally be consulted to ensure the outcome meets their expectations. Both the Trading Team and Compliance will regularly monitor execution quality, using a range of quantitative and qualitative data including TCA from a third-party provider.

Where monitoring identifies deficiencies or suboptimal outcomes, appropriate steps will be taken to correct these. Any deficiencies with brokers will be dealt with immediately and could result with them being removed, or temporarily suspended from the approved broker list. Any changes to the execution process could take the form of new technology, changes to trading procedures or access to new

execution venues. All of this is overseen by the Head of Trading and escalated to the Compliance Team and/or the Execution Committee as appropriate.

The Execution Committee is responsible for the oversight of the execution quality obtained by the Trading Team. They meet at least quarterly.

## TOP 5 VENUES PUBLICATION

On an annual basis, we are required to make public, the top five execution venues where we execute orders, and the top five brokers to whom we transmit orders for execution, in terms of trading volumes, for each class of financial instrument in the preceding calendar year. This is published annually on our website by 30 April each year and includes a summary of our monitoring on the quality of execution obtained.

## REVIEW

This policy and supporting procedures and arrangements will be reviewed at least annually or more frequently should one of the events listed below occur. Clients will be notified promptly of any significant changes to order- execution arrangements or this policy. Events that may trigger a review of the policy include:

- regulatory change
- a material change to execution arrangements
- a material change affecting our ability to obtain the best possible result for the execution of our clients' orders on a consistent basis
- feedback from our clients, investors or prospects
- emerging industry best practice
- change to internal roles and responsibilities
- procedure, policy or process failure.

## APPENDIX I – DEFINED TERMS AND GLOSSARY

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Agency Order	An order to buy or sell that a broker executes with another investor.
Algorithmic trading	A means of executing client orders via a broker's smart order router which facilitates decision making in the equity markets using advanced mathematical tools.
Collective Investment Scheme	Often referred to as a 'pooled investment'; a fund that several investors contribute to.
Contract for Difference (CFD)	A contract between an investor and an investment bank whereby at the end of the contract, the parties exchange the monetary difference between the opening and closing consideration of a specified financial instrument.
Execution Committee	Martin Currie internal group who are responsible for the ongoing oversight of execution quality (to the extent required by regulation) and Counterparty risk.
Explicit Cost	Clearly stated trading costs such as commission or taxes.
Financial Conduct Authority (FCA)	The UK financial services regulator.
High-touch orders	A single trade placed through a dedicated person at a broker who will provide liquidity or work an order on an agency basis.
Implicit Cost	Inferred or embedded cost such as market impact, spread and opportunity cost.
Low Exercise Price Warrant	Instruments issued by brokers to overseas investors who retain the exposure to the underlying security.
MiFID II	The Markets in Financial Instruments Directive 2004/39/EC2014/65/EU is a European Union directive intended to enhance the single market for investment services and financial markets in all European Economic Area jurisdictions.
Multilateral Trading Facility (MTF)	A system which brings together multiple third-party buying & selling interests in financial instruments (in the system and in accordance with non-discretionary rules) in a way that results in a contract in accordance with the provisions of MiFID II.
Organised Trading Facility (OTF)	A new category of venue under MiFID II, alongside the existing categories of regulated markets and MTFs. OTFs will only be able to trade non-equity instruments.
Over the Counter (OTC)	A transaction in an instrument executed off-exchange. It can be less transparent and subject to fewer regulations.
Professional Client	Clients who meet the Professional Client criteria set out in MiFID II, including credit institutions, investment firms, pension funds and their management companies, and other institutional investors. Certain retail clients may also qualify for professional status if they meet specific criteria. Professional Clients are considered to possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur.

## APPENDIX 1 (cont.) – DEFINED TERMS AND GLOSSARY

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Programme Trade	A single order trade for multiple securities placed through a broker at a reduced commission rate.
Regulated market (RM)	A multilateral system operated and/or managed by a market operator, which brings together or facilitates multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of MiFID II.
Risk/principal basis	A transaction whereby the broker uses their own capital to facilitate a trade.
Securities Financing Transaction (SFT)	An instance of stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
Smart Order Routing	A rule-based automated mechanism for selecting the most appropriate destination for trading orders.
Systematic Internaliser (SI)	An investment firm which, on an organised, frequent and systematic basis, deals on its own account by executing client orders outside a regulated market, OTF or MTF.
Transaction Cost Analysis (TCA)	A method for determining the effectiveness, and implicit cost, of portfolio transactions.

## APPENDIX 2

### Equity Execution Brokers

ABG Sundal Collier ASA  
Citigroup Global Markets Limited  
CLSA (UK)  
Credit Suisse Securities (Europe) Limited  
Daiwa Capital Markets Europe Limited  
Exane S.A.  
Goldman Sachs International  
HSBC Bank plc  
Instinet Europe Limited  
Investec Bank plc  
J.P. Morgan Securities plc  
Jefferies international Limited  
Kepler Cheuvreux  
Liquidnet Europe Limited  
Loop Capital Markets LLC  
Macquarie Capital (Europe) Limited  
Maybank Kim Eng Securities  
Merrill Lynch International Limited  
Mizuho International plc  
Morgan Stanley & Co International plc  
MUFG Securities EMEA plc  
Nordea Bank ABP  
Peel Hunt LLP  
Raymond James Financial International Limited  
Redburn (Europe) Limited  
Robert W. Baird & Co. Incorporated  
Samsung Securities Co. Limited  
Sanford C. Bernstein Limited  
Société Générale  
UBS AG, London Branch  
Virtu ITG Europe Limited

### CFD Providers

UBS AG, London Branch

### Algorithm Trading providers

Credit Suisse Securities (Europe) Limited  
Instinet Europe limited  
Jefferies International Limited  
Macquarie Capital (Europe) Limited  
Merrill Lynch International Limited  
UBS AG, London Branch

### Fixed Income and Money Market Brokers

Citigroup Global Markets Limited  
J.P. Morgan Europe Limited  
Peel Hunt LLP  
UBS AG, London Branch

### Exchange Traded Derivatives - Clearing

UBS AG, London Branch

### Exchange Traded Derivatives - Execution

Goldman Sachs International  
Morgan Stanley & Co International plc  
UBS AG, London Branch

### Security Financing Transactions (SFT)

UBS AG, London Branch

### Spot FX – Electronic Trading (MTF)

FX Connect

### Spot FX – Third Party Banks

The Bank of New York Mellon, London Branch  
Canadian Imperial Bank of Commerce, Toronto  
National Australia Bank, Melbourne  
The Northern Trust Company  
State Street Bank and Trust Company

## IMPORTANT INFORMATION

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM') and Martin Currie Inc ('MC Inc'). It does not constitute investment advice.

Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

**Past performance is not a guide to future returns.**

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