

Veritas Asset Management LLP

Order Execution Policy

June 2020

Definition

When undertaking securities transactions Veritas Asset Management LLP (“VAM”) should treat its clients with honesty, fairness and continually act in their best interests. The rules governing best execution for VAM are referenced in COBS 11.2A Best Execution – MiFID Provisions of the FCA Handbook.

Objectives

The Objectives of this Policy are the following:

- Protection of clients’ interests
- Promote the achievement of best possible value for clients in executing orders
- Have in place established relationships and procedures with counterparties who can best support trade execution needs
- Ensure appropriate review and assessment of market place and trade opportunities
- Avoidance of conflicts of interests

Scope

This policy applies to Veritas Asset Management LLP and its subsidiary Veritas Asset Management (Asia) Limited.

Systematic Internaliser

MiFID defines a Systematic Internaliser as an investment firm which, on an organised, frequent systematic and substantial basis, deals on its own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system. VAM will not operate as a Systematic Internaliser at any time.

Order execution guidelines

The following guidelines for Order Execution represent the minimum best practice that should be in place where physical and derivative securities’ trading is undertaken on behalf of clients.

1. Counterparty selection process in place

Veritas has in place appropriate procedures by which counterparties are reviewed and approved with whom they enter into transaction. This takes into account qualitative factors of the counterparty and is also guided by Veritas’ counterparty risk exposures. When selecting the Counterparty, the desk will take into account the venue, price and liquidity available on the security. In addition, The Dealer will always consider the full range and quality of a broker’s service when placing an order including the executing broker’s execution capability, financial responsibility, and the brokers responsiveness amongst all other factors detailed under Best Execution below. The Dealer will document the reason for counterparty selection at the point of placing each individual trade.

At no point should dealing be directed by the Fund Manager.

2. Multiple Venues contacted for quotes

From the approved list of counterparties, traders should ensure that counterparties access all suitable venues (exchanges and dark pools) to provide the most competitive quote on the market on our behalf. It is expected that 3 prices will be available. The counterparties access these venues using a Smart Order Router and proprietary algorithms, primarily for Best Execution but also for anti-gaming and liquidity seeking. In situations where there is limited market liquidity for a particular security, then less than 3 prices may be available. All justifications should be kept and recorded for all decisions in both cases.

3. Client Directed Execution

In any arrangement whereby it is required or directed by the Client that Veritas use a specific counterparty(ies) in the execution of trades on behalf of that client(s) then the requirements of this policy do not apply. In all cases when execution is directed by the Client then evidence of this direction should be maintained by Compliance. It is to be noted that any specific instructions from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

Best Execution

VAM has established and implemented effective arrangements for complying with the obligation to take all sufficient steps to obtain the best possible result for its clients. When executing orders, VAMLLP will always take into account the following execution factors:

- price
- costs
- speed
- likelihood of execution and settlement;
- size
- nature; or
- any other consideration relevant to the execution of an order

When executing a client order, VAMLLP will always consider the following criteria for determining the relative importance of the execution factors above:

- the characteristics of the client order
- the characteristics of financial instruments that are the subject of that order
- the characteristics of the execution venues to which that order can be directed; and
- the objectives, investment policy and risks specific to the UCITS scheme or EEA UCITS scheme, as indicated in its prospectus or instrument constituting the fund

Transaction Cost Analysis

VAM makes use of Bloomberg's Transaction Cost Analysis ("BTCA") to carry out evidencing of Best Execution. BTCA data is used to monitor all executions daily, with monthly reporting to the Chief Operating Officer, and formally reviewed on a quarterly basis by the Counterparty Committee. Client specific reports can be produced on an ad-hoc basis. In addition, Compliance undertakes independent surveillance and monitoring which is formally reported in the quarterly Compliance Committee.

Disclosure – Best Execution Quality

VAM will provide information that is consistent with RTS 28 on an annual basis. As RTS 28 doesn't directly apply to VAM, Article 65(6) of the Delegated Regulation states "The information shall be consistent with the information published in accordance with the technical standards developed under Article 27(10)(b) of Directive 2014/65/EU". The information shall include the top 5 venues of execution by asset class.

Monitoring Obligations

VAM will monitor the effectiveness of the order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, VAM will assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client or whether it needs to make changes to its execution arrangements. This will include, but is not limited to, venue and counterparty RTS 28 publications and venue toxicity. This will be formally presented in the quarterly Counterparty Committee.

Cross Trading

Cross Trades include all activity where VAM LLP enters into a transaction which comprises of a buy and sell in the same security at the same time on behalf of different underlying clients with the same broker or counterparty. Any potential Cross Trades are notified to Compliance and the Trader prior to execution, and reported by the Trader post trade to Compliance. There is the potential for VAM LLP to enter into a transaction that may be construed as a cross trade when a transaction is inadvertently traded simultaneously in the market. Where VAM LLP have a buy and sell in the same security, and the transaction is executed in parallel, VAM LLP has an obligation to prove Best-Execution to its clients. VAM LLP shall cross buys and sells in the middle of the spread at independent current market prices to ensure both parties to the transaction are treated in a fair and equitable way, subject to the below restrictions. Where applicable and required, Cross Trades shall be notified to the parties within a reasonable timeframe.

Where VAM are deemed to be a beneficial owner of any account, by virtue of an any officers, principals or directors of VAM owning more than 5% of the account, these accounts cannot be included in any cross trade between other accounts managed by VAM. Furthermore, where an account is subject to Rule Section 17(a) of the Investment Company Act of 1940 Act' (the '1940 Act'), or the Employee Retirement Income Security Act of 1974 (ERISA), Cross-Trading activity may not be permitted. Should a cross trade occur which resulted in a working balance and the above accounts were excluded, the excluded accounts can join the resultant aggregated order on a pro-rata basis. All cross trades must be executed at the independent current market price of the security and will not reference end of day prices.

Telephone Recording

VAM has a regulatory obligation in line with FCA SYSC 10A.1.10 to record telephone and electronic communications which involve the receipt and transmission of orders. Furthermore, telephone conversations between VAM and its clients that result or may result in activities in relevant financial instruments, will be recorded and retained in accordance with VAM's Recordkeeping policy.