



# **BEST EXECUTION & ORDER HANDLING EXECUTION POLICY AND PROCEDURE**

## *Equities strategy*

Alken Asset Management Ltd

**Effective Date:** January 2023

### **Revision History**

The Best Execution Policy is reviewed at least annually as well as if a material change occurs and which would affect the ability to continue to obtain the best possible result for the execution of orders on a consistent basis (e.g.: changes to top five brokers; changes to instruments in scope of this Policy and changes to the importance of the execution factors). The Policy was last reviewed in January 2023 in order to be aligned with MiFID II.

### **Regulatory Requirements**

This document explains Alken Asset Management Ltd (« Alken » or « the Firm ») best execution policy and is drafted in accordance with the regulatory requirements set out in the Markets in Financial Instruments Directive 2014/65/EU and related secondary and implementing legislation, including without limitation the MiFID II Delegated Regulation 2017/565 (“MiFID II”), Chapter 11 of the Financial Conduct Authority’s (“FCA”) Conduct of Business Sourcebook (“COBS 11”) and the FCA’s Principles for Business (“PRIN”). All terms used by this policy are defined in accordance with the FCA Handbook and COBS 11.

Aside from the specific rules, Alken always endeavours to act honestly, fairly and professionally in accordance with the best interest of its clients.

Relevant FCA rules	COBS 11.2
Relevant MiFID II provisions	MiFID II: Recitals 91-98, Article 27, Delegated Regulations Articles 64-66, Regulatory Technical Standards 27, 28 (ESMA)
Summary of rules	<p>Alken is required to take all sufficient steps to obtain the best possible result for its clients when it executes, places or transmits orders on their behalf, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (referred to as the ‘execution factors’).</p> <p>Alken is required to establish an Order Execution Policy for each class of financial instrument traded and to obtain client consent to this policy.</p>

## 1. Overview

### Scope

This document describes the policy and procedures adopted by Alken in order to ensure it meets its regulatory obligations regarding best execution. Best execution is owed to Professional clients only, both elective and non-elective. Alken only treats with professional clients.

The policy describes how Alken seeks to achieve best execution for its clients and includes the following information:

- The Firm's approach to best execution and order handling process
- The different execution venues on which Alken places significant reliance in meeting its obligation to take all sufficient steps to seek to achieve on a consistent basis the best possible result for the execution of client orders
- The critical factors that affect the approach to client order execution and the relative importance that the Firm gives to these execution factors
- The Firm's approach to monitoring its execution arrangements

### Activities

Alken owes a duty to obtain the best execution result for its clients and therefore the policy applies to the following scenarios:

- when Alken Asset Management Ltd provides the service of portfolio management and executes or places orders with third parties for execution that results from Alken's decision to deal in financial instruments on behalf of its clients; or
- when Alken Asset Management Ltd receives an order and transmits it to another entity for execution.

Where a duty of best execution is owed Alken will take all sufficient steps to obtain the best possible result for its clients, taking into account the execution factors set out below.

## 2. Execution factors

When taking all sufficient steps to obtain the best possible execution results for its clients, Alken applies different execution methodologies depending on the situation: from the portfolio managers' instructions, to the different market trends, liquidity of the security at stake or volumes involved.

The overall driver for Alken is to obtain the best possible result for the client on a consistent basis.

When deciding how and where to execute client orders, Alken takes into account a range of factors, including, but not limited to:

- Price;
- Cost or commissions of execution;
- Timing and speed of execution (e.g.: when is the optimal time to execute the order);
- The likelihood of execution, clearance and settlement;
- The current liquidity for the relevant instrument;
- The size and nature of the order (e.g.: considerations are given to who placed the order, the type of instrument, the cause of the order such as reallocation or asset flow in client portfolio), whether there are any instructions from the order given with respect to price limits or time of execution);
- Expected market impact of the transaction;
- Minimizing information linkage;
- Execution capability (which may depend on the market conditions; the size of the order; the stock liquidity; the stock volatility and the geographic area);
- Financial status and responsibility of the counterparty;
- Responsiveness of the broker or venue;

- The quality and efficiency of the settlement process post execution;
- Other appropriate factors such as the broker's willingness to commit capital and the availability of external venues for the order or a particular product.

When determining the relative importance of the execution factors outlined above, the Firm must do so by taking into account:

- the client it is acting for (including its categorization);
- the characteristics of the order, including where the order involves a Securities Financing Transaction;
- the financial instruments involved; and
- the execution venues to which that order could be directed.

In addition, although different execution strategies are used on a trade-by-trade basis (depending on factors such as market conditions, liquidity, investment strategy and client guidelines), the ranking of the execution factors will often be determined by investment objectives for the strategy, the type of product to be traded, the rationale for the trade (e.g.: cash flow or change in analyst view) and other appropriate considerations.

Nevertheless, if the Firm was to give a prioritization, this one would be as follows: price, costs, speed, likelihood of execution and settlement, size, market impact and price risks and nature of the order.

### **3. Key points to note in respect of Alken's best execution policy and procedures**

#### *3.1 Instruments traded*

Alken mostly trades in listed equities and bonds.

#### *3.2 Alken*

Alken Asset Management Ltd is an FCA regulated firm that among other things provides execution services and is committed to providing best execution at all times.

#### *3.3 Nature of funds and investment strategy*

It is noteworthy to bear in mind that Alken is vested in names that are not being on the radar of everyone else (i.e.: poorly covered by sell-side for example). More precisely, Alken's investment strategy involves some concentration and a commitment approach to investing. As such, in some instances price may not be the prime consideration in the selection of venue/broker for a particular trade. Therefore, although Alken has got all the available tools and has an open-minded approach considering the factors listed above in determining the most appropriate venue/broker, the emphasis will most often be on qualitative factors such as the ability of the venue/broker to fulfil an order, the minimisation of market impact and the minimisation of the potential for "tipping the market".

The procedure below sets out how Alken ensures the consistent achievement of best execution having regard to the above considerations.

#### *3.4 The order handling process*

The nature of the order will be a key driver in the execution of the order. There are two overall types of orders: the ones deriving from investment decisions and the ones deriving from flow driven orders.

##### Orders deriving from investment decisions

Those are about reallocating existing holdings or adding new holdings to the portfolios. Those orders are likely to be lined and conditional upon the market exposure, cash restrictions or time zones. In general, those orders will focus on minimizing the slippage to the chosen benchmark. The person in charge of the execution may therefore react on liquidity opportunities.

##### Flow driven orders

Those are resulting from flows in client portfolios. Those are usually traded as close as possible to the MOC time-strike, making the execution factors of speed and likelihood of execution of greater relative importance.

## 4. Procedure

### 4.1 Approved brokers

The Firm maintains a panel of approved brokers/venues to whom it can direct orders. This panel is maintained and reviewed by the Firm's Best Execution and Broker Review Committee, which meets on a semi-annual basis to consider matters relating to Best Execution (see below for more detail).

The Firm's can only direct orders to venues/brokers on the Firm's approved broker list. Any request to use a venue/broker from outside the Firm's approved broker list must be approved by Compliance and by the Firm's investment team. Such requests are expected to be made very infrequently and must be supported by a clear rationale setting out why the proposed venue/broker is likely to provide better execution than comparable venues/brokers from the Firm's approved broker panel.

### 4.2 From investment decisions to the execution

Investment decisions are made by Alken's portfolio managers, on the basis of research, analysis and consideration of the objectives of each fund the Firm manages. Once portfolio managers make an investment decision, the person in charge of the execution will then select a specific strategy depending on the order and the PM's instruction. This strategy will be reflected by the selection of a given benchmark. The Compliance tool BTCA will evaluate the performance of the execution against the selected benchmark.

### 4.3 Selection of venue/broker – relevant execution factors

#### **Selection of trading and execution venues**

Under MiFID II, the term "trading venue" is used to describe:

- A Regulated Market (RM)
- Equivalent third-country markets
- A Multilateral Trading Facility (MTF)
- An Organised Trading Facility (OTF)
- Equivalent third-country facilities/ platforms

Under MiFID II, the term "execution venue" is used to describe:

- Systematic Internalisers;
- Multilateral Trading Facilities (MTFs);
- Organized Trading Facilities (OTFs);
- Regulated Markets;
- Counterparties acting as liquidity providers or market makers (including affiliates dealing as principal)
- An entity that performs a similar function in a non-EEA country to functions performed by any of the foregoing

The selection of the venue/broker to whom an order will be passed is made by the person in charge of the execution on a case-by-case basis, having regard to factors described above, the trader's own knowledge and the experience of the Firm's approved broker panel. Alken will not unfairly discriminate between execution venues or brokers but will make a decision based on a careful consideration of the different factors and any other qualitative factors that may come up in the decision. More precisely, the Firm's will have regard to each of the execution factors listed above determining their relative importance depending on the following circumstances:

- The investment objectives for the strategy;
- The type of product to be traded;

- The rationale for the trade (e.g.: cash flow; change of PM's view);
- The number of securities involved;
- The percentage of average daily volume that the trade represents;
- The available liquidity in a security at the time (e.g.: it may prove difficult to source the relevant liquidity and to find the other side of a trade – sometimes driving Alken to go slightly outside the spread in order to access meaningful liquidity);
- Willingness to execute difficult transactions (as per the above: it will depend on the Alken's willingness to commit capital to facilitate execution on risk trading);
- Block trading capabilities (it will depend on the ability to facilitate blocks);
- Anonymity of the trading (as per the above: it will depend on the way the person in charge of the execution manages the block trading process while still minimizing information leakage); and
- Any other appropriate considerations.

### **Selection of brokers**

In our case and being involved with equity-related transactions, the selection of brokers depends on the below considerations:

- The nature of the transaction and the type of product (e.g.: exchange-traded or OTC equity derivatives);
- The size of the transaction;
- The ability of the trade to be managed through brokers algos
- The proposed terms of a negotiated OTC derivative instrument;
- The counterparty risk;
- Settlement capabilities.

In addition, Alken will consider the following:

- Historic performance: the broker's average execution quality relative to a relevant trading benchmark (its proven added value on the name);
- The competitiveness of commission rates or spreads;
- The promptness of execution;
- The clearance and settlement capabilities;
- The quality of service;
- The willingness to commit capital;
- The creditworthiness;
- The reputation and financial strength (how is the broker publicly perceived and the broker's credit worthiness).

## **5. Governance and oversight**

### *5.1 Best Execution and Broker Review Committee*

Alken has established a Best Execution and Broker Review Committee which meets on a semi-annual basis to assess whether the Firm's panel of execution venues/brokers continues to provide the best possible result for the Firm's clients. As part of this review, the Firm takes into consideration the annually published execution data made available by trading venue operators and other investment firms; qualitative factors such as the promptness of response and overall levels of services as well as quantitative factors such as tick, trade and market data. The Best Execution Committee - comprised of the trading team, the operations team and the compliance team - approves all execution venues (and their terms of engagement). Execution venues may only be added to the list with the consent of the Best Execution Committee and they

will consider factors including but not limited to: credit and counterparty risk; the level of service; and markets covered during their due diligence process and ongoing review.

### *5.2 Compliance monitoring*

Compliance conducts a periodic monitoring of the Firm's adherence to this policy and its resultant achievement of best execution. For this it uses the Bloomberg Transaction Cost Analysis (BTCA) tool which produces daily alerts where a deviation from the chosen benchmark is being flagged. The firm has set up the threshold for flagging those deviations based on the Firm's trading activity and level of risk.

The scope of this monitoring will be further documented in the Compliance Monitoring programme and will typically involve a risk-based review of a sample of trades executed in the relevant period. In conducting this review, compliance will seek to confirm that:

- The venue/broker selected for the trade was within the Firm's approved panel;
- The rationale for the selection of the specific venue/broker was appropriately documented;
- Where review of transaction cost analysis information or other data indicated a potential deviation from best execution in order to determine if the choice of venue essentially was detrimental to the executives – hence the deviation.

The Compliance Team at Alken together with the investment team may determine appropriate steps to manage any potential risks – including the possible removal from the approved list and the termination of the trading strategy.

The results of the overall compliance monitoring of best execution will be considered by the Firm's Best Execution and Broker Review Committee as part of their ongoing oversight of the Firm's approach to best execution.

### *5.3 Policy review*

Alken continually (and formally at least annually) reviews the effectiveness of this policy and its execution arrangements to identify and, where appropriate, incorporate any changes to enhance the quality of execution obtained.

### *5.4 Prohibited practices*

With regards to the selection of brokers, the following are being prohibited:

- Trades may not be directed in return for error corrections by a broker;
- Trades may not be directed in return for suggested preferential treatment in security offerings or placements;
- Trades may not be directed if any conflict of interests which can't be mitigated;
- Trades may not be directed in return for gifts and/or entertainment;
- Receipt of third-party payments or benefits in relation to MiFID II inducement rule;
- Trades may not be directed in return or recognition for client referrals.

## **6. Client communication and consent**

Alken provides its clients with a copy of its Best Execution Policy. Alken shall notify its clients of any material changes to this policy. A change is material where it would affect the best execution parameters and/or its disclosure is necessary to enable clients to make a properly informed decision about whether to continue utilising the services of the Firm.