



Evercore Pan-Asset Capital Management Limited

INTERNAL BEST EXECUTION
POLICY & PROCEDURES

A. Application and Purpose

1 Application

- 1.1** Evercore Pan Asset Capital Management (“the Firm”) will not execute orders for clients but will, in the course of providing the service of portfolio management, place orders with other entities for execution. This policy applies where the Firm places such orders with other entities for execution.
- 1.2** The requirements on the Firm where we place orders with other entities for execution are not intended to require a duplication of effort as to best execution between the Firm and the brokers to whom we transmit our orders for execution.
- 1.3** Adherence to this policy is mandatory and any changes to this policy must be pre-cleared with Compliance.
- 1.4** This policy must be followed for every transaction to which it applies. If you are in doubt about the application of this policy in any circumstance or the extent of the obligation owed, consult the Compliance Officer.

2 Purpose

- 2.1** The Markets in Financial Instruments Directive (“**MiFID**”) and its implementing legislation come into force on 1 November 2007. Amongst other obligations designed to protect the interests of our clients, MiFID requires us when providing the service of portfolio management to comply with the obligation to act in accordance with the best interests of our clients when placing orders with other entities for execution that result from our decisions to deal in financial instruments on behalf of our clients.
- 2.2** This policy sets out the approach we take and the procedure we use in order to comply with the obligation and is one of a series of policies describing how we comply with our MiFID obligations contained in the Compliance Manual.
- 2.3** This policy should be used as guidance on how to achieve Best Execution and sets out our policy on order handling, and aggregation and execution.



B. Our Obligations

1 What is Best Execution?

1.1 In order to comply with the obligation to act in accordance with the best interests of our clients when we place an order with, or transmit an order to, another entity for execution we must take all reasonable steps to obtain the best possible result for our clients taking into account the “execution factors”. The relative importance of these factors must be determined by reference to the execution criteria. Both the execution factors and the execution criteria are listed below.

1.2 We also have a duty to provide clients with certain information covered in this policy, which is contained in this document.

1.3 For retail customers, the best execution result is in terms of total consideration, representing the price of the financial instrument and the costs relating to execution and settlement.

2 When Does Best Execution apply to the Firm’s business?

2.1 When we have placed an order for a client that we have classified as a Retail or Professional Client relating to a MiFID financial instrument and we are arranging transactions (for example, ringing up a broker and placing an order through them, known as “receiving and transmitting orders”).

2.2 When we are arranging transactions (i.e. when we are placing or transmitting orders to other entities for execution), we must act in accordance with the Best Interests of our clients. We are required to take both the execution factors and the execution criteria into account when we act in this way.

3 Arranging Transactions in Client Orders

3.1 When placing orders for clients we must ensure beforehand that our execution venues for these purposes (i.e. the brokers) have appropriate execution arrangements in place to satisfy the Best Execution obligations they incur by executing directly.

4 What are the Execution Factors and the Execution Criteria?

4.1 Price, although important, will not be the only execution factor to take into account. The importance of each execution factor in the execution process will depend on the execution criteria which are the characteristics of the: client, client order, products being bought or sold and execution venue (if there is more than one). The execution factors are:

4.1.1 price;



- 4.1.2 costs of transaction (i.e. the fees charged for executing an order on a particular venue) which are passed on to the client whether directly or indirectly;
- 4.1.3 speed;
- 4.1.4 likelihood of execution (how liquid is the market in the particular product?);
- 4.1.5 likelihood of settlement; and
- 4.1.6 size of order (for large orders, is it better to fill the order at a slightly higher price than to fill only part of the order at a lower price);

AND we must also take into account:

- 4.1.7 any other relevant considerations;
- 4.1.8 whether there are specific client instructions (that override this policy).

5 What are our Execution Venues?

- 5.1 Where we are arranging transactions, we are required to identify in this policy the entities with which we place orders in this way according to each class of MiFID financial instrument.

6 When does Best Execution not apply (Exclusions)?

- 6.1 Best Execution obligations do not apply in the following situations:
 - 6.1.1 where we are following specific instructions from the client on an order. We must, in this case, take all steps necessary to obtain the best possible result for the client to the extent that we execute in accordance with those instructions.
 - 6.1.2 in certain circumstances, where market practice in relation to a particular product or market dictates that it is not legitimate for the client to rely on us to protect its best interests.
 - 6.1.3 if we deal in a product for which there is only one execution venue. In this case we will satisfy our Best Execution obligation by executing through that venue.

7 Use of Broker

The Firm's policy is to use G-trade (ConvergEx), Knight and Barclays Stockbrokers ("the Brokers") as the brokers. The Firm has considered, and will keep under review, the appropriateness of the Brokers. The Firm will endeavour to ensure the Brokers are able to obtain results for clients at least as good as the results that it reasonably could expect from using alternative entities.

a. Selecting the Broker



The Firm will apply the Execution Factors as follows: our priority will be the likelihood of successful execution and settlement, followed by price and cost. Consequently our use of the Brokers is intended to enhance the overall quality of execution in terms of all these factors.

b. Considerations relating to broker/counterparty expertise and illiquid instruments.

The Firm only deals in financial instruments that are readily available and are unlikely to become illiquid. In the event an instrument in question presents obstacles to successful execution due to obscurity, under-researched markets, illiquidity or small capitalisation, the Firm may engage a broker/counterparty with relevant market knowledge and experience for such a transaction. In selecting the appropriate broker/counterparty the priority factor will be their expertise in relation to the instrument in question on the grounds that this will result in the best overall execution in terms of achievement of execution and price. Under these circumstances, the transaction cost – particularly the broker's commission – may not be the most competitive, and as such would be given a lesser overall priority.

c. Considerations relating to commission rates

The Firm's policy on commission rates is quite simply to select the broker/counterparty with the most competitive rates bearing in mind the Execution Factors and Execution Criteria. However, as is made clear elsewhere in this policy, cost of transaction is usually not the highest priority and in some circumstances will be a lowly rated factor, but where there is a direct choice of broker with other factors being equal, the lower commission rated broker will be employed.

By direct extension, where commission can appropriately, without client disadvantage, be avoided altogether, it is our policy to deal in that way.

d. Considerations relating to large transactions

Where a transaction is large in comparison to the normal market size for that instrument, the Firm may use a broker to manage the execution of the transaction, exercising his discretion and expertise. In these circumstances, our priority factor will normally be either the broker's ability to complete the transaction successfully, or to achieve the best practicable market price in relation to the size of the order. Consequently, the costs of transaction in terms of the broker's commission will be attributed a relatively low priority, reflecting the importance of selection of a broker known to be expert at achieving execution in these circumstances.

e. Considerations relating to speed of transactions

When the price of the contemplated instrument is moving quickly, either as a result of news relating specifically to the underlying economic factors that may have an impact on that instrument or because of wider market movement, speed of execution will usually be the priority factor. The achievement of speedy execution is achieved either through an appropriate broker/counterparty known to be capable of achieving fast execution in the circumstances and in the instrument in question. Second to speed, will be successful transmission, followed by the question of cost. In these circumstances the price factor is inevitably given a lesser overall priority.

f. Considerations relating to speed of settlement

In the comparatively unusual situation that the speed of settlement is of material importance, this factor will be prioritised above costs of transaction and price, although



this does not imply that cost and price are irrelevant – merely lower priority. As a means of procuring speedy settlement, it will be necessary to negotiate with a broker/counterparty for special settlement terms. Usually this latter will result in the selection of a substantial and well capitalised broker/counterparty capable of providing such a service, notwithstanding that they might not be the most cost competitive. In exceptional circumstances settlement may be delayed and this will be agreed between the Firm and the relevant broker/counterparty at the time of transmission. In these circumstances the speed of settlement is inevitably given a lesser overall priority.

g. Considerations relating to geographical location

In the selection of broker/counterparty, geographical location will sometimes be a material consideration. Where appropriate, in order to minimise the cost of transaction, it is the Firm's policy to use a broker/counterparty to which it has access. In practical terms this will usually only apply in geographical locations where well developed markets exist. Where the proposed transaction concerns an instrument of some obscurity, the use of a broker/counterparty with known expertise in relation to that instrument and wherever geographically it is traded will usually be the preferred means to ensure successful execution and best price but recognising that the broker/counterparty may not be competitive on cost.

h. Details of brokers/counterparties

As set out above, the selection of brokers/counterparties will result from the prioritisation of the execution factors as appropriate for the individual transaction. This appointment will be updated from time to time to reflect new brokers/counterparties. It is acceptable in some circumstances, as explained above, for price and/or cost not to be the highest factors. However where the decision is taken that other factors have higher priority in the context of an individual transaction, a record is to be made, as part of the transaction record, of that decision and the rationale for it. Usually price and cost will be the highest priorities, subject of course to the fundamental capacity of that venue/broker to facilitate the transaction.

Any amendment to the broker/counterparty details set out in the Appendices, are to be notified to the Compliance Officer.

C. Client Order Handling and Aggregation

8 Application and Scope

8.1 The Firm will apply the process and controls below when arranging the execution of any client orders.

9 Order Priority and Timely Execution

9.1 The Firm is required to ensure that client orders are executed in a prompt, fair and expeditious manner for the type of order in question. We satisfy this requirement by policies and procedures that ensure that:

9.1.1 orders are passed to appropriate venues for execution as soon as practical, unless postponing execution is in the client's best interest;



- 9.1.2 priority is given to client orders over any related company transactions;
- 9.1.3 personnel involved in the dealing process are therefore expected to use their best endeavours to ensure that they complete the activities they are responsible for in a timely manner.

10 Venue Selection

- 10.1 When arranging a client order, if the Firm is able to execute via a number of venues, it undertakes to compare the price quotations available through each execution venue listed in so far as the venue has been selected by us for executing orders of the kind in question.
- 10.2 In doing so, we will obtain the best price available through the shortlist of execution venues for clients at the time of dealing; unless we have assessed that another Execution Factor is of sufficient importance to influence the decision of where the deal should be executed in the client's best interest.
- 10.3 Where the use of one of our normal execution venues would not, in a particular situation, result in the best possible result for a client's order, the Firm will also consider other execution venues where available.

11 Aggregation and allocation of orders

- 11.1 For clients with similar mandates the Firm may aggregate a client order with an order or orders for other clients. We will only perform such aggregation if it is likely that the aggregation will work overall to the advantage of all of the clients whose order is aggregated.
- 11.2 Orders are allocated using either the price paid for each investment or at a volume weighted average of the prices of a series of transactions.
- 11.3 In the event of being able to partially fill an aggregated order, allocation will occur on a reduced pro-rata basis, unless allocation becomes uneconomic for a client. Where it is no longer in the client's interest to receive the reduced allocation, we may eliminate such clients from the allocation and reallocate the remaining part of the order on a rota basis to the remaining clients so that there is no systematic bias for or against a client or clients.
- 11.4 Reallocation of an aggregated order will occur only in the case of error, or to ensure fairness over a series of partial executions as described above.

12 Order allocation records

- 12.1 A record of the intended basis of allocation is made when orders are aggregated for several clients. The actual basis of allocation for a transaction is recorded.



- 12.2** If the actual basis of allocation is to be changed once the record of allocation has been made, a record of the reasons for the reallocation must be made and must not be done if it disadvantages one or more clients.

13 Monitoring and Updating

- 13.1** This policy will be updated whenever a material change occurs which affects the way we achieve Best Execution for clients. We have identified appropriate counterparties which we consider will carry out effective and consistent Best Execution procedures on our behalf in each investment product we use. These counterparties are listed in Appendix 1 to this Policy.

- 13.2** Where we are arranging transactions in client orders we are required to monitor the execution quality of the execution entities we have chosen to pass orders on to as well as monitor the approach to execution that each execution venue takes.

- 13.3** It is not necessary, or practical, for monitoring to cover every transaction, but rather to be based on sampling. For trades where there are high levels of liquidity and much trade data is available, a relatively small sample of transactions might be sufficient for monitoring. On the other hand, trades in less liquid stocks will need more detailed monitoring and hence larger samples.

- 13.4** Execution Venues: Our regular review of execution arrangements will consist of a comparison, carried out annually, between the execution venues currently available to us and others which it could access and which are relevant to the nature of the service provided. The focus of the review will be on the quality of execution available at the various venues surveyed. As such, it will consider factors other than price, since they bear on the extent to which the non-price dimensions of customers' transactions could most efficiently be met. The factors considered in the review include:

- 13.4.1** price quality;
- 13.4.2** transaction costs;
- 13.4.3** access costs (e.g. technology costs);
- 13.4.4** depth of market, likelihood of execution; and
- 13.4.5** ancillary services provided by the execution venue (for example, research provided by a broker or corporate access).

14 Monitoring Execution Quality

- 14.1** We will monitor execution quality utilising the following steps:

- 14.1.1** sample selection;
- 14.1.2** choice of comparative data;



- 14.1.3 assessment of execution quality;
- 14.1.4 identification of 'outliers'; and
- 14.1.5 investigation and explanation of outliers, and identification of appropriate remedial action.

15 Poor Execution

- 15.1 Where clear cases of poor execution are identified, we will investigate promptly and take appropriate remedial action where necessary, which include requiring the executing broker to amend the transaction price if appropriate.

Appendix 1

ConvergEx

Barclays Stockbrokers

Knight

Christopher Aldous

Chief Executive