



**Valu-Trac Investment Management Limited**

# Valu-Trac Investment Management Limited

## Order Execution Policy

**Responsible SMF: Chief Executive Officer**  
**Document Owner: Head of Investment Management and Dealing**

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## Introduction

This policy sets forth our methodology for achieving the best possible result when executing orders for the alternative investment fund (s) (“AIF”) for which we are the appointed Alternative Investment Fund Manager (“AIFM”) or for our client portfolios, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration (collectively, the “Execution Factors”).

## Scope

This policy applies to Professional Clients of the firm only, unless otherwise agreed in writing by a client who is not a Professional Client.

## Instruments Covered in this policy

The instruments covered in this policy are:

### Cash Equities

Equities, exchange traded funds (ETFs), warrants, depositary receipts, equity CFDs

### Fixed Income

Corporate and government bonds, convertible and exchangeable bonds, asset backed securities, certificates of deposit, structured debt securities

### OTC Derivatives

OTC options, OTC forward transactions, OTC swaps

### Exchange-Traded derivatives

Exchange-traded futures and options contracts and exchange-traded contracts for differences

## Methodology

To obtain the best possible result for AIF(s) for which we are the appointed AIFM/our client portfolios the following points are relevant:

- The firm will use a variety of methods to access markets, seeking to use the experience of brokers in so far as they may improve the terms on which we can trade in those markets. Our aim is to find the execution venues that best match our trading philosophy and help the firm add value to each transaction or series of transactions.
- The relevant importance of execution factors is determined by reference to the risk profile of the relevant AIF(s). In each case the investment policy is aligned with the risk profile of the AIFs to ensure optimal value is secured.
- Our investment philosophy is to achieve added value by selecting brokers that best enable the firm to add value to the AIFM / client portfolios by not only providing execution capabilities but also the provision of other value adding services.
- As a minimum the firm expects our counterparties to be professional, and to achieve high standards, in both execution and settlement. The firm assesses brokers on their ability to achieve trading objectives in accordance with applicable market standards.
- We expect best execution to be achieved by all appointed brokers in accordance with the requirements of the exchanges in which they operate.
- We use a number of brokers that satisfy the minimum standards set by our Investment Committee. We restrict the number of brokers on our list, to ensure that we can appropriately manage the relationships and the service they provide to us.
- Direct Equity Brokers are faced with a monthly cost to connect to our trading systems, Valu-Trac recognise that this cost is met from order flows and commissions that we generate.
- Order routing is judged on realistic natural order flow with consideration to best execution, without any bias of directing order flow to specific brokers simply to cover their fees.
- The Investment Committee has adopted guidelines for the evaluation of its execution venues. The broker evaluation process considers the “execution factors”: price, costs, speed,

likelihood of execution and settlement, size, nature or any other relevant consideration tailored to the requirements of particular clients, order types, financial instruments and markets.

### Dealing Process

#### A) Discretionary Investment Management:

At Valu-Trac investment decisions are controlled by the Portfolio Managers/Passive Index Trackers/Investment Committee. Where applicable, investment options are assessed by Investment Committee members before a decision is made.

**Execution:** Investment decisions are either passed to the Traders for execution or executed by the Portfolio Manager. Investment Managers or Traders select the appropriate venue in accordance with the firm’s policy (see Venue Selection procedures below) and implement the order within those parameters unless they become aware that the security may be available at an alternative venue/market or there is a material change to the order requirements.

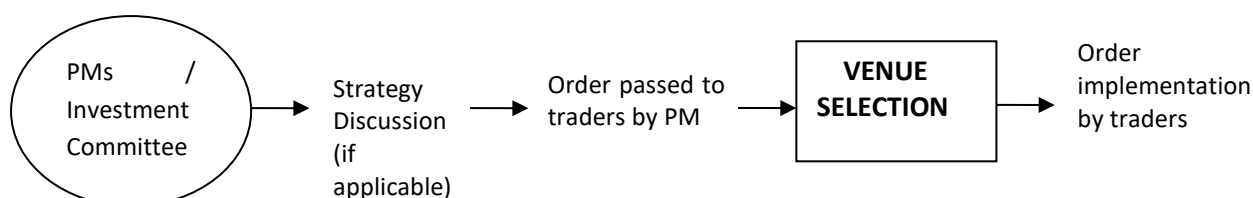
#### Transaction recording

The Trading Team record all the trading activity, broken down by instrument type, on their internal logs and internal database once the order has been authorised and submitted for execution in the market, accounting for any specific client instruction. These logs are presented to the Investment Committee monthly for review.

Once the trade has been executed, the Trade Team push the trade gross trade information and commission rate applied to the trade into the internal database system where it is enriched with additional trading charges (tax, local fees etc), and then released for matching via CTM. These details are matched with the broker settlement instructions to an agreed tolerance via the CTM system and marked for accounting by the administration team via the internal trade recapping system.

All dealing records must be held for a minimum period of 5 years from the transaction date.

#### Investment Management Process



#### Investment Team

<i>Individual</i>	<i>FCA Approved Status</i>	<i>Investment Approval Committee Member</i>	<i>Scope of responsibility</i>
PM1	CF30 Manager	Yes	Investment decisions and trade execution
PM2	CF30 Manager	Yes	Investment decisions and trade execution
PM3	CF30 Manager	Yes	Investment decisions and trade execution
Analyst 1	Non-Registered analyst	No	Research and analysis only/record keeping

## B) Execution/Receiving and Transmitting Orders

### Execution

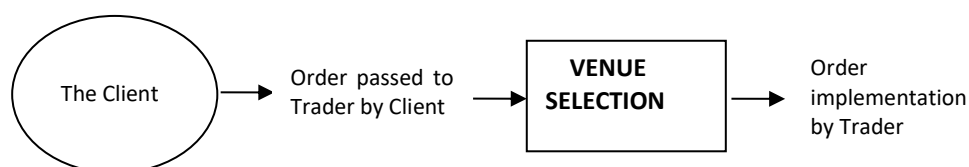
Following the receipt of an order the Trader selects the appropriate venue in accordance with firm policy (see Venue Selection procedures below) and implements the order.

### Transaction recording

The order is recorded in the internal database and logs.

All dealing records must be held for a minimum period of 5 years from the transaction date.

### Dealing Process



### Dealing Team

<i>Individual</i>	<i>FCA Approval</i>	<i>Investment Approval Committee Member</i>	<i>Scope of responsibility</i>
Analyst 1	Non-Registered analyst	No	Research and analysis only/ record keeping
Trader 1	CF30 Trader	Yes	Trade execution only/record keeping
Trader 2	CF30 Trader	Yes	Trade execution only/record keeping
Trader 3	CF30 Trader	Yes	Trade execution only/record keeping

### Venue Selection

It is Firm policy to select the broker most likely to provide best execution of the order in question. The Firm will place orders for execution only with approved venues that have been selected and placed on the approved list maintained by the Investment Committee.

The Firm has a choice of execution venues including Brokers, Exchanges and MTFs (Multilateral Trading Facilities). All venues which have been approved are listed in Appendix A.

When selecting which of the approved brokers to use the firm considers the following factors: price; costs; speed; likelihood of execution and settlement; size of order; nature of order or any other relevant consideration.

The relevant importance of each of the above factors will be determined for each venue by using our experience and knowledge of the market, taking into account the following criteria:

- the characteristics of the client including the categorisation of the client as professional;
- 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.

In the majority of cases for Professional Clients we would typically expect that the most significant issue to be taken into account will be the total consideration to be paid or received in each case such that there will be greater weight on the price and costs associated with each trade. However, there

will be circumstances when other factors may be more important or relevant and, as a discretionary manager, we must use our judgement and experience to give greater prominence to them.

#### **Notes on Venue Selection**

- Should we be specifically directed by a client to use a particular broker or execution venue, then the Firm is not required to take the steps mentioned above and should instead follow the client's instructions.
- For certain Markets/Instruments it is possible for the Firm to choose only one venue where the Firm has reason to believe and can demonstrate that one venue only will provide the best possible result for the customer. This choice will be reviewed on a periodic basis.
- Orders may be executed on exchange or off exchange.
- Not all venues used by the Firm may be listed in the policy at any one time. The Firm may use other venues not listed in the policy, subject to the prior approval of the Investment Committee.

#### **Use of Counterparties for OTC Derivatives**

In addition to the independent verification that Valu-Trac performs on each over-the-counter financial instrument, the competitiveness of a chosen counterparty's terms and conditions is generally checked by conducting calls for tenders or issuing requests for quotes (RFQ).

When competitive bidding or RFQ are not initially possible (e.g. for financial contracts that are based on a proprietary strategy or which involve a relatively small nominal amount), Valu-Trac will compare the price proposed by the selected counterparty ("Counterparty A") with its own independent valuation. If the difference between the two exceeds a specified threshold, Valu-Trac will abandon the transaction or will issue an RFQ to more than one counterparty.

In the event that Valu-Trac selects a counterparty other than Counterparty A for an OTC derivative transaction, mainly for reasons of operational simplicity, Valu-Trac may use the services of Counterparty A in a "back-to-back" arrangement. In such a case, Valu-Trac will first enter into the transaction with Counterparty A, which will then enter into a similar transaction with the counterparty that Valu-Trac has selected, under the terms that Valu-Trac has specified.

#### **Disclosure Requirements**

We are required to obtain the prior consent of our clients to our Order Execution Policy.

Since we may also trade outside a regulated market or MTF in respect of instruments admitted to trading by those means, we are also required to obtain our clients' prior express consent to this.

As part of our regulatory obligations the firm has a Disclosure Statement in respect of our best execution policy that sets out an overview of the policy in place to ensure that we obtain the best possible results for our clients.

This document is an internal procedure document and should not be distributed externally. The Disclosure Statement, if required, can be obtained from the Chief Risk and Compliance Officer.

#### **Review Procedure**

We will monitor on a regular basis the effectiveness of the policy and, in particular, the execution quality of the entities identified in that policy. Where the monitoring reveals the need for any changes or enhancements to be made, these will be implemented as appropriate.

We will review the execution policy on an annual basis and also whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients.

#### **Dealing Commissions.**

In accordance with the rules in COBS 11.6, the firm will continue to keep under review broker commission rates.

## Appendix A – List of Approved Brokers.

### Exchange Trades Funds (ETFs)

- Virtu ITG Europe Limited
- Flow Traders B.V
- Jane Street Financial Ltd
- Jefferies International Limited

### Fixed Income Securities

- Winterflood Securities Limited
- King & Shaxon Limited
- Stifel Nicolaus Europe Limited (corporate bonds only)

### Cash Equity

- Stifel Nicolaus Europe Limited
- Winterflood Securities Limited
- Jefferies International Limited
- Instinet Europe Limited
- Numis Securities Limited
- Investec Bank plc

### Currency Spot and Forward Forex

- CACEIS Investor Service Bank S.A.

### Futures and Options

- Britannia Global Investments Limited

### Swaps

- Société Generale

### Collective Investment Schemes

- CACEIS Investor Service Bank S.A