

Cerno Capital Partners LLP  
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Best Execution Policy – Retail & Professional Clients

## CERNO CAPITAL

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# Cerno Capital Partners LLP

## Best Execution Policy – Retail & Professional Clients

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## Purpose of this document

This document is designed to inform our clients of our policies when seeking to achieve the best possible result (“best execution”) for clients when we execute trades in financial instruments (including spot foreign exchange which technically is not a financial instrument) on your behalf either in the case where you give us instructions to execute trades or where we have discretionary authority over your portfolio.

Words in italics are defined in the glossary at the back of this document.

## 1 What is best execution/what are the execution factors?

The overarching objective is that we take all sufficient steps to obtain the best possible result for our clients. We seek to achieve this objective by taking into account a number of execution factors. The factors we take into account are:

- i. any restrictions that may exist on your account as to where your trades can be executed;
- ii. total consideration to the client of the transaction after all fees and commissions have been taken into account;
- iii. size of the transaction;
- iv. speed of execution and settlement;
- v. likelihood of execution;
- vi. likelihood of settlement; and
- vii. any other factor we consider is relevant to the transaction.

In determining the applicability of the factors we consider:

- i. Market information;
- ii. The details we hold about you, our client; and
- iii. the nature of the transaction including the specific financial instrument and the markets that the specific financial instruments

The application of these factors is a matter of judgement. Other firms may exercise their judgement differently and reach a different conclusion as to how to achieve the overarching objective. In most cases the factors other than total consideration to the client will not be applicable and thus this execution factor will be the determining factor. The remaining factors are not listed in any order of priority. The factors may be interlinked such that for example, in fast moving markets, particularly for large orders, the way we would seek to achieve best total cost/revenue may involve giving the order to a broker who we believe can execute the entire order in a timely manner even if part of the order could be filled at a more advantageous price from another broker.

## 2 What are our obligations?

Under the second Markets in Financial Instruments Directive (“MiFID II”), we, as a firm that is subject to MiFID II must take all sufficient steps to obtain, when executing

orders, the best possible result for our clients. How we assess the “best possible result” is set out under “What is best execution?” above.

### 3 Execution Venues (Competing Markets)

For some financial instruments there are a range of execution venues where the trade could be executed. We regularly assess the execution venues available and may add or delete venues in accordance with the overall objective. [If you have instructed us to use a particular venue and we have accepted that instruction the transaction will be executed on the venue of your choice.] We will issue instructions to executing brokers where we deem such instructions to be appropriate, in other cases we will leave the decision as to the most appropriate venue to the executing broker. Unless you instruct us otherwise, whilst adhering to this policy, we shall have complete discretion as to the choice of venues including trading outside a trading venue if we believe that trading in that way is likely to achieve the overall objective.

A list of the execution venues we may use will be available in hard copy on request. Some financial instruments may only be traded on one venue, (notably if we purchase units/shares of a collective investment scheme (CIS), the venue will be the fund manager/CIS operator itself).

### 4 Execution outside of *regulated markets, multi-lateral trading facilities and organised trading facilities* (each a trading venue)

Unless you instruct us otherwise, where we consider it to be in your best interest we will allow the brokers to whom we pass execution instructions to trade outside of regulated markets, multi-lateral trading facilities and organised trading facilities. The broker will still be bound by their own best execution policies which we will review.

Where Cerno executes an OTC trade it will consider the fairness of the price from available market data and where possible comparing the price with similar or comparable products. Cerno also considers the counterparty risk associated with trading outside a trading venue and manages this risk by only trading with high-quality counterparties with high credit ratings.

### 5 Investment into funds

When we invest into funds or other collective investment vehicles the price that we are able to execute at is usually determined by the fund manager based on published prices and we will execute at those prices.

### 6 Commencement Date

This policy will apply from 3 January 2018 (the date that *MiFID II* comes into force).

### 7 How do we execute

We are not a member of any exchange.

We seek to ensure we have deep relationships with high quality counterparties with the aim of maximising execution quality in terms of total consideration.

In cases when we transmit your order to another broker or dealer the same criteria for selection apply as when we execute your trades ourselves. When passing a trade to a third party for execution we may:

- Determine the ultimate execution venue ourselves by accessing specific execution venues through such third parties; or
- Instruct the other broker or dealer accordingly (having already satisfied ourselves that they have arrangements in place to enable us to comply with our Best Execution Policy).

For financial instrument that are traded on an exchange e.g. shares in companies, we pass the order relating to your account to a broker for execution. In the case of a broker in the European Economic Area or Switzerland that broker will have their own best execution policy and will be under the same requirement as we are under MiFID II to seek to achieve best execution for our clients. In the case of brokers outside the EEA and Switzerland those brokers may or may not be subject to local best execution rules. In all cases the selection of a broker is based upon the execution factors.

For quote driven markets e.g. most bonds, foreign exchange and OTC derivatives and for overseas markets, the firm that we pass your order to may not be under a best execution obligation as historically in those markets firms operate as principal (that is taking the position onto their own book) rather than as agent. Our selection of broker in this case will reflect the fact that the broker is not under his own best execution obligation and thus the level of monitoring that we will apply is more extensive than in cases where the broker is under such an obligation.

In all cases we will act in your best interests when passing orders to other entities for execution.

## 8 Specific client instructions

If you provide us with a specific dealing instruction it may prevent us from following our Best Execution Policy as we would usually do but, under FCA rules we will be deemed to have complied with the best execution requirement to the extent of that instruction.

## 9 Execution broker selection where your custodian limits our choice of execution broker

Where we have a mandate over an account at a custodian, with whom you have a direct contractual relationship, the terms of your relationship with that firm may prevent us from passing on your order to any firm other than the firm where you hold your account or restrict our choice of broker to firms approved by them. The firm where

you hold your account has their own best execution policy which they will have separately advised you. As our mandate with you only permits us to use that firm for custody of your assets we treat any limitation in our selection of executing brokers as a specific client instruction from you.

## 10 Order Execution Timing

Usually orders will be executed in a prompt, fair and expeditious manner. If an order is of large size or we wish to try to achieve an average price over a time period the order may be split into sub-orders before being passed for execution.

Unless we have combined an order in accordance with paragraph 11 below client orders will be carried out sequentially unless the characteristics of the order or prevailing market conditions require otherwise.

Clients will be informed of any difficulty in the prompt execution of orders.

## 11 Order Aggregation

We may combine (or 'aggregate') an order for our clients with orders of other clients. Altus would only aggregate a client order if it was unlikely to work to the overall disadvantage of the client. However, the effect of aggregation may on some occasions work to the client's disadvantage and may on occasions result in our clients obtaining a worse price than if their order was executed separately.

## 12 Allocation of aggregated orders

Any orders that are aggregated will be allocated according to a pre-defined allocation policy that is designed to achieve a fair result for all clients. Where permitted by the rule of the relevant trading venue all client will be allocated the same price, where such pricing is not permitted the allocation policy will be used to allocated orders and we will monitor the effectiveness of that allocation policy.

## 13 Monitoring

We will monitor both our compliance with our Best Execution Policy, and the quality of execution of third parties to whom we have passed orders on the following frequency:

- i. Real time – on a sample basis – account executive level but subject to compliance review;
- ii. Monthly compliance review; and
- iii. Quarterly board level review.

## 14 Limit orders

If you give us an investment instruction at a specified price limit and for a specified size (a "limit order"), then it may not always be possible to execute that order under the prevailing market conditions. We would be required to make your order public (i.e. show the order to the market) unless you agree that we need not do so. We believe it

is in your best interests if we exercise our discretion as to whether or not we make your order public. By agreeing to the Best Execution Policy you agree to us not making your orders public, unless we consider it is in your best interests for us to do so.

## 15 What information about best execution will we report to you and how will we report it?

As required by MiFID II we will report to you:

- i. The top five brokers we have used for each asset class in terms of volumes (this excludes instances where you, our client have instructed us to use a particular broker including, in accordance with paragraph 9 where your custodian arrangements mean we can only execute via your custodian; and
- ii. Information on the quality of our execution

These will be reported on our website [www.cernocapital.com](http://www.cernocapital.com)

## 16 Further Information

If you would like any further information about our best execution policy please contact your usual account executive.

## 17 Amendments to this policy

We may amend our Best Execution Policy from time to time. A formal review will take place at least annually but this may not result in any changes to the policy. When we make a material change to the Policy we will notify you of the changes before such changes come into force.

## 18 Glossary

### **MiFID II**

MiFID II comprises Markets in Financial Instruments (MiFID II) - Directive 2014/65/EU and Markets in Financial Instruments (MiFIR) - Regulation (EU) No 600/2014 together with the relevant regulatory technical standards (RTS)

### **Multilateral trading Facility**

A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract.

### **Organised Trading Facility**

An OTF is a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of the Directive.

### **Trading Venue (TV)**

EU trading venue = Regulated Market, Multilateral Trading Facility or Organised Trading Facility.

Recognised non-EU trading venue = Non-EU trading venues that are recognised by ESMA as third-country venues for the purpose of transparency under MiFID II / MiFIR.



## Appendix 1

### OPERATIONS SUMMARY: TRADING, SETTLEMENT & REPORTING

Updated 6 February 2021

HM – Hashim Mustafa  
JS – James Spence  
JZ – Jeny Zhu  
FR – Fay Ren  
MF - Michael Flitton  
NH- Nick Hornby  
JJ – Joseph Joyce  
FS – Fergus Shaw  
IS - Ion Sioras

#### THESIS NURS Funds

ACD – Thesis Unit Trust Management (Tutman)  
Administrator – Northern Trust Global Services (NTGS)  
Custodian – Northern Trust Company (NTC)

Buying/selling collective investment schemes (CIS) (red for new CIS) -

- i) If it is a new CIS, FS & JJ will do compliance checks to ensure it is an eligible investment\* for a NURS by completing a checklist and sending it to S&W to scrutinise. No investment is made without positive sign-off from them.
- ii) At the same time as FS & JJ's work, HM will begin to complete the account opening documentation (account opening letter and dealing authority) which can have a long lead time. This is only the case where a) an investment is strongly anticipated & b) pre-funding is not required. He will send this off to NTC who will sign it and forward to the fund manager.
- iii) The account opening application form may include initial subscription. HM will confirm with JS/NH/JZ whether a subscription will be made immediately and if so, in which share class and the amount. An application form must always be signed by NH/JS, even where it is not obligatory to do so (e.g. by way of a cover letter).
- iv) HM will chase the fund manager to establish whether the account has been opened, (and funds remitted if a subscription was made) and, assuming eligibility, an order instruction can then be faxed directly to the manager along with pre-funding if necessary. This is signed by one of the authorised signatories (either JS or NH).
- v) HM will chase the contract note. Upon receipt, he will check this against the original order instructions and forward the contract note to NTGS so that the fund accounting records can be updated.
- vi) HM will then fax settlement instructions to NTGS (an instruction saying funds have already been remitted needs to be sent if NT sent the funds during the account opening process), which needs to be signed by two authorised signatories (JS/JZ/NH/JJ/FS) which must include at least one of either JS, FS or NH.
- vii) HM monitors the cash and custody reports to ensure orderly settlement.
- viii) For account CERN01, please note that the CIS are held at Clearstream now and are traded via Passport. HM will enter the trade on his Passport and the trade will then be authorized

by JS/FS/NH. Once the confirmation arrives, HM will email fund accounting with the details.

\* Even where a CIS is not “new” before any subsequent investment is made HM will check the prospectus has not changed. Where it has, FS & JJ will review to ensure the CIS is still eligible. All invested CIS prospectuses are checked at least quarterly to ensure no changes have been made.

Buying/selling exchange-traded securities -

- i) Accompanied by JJ/JZ/HM/IS, JS/NH/FS will authorize the trade on EMSX via our main broker GS. Trades are placed via an algorithm. For Asian stocks trades are usually placed with SG at market via email or BB chat.
- ii) If the order aggregated, HM/JZ will email Bloomberg/UBS to advise them how it is to be allocated across accounts. Where an aggregated order is only partially filled, allocations are made in accordance with the firm’s Order Allocation Policy.
- ix) A contract note is automatically sent to [trades@cernocapital.com](mailto:trades@cernocapital.com) later that day which is checked to make sure it agrees to the intended order. HM will forward the contract note to NTGS so that the fund accounting records can be updated.
- iii) HM will also input the trade on to Passport, NTC’s online trade and reporting system, so as to instruct settlement. JZ/JJ will authorise the trade
- i) HM monitors the custody reports to ensure orderly settlement.

On a daily basis, NTGS send valuations for Cerno to attest. HM will agree the holdings on the valuation back to the custody report and the prices to Bloomberg. HM will confirm the valuations are correct by email once a week. Any exceptions are identified on a daily basis.

JZ will fill in for HM when he is on holiday.

### **Cerno Unconstrained**

Buying/selling Collective investment schemes (CIS) -

- i) A template saved in the FOF Order Instruction to Sumi folder should be open and completed
- ii) A new transaction reference should be added and the details of the trade completed. The form needs to be signed by 1 partner and emailed to:

FoFTradeOrders@sumitrustgas.com;  
trustee@sumitrustgas.com;  
IMC@sumitrustgas.com;  
Trades@cernocapital.com

with subject line FOF TRADE INSTRUCTION FOR CERNUNF FOR YOUR ACCOUNT WITH SMTUK

- iii) This process is applicable to both new CIS and existing CIS. **If it is a new CIS then Sumi have a turnaround time of between 5-10 days for the account to be open.**
- iv) Once the contract note is received, then the trade details need to be sent to Maples.

Buying/selling exchange-traded securities -

- i) JS/NH/FS will email trades with an order instruction
- ii) HM/IS/JZ will scale the trade and email trades@cernocapital.com the details for approval
- iii) Once approved the trade will be placed on EMSX and traded via GS. For Asian equities these will be placed with SG over email or Bloomberg chat. The trades will be placed using an algorithm
- iv) If the order is aggregated with other accounts, HM/JZ/IS will email GS to advise them how it is to be allocated across accounts. Where an aggregated order is only partially filled, allocations are made in accordance with the firm's Order Allocation Policy.
- v) A contract note is automatically sent to trades@cernocapital.com later that day which is checked to make sure it agrees to the intended order. The trade details will then be emailed to Maples before 11am the following day.
- vi) The trade details will then be emailed to Sumi Trust for settlement.
- vii) HM monitors the custody reports to ensure orderly settlement.

### **Clients at Julius Baer (JB)**

- i) JS/NH/FS emails [trades@cernocapital.com](mailto:trades@cernocapital.com) with proposed trades
- ii) HM/IS will calculate the exact trade details and reply to email
- iii) JS/NH/FS will then review and forward the email to JB to process
- iv) No further action is required from Cerno other than to check the trade confirmation from JB matches the original trade instruction sent by JS/NH/FS

### **Clients at UBS**

Most UBS clients are contracted under discretionary mandates. Investment instructions are emailed to UBS by NH or JS with the authorising password.

Some quasi-advisory clients, like Charlie and John, ask us to make subscriptions/place trades on their behalf. In these instances, JZ (typically) will send them an email asking them to confirm.

There is a tacit understanding that no trades are to be placed until Charlie replies by email. The confirmation, once received, is printed and initialled by the person drawing up the instructions or entering them into Bloomberg for quick reference for JS/NH/FS to approve.

Typically, John does not reply to the email, which in his case serves more as an advance notification. Trades will be placed shortly after the email is sent.

Occasionally, Charlie (and to a lesser extent John) will call up and ask to place a trade. Ordinarily, Nick, James or Fergus approve all trades, whether that be by signature, or authorizing trades on Bloomberg. Where NH, JS and FS are all out of the office, and Charlie/John wishes to trade, this is termed a "delegated authority trade". Please see delegated authority policy.

Charlie is particularly sensitive about paying income tax and therefore any investments giving rise to income tax should be flagged prior to purchase. Ideally, this should be confirmed by way of an email, copying in [trades@cernocapital.com](mailto:trades@cernocapital.com). That said, we should be careful about giving tax advice ourselves and should preface any communication that might be construed as such accordingly.

For new funds, we first ensure that UBS are permitted to hold them on their platform. In addition, we will fill in the initial application form.

UBS send trade confirmations and cash statements in the post which are reviewed by NH initially before being handed to HM/JZ/JJ who are responsible for review (including commissions) and filing shortly after receipt. Statements should be initialed if correct and any discrepancies followed up immediately. Holdings and transactions can also be tracked online using UBS e-portfolio.

At the end of every quarter, Cerno report to all clients. Once all the underlying fund prices have been finalised, a statement is forwarded from UBS, which is cross-checked against Bloomberg prices and the holdings showing on the online report. Any anomalies are chased up with UBS.

### **Derivative Trading with ED&F:**

ED&F is the counterparty for derivative trading. Trades are placed, executed and settled with ED&F. The administrator and fund accountant receive statements from ED&F on a daily basis for portfolio valuation.

When decision is made by the portfolio manager on derivative trades, the trading team (JZ, HM or IS) calculate the margin/premium required to fund the trades and check if cash required will breach the limit for each account for compliance, if the cash required is within the limit an email will be sent to the portfolio manager for approval. Once approved instruction will be sent to Thesis or Maple to transfer cash to the ED&F accounts to fund investment, this normally takes 1-2 days.

Instructions are given to ED&F through Bloomberg chat by JZ, HM or IS based on the instruction provided by portfolio manager. Once trades are executed the units will be allocated to various accounts if needed. The broker will send the trade confirmation following execution. JZ, HM or IS will then inform the fund accounting team at Northern Trust or Maples about the trade. Settlements are done at ED&F and the new trade will be reflected in the ED&F daily statement next day. JZ and IS review the ED&F statement to check if it reflects the trade correctly.

### **General points**

1. All trade related emails should be copied to [trades@cernocapital.com](mailto:trades@cernocapital.com)
2. Where possible, trade instructions etc. should be signed by the lead portfolio manager for the account in question i.e. –

TM Cerno Select – JS & FS  
TM Cerno Global Leaders - JS  
Cerno Unconstrained – JS & FS  
TM Cerno Pacific & Emerging – MF & FR  
Capital Link Growth Fund – NH  
Staderas – NH  
Hector – JS  
Dunnottar – JS  
Skiwi – NH  
Charles Davies – NH  
John Booth – JS  
JBCF – JS  
Harry/James/Marcus CT – NH  
Owens - FS

3. All references to designations (e.g. SWK01) should be accompanied with the full name (e.g. Skiwi Fund).
4. Whenever JS/NH/FS/MF/FR are asked to sign a trade instruction, the salient points should be explicitly pointed out. Equally, JS/NH/FS should be asked to confirm they know what the trade relates to.

### **Execution factors**

In assessing the most appropriate route to carry out your order we will consider the following criteria:

- a) Price;
- b) Costs;
- c) Speed of execution;
- d) Likelihood of execution and settlement;
- e) Size and Nature of the order; and
- f) Any other consideration relevant to the execution of the order

Cerno Capital does not charge any commissions for executing orders.

## Appendix 2 – Execution Venues by Asset Class

Asset Class	Execution Venue...
<b>Equities</b>	The Alternative Investment Market of the London Stock Exchange
	All eligible markets in any EEA State
	ASX Group
	Wiener Borse – Vienna Stock Exchange
	BM&F BOVESPA
	Toronto Stock Exchange
	TSX Venture Exchange
	Montreal Exchange
	Channel Islands Stock Exchange (CISX)
	Shanghai Stock Exchange
	Shenzhen Stock Exchange
	Zagreb Stock Exchange
	Eurex Deutschland
	Frankfurt Stock Exchange
	Hong Kong Stock Exchange
	National Stock Exchange of India
	Bombay Stock Exchange (BSE)
	Indonesia Stock Exchange IDX
	Tel Aviv SE (TASE)
	Italiana Borsa
	Tokyo Stock Exchange
Osaka Securities Exchange	
Nagoya Stock Exchange	
JASDAQ Securities Exchange	
Amman Stock Exchange	

	Korea Composite Stock Price Index
	Korea Exchange (KRX)
	Bursa Malaysia Securities
	Bolsa Mexicana de Valores (BMV)
	New Zealand Stock Exchange (NZX)
	Oslo Stock Exchange
	Philippine Stock Exchange
	RTS Stock Exchange
	Singapore Exchange (SGX)
	JSE Limited
	MEFF (Renta Variable & Fija)
	Spanish Exchanges BME
	NASDAQ OMX Stockholm AB
	SIX Swiss Exchange AG
	Taiwan Stock Exchange
	Taipei Exchange
	Stock Exchange of Thailand (SET)
	Borsa Istanbul
	NASDAQ Dubai
	Ho Chi Minh Stock Exchange
	NASDAQ
	Any exchange registered with the Securities and Exchange Commission as a national stock exchange in the USA.
	The OTC market regulated by the National Association of Securities Dealers Inc.
Derivatives	Sydney Futures Exchange (Part of the ASX)
	ASX Group
	BM&F BOVESPA

	Hong Kong Exchange
	Tel Aviv Stock Exchange
	Italy Equities Derivatives Market (IDEM)
	Futures Market for Government Securities (MIF)
	Tokyo Financial Exchange
	Osaka Securities Exchange
	Bursa Malaysia Derivatives
	Bolsa Mexicana de Valores (BMV)
	New Zealand Stock Exchanges
	South African Futures Exchange (SAFEX)
	JSE Limited
	Korea Exchange (KRX)
	SIX Swiss Exchange (SWX)
	Eurex Zurich
	Euronext
	London International Financial Futures and Options Exchange (LIFFE)
	London Securities & Derivatives Exchange Ltd (OMLX)
	NYSE LIFFE
	EDX
	CME Group Inc.
	NASDAQ OMX Futures
	New York Mercantile Exchange (NYMEX)
	NYSE Amex Options
	Chicago Board Options Exchange
	Chicago Mercantile Exchange
	OTC BB Markets
	NASDAQ OMX NFX



	NYSE Arca
	NASDAQ OMX PHLX
Fixed Income bonds and notes	Tradeweb, Bondvision, Bloomberg
OTC Derivatives	Same as derivatives above