

NS Partners Ltd

Best Execution Policy

Background

NS Partners has a duty to deal fairly, honestly, and in good faith with clients and an obligation to take all sufficient steps to achieve Best Execution.

Best Execution in the context of executing trading decisions means taking all sufficient steps to achieve the best possible result for clients taking into account execution factors such as price, speed, implicit and explicit costs, size, likelihood of execution and settlement, liquidity and the order characteristics. NS Partners' Best Execution policy establishes a process for implementing trading decisions and quantitatively analysing results.

NS Partners Trading Objectives

NS Partners is a fundamental investor with an average holding period over two years. If a decision has been made to buy or sell a stock, NS Partners' main objective is swift execution at the best price, lowest cost and minimal market impact. It is not to add significant value through trading strategies. The excess return on NS Partners' portfolios will be driven by the quality of the investment process and management team not by trade execution strategies.

NS Partners trade executive process was designed with reference to the following principles:

- *Simple*: easy to understand and easy to follow.
- *Consistent*: similar situations should be dealt with in a similar fashion.
- *Practical*: balance need for controls with the need to execute trades in a timely manner.
- *Efficient*: maintain reasonable operational cost.
- *Transparent (audit trail)*: the life cycle of a trade and the investment rationale for each trade should be visible upon audit.
- *Fair*: allocation to clients should be fair.
- *Accurate (limits errors)*: mitigate the risk of trading and allocation errors.
- *Properly authorized*: all trades should be approved by the relevant portfolio manager.

NP Partners Trading Activities

NS Partners will generally execute trades for two reasons, the first being trades generated by cash flows and the second being trades as a result of investment decisions.

Cash Flow Trades:

The account manager or back-up account manager will manage the trade. For redemptions, the timing of the trade will be governed by client requirements. The size of the trade will influence the choice of trading program. Also, any previously signalled sell investment decisions will be taken into consideration, *i.e.* trading may not be pro-rated across the portfolio. As a general principle, client assets will be kept in the market for the maximum possible time. However, the account manager has freedom to decide if market or individual equities movement should

override this requirement. Trades are managed and implemented by the account manager with the aim of swift execution at the best price, lowest cost and minimal market impact.

Investment Decision Trades:

The country manager who recommended the investment decision takes responsibility for the trade. The country manager will take into account the liquidity of the stock and discuss a trading strategy with the broker that they select to execute the trade. Tactics such as volume limits, price limits, funding source requirements (contingent sales), targeting of volume weighted average price will be managed by the country manager. Trades are managed and implemented by the country manager with the aim of swift execution at the best price, lowest cost and minimal market impact. NS Partners maintains a choice of venues and entities which support the potential to obtain the best possible results for trade execution on a consistent basis.

NS Partners has an approved list of brokers which is subject to an approval process, which would generally incorporate appropriate regulatory checks, commission levels and a review of relevant documentation including their best execution policy. NS Partners does not have any affiliated broker relationships.

Measurement

In determining whether the trade execution process has been effective, NP Partners compares the average execution price to two metrics in particular:

- The price at the point in time the trade was sent to a broker (often described as a “**Implementation Shortfall**”). The Implementation Shortfall tends to be low when a trade is executed swiftly without impacting on the market price. It tends to be negative when a trade is delayed or a trading strategy moves the market.
- The volume weighted average price beginning at the point in time the trade was sent to a broker and ending at the point in time that the broker completed the trade (“**Interval VWAP**”). An Interval VWAP tends to be low when a trade is executed without moving the market and is particularly relevant for larger trades executed over an extended period.

For trades that occur over multiple days, this analysis should be undertaken for each day, rather than over the multi-day period.

On a quarterly basis, the head of compliance will review the analysis above, taking all factors into account and focussing on outliers and whether there are any consistent patterns of underperformance for particular brokers, account managers, country managers, or types of trades. Outliers and patterns of underperformance will be discussed with the relevant account manager, country manager, or CIO as appropriate and action taken where necessary.

Annual review

The trading [best execution] policy and approved broker list is subject to an annual review which incorporates the inclusion of additional execution entities or venues, the removal of any existing execution entities or venues and the any realignment of the best execution factors.

Research

A research budget is set annually for the purpose of paying third party research. This will not be linked to the volume and/or value of transactions executed on behalf of the clients. NS Partners will receive an unbundled client research charge alongside a transaction charge from a selected number of our Authorised Brokers, with the research element collected through a 'Commission Sharing Agreement' (CSA). Monies from the CSA's will feed into a 'Research Payment Account' (RPA) through which, budgeted research costs will be paid.

Directed Trades

In general, NS Partners has full discretion on choice of entity or broker with whom to trade. However, should a client issue direction on choice of entity or broker, any such trades would not be subject to our best execution policy.

Authorised Brokers

Bank of America Merrill Lynch International
BCS Global Markets
CLSA (UK)
Credit Suisse Securities
Cowen International Limited
Exane BNP Paribas
Itau BBA International plc
Jefferies International Ltd
J.P. Morgan Cazenove Limited
Maybank Kim Eng Securities Pte Ltd
Morgan Stanley & Co. International Plc
RBC Europe Limited (RBC Capital Markets)
Redburn Partners LLP
Sanford C. Bernstein Limited / Alliance Bernstein
SinoPac Securities (Europe) Limited
Wood & Company

Disclaimer

Past performance is not necessarily a guide to future performance. The value of investments and any income from them may fall as well as rise and investors may not get back the amount originally invested. In addition, the value of investments may increase or decrease as a result of changes in exchange rates between currencies.

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