

Order Execution - Equities

Policy

Longview is committed to achieving best execution on all of its orders. Longview acts in the best interest of its clients when placing orders for financial instruments with external entities for execution. The financial instruments subject to this policy are equities.

Longview's goal when executing orders is to minimise market impact whilst also minimising the time it takes to complete the order. To ensure that Longview takes all sufficient steps to obtain the best possible result for its clients, it has considered and seeks to balance, the relative importance of the following execution factors:

Price: Achievement of the best possible price for the order.

Implicit costs (market impact): The impact the order has on the price of the security during trading. There are sub-factors that must be considered when trying to minimise this impact:

- Information leakage – external knowledge of this order that could affect the price; and
- Footprint – leaving a 'trail' in the market that could affect the price.

To minimize market impact, Longview has continued to seek greater anonymity when trading and has developed participation in alternative trading venues and in the use of broker algorithms.

Speed: The length of time to execute the order and the determination of the appropriate level of participation.

Likelihood of execution: The potential opportunity cost of using one broker versus another. Longview has identified brokers through which it will most regularly seek to direct client orders. Only approved brokers may be used for client orders.

Size of order: The size of the order as a percentage of the average daily volume traded of that security.

Explicit costs: Commissions are regularly monitored to ensure that both the commission rate and overall commission paid are both in-line with market practice and commensurate with the level of service received. All commission rates are agreed with the executing broker prior to trading.

Likelihood of settlement: Assessment of the counterparty's operational capability and credit risk in order to maximise the likelihood of the order settling on time.

The relative importance of these factors may be dependent upon the type of order. Types of orders include:

Primary order: A buy or sell order of a single stock in the normal course of the investment process.

Flow orders: Equity orders resulting from a client contribution or withdrawal.

*This policy is directly applicable to Longview Partners LLP. Where Longview Partners (Guernsey) Limited delegates the activity of investment management to Longview Partners LLP, Longview Partners (Guernsey) Limited is responsible for the oversight of this policy.

In addition, the relative importance of the above execution factors as employed by Longview, may be influenced by client-specific instructions (see below for further details).

Longview uses knowledge of each client's circumstances and requirements to determine the factors that are taken into account for the purpose of providing best execution. Longview provides investment management services to a range of professional clients. Therefore, it is recognised that whilst price is an important factor in determining best execution, price alone will not determine whether best execution has been achieved.

Procedure

Broker Selection

Longview has established relationships with a number of leading financial institutions. Longview ensures that it has access to an approved list of brokers with a wide coverage of the market.

Brokers are proposed by the Trading team and approved by the Best Execution Committee.

The brokers used by Longview as at the date of this policy can be found within the Schedule of Brokers at the end of the policy.

Initial broker selection criteria are as follows:

Execution capabilities

(Responsibility: Trading team)

- Quality of execution
- Ability to source quality liquidity
- Anonymity
- Differentiation
- Innovation
- Breadth of markets covered

Key personnel

(Responsibility: Trading team)

- Feedback pre-trade, during the trading process and post-trade

Reliability, integrity and financial stability

(Responsibility: CIO/Research team/Compliance team)

Types of brokers

Large-in-Scale Block Specialists

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The Large-in-Scale Block Specialists dominate the market share in block trading. Longview believes that the ability to execute large blocks significantly reduces the footprint of the order, and allows execution of the order in the minimum amount of time. When trading large blocks, there is a much greater likelihood of interaction with natural liquidity as opposed to short-term market making liquidity. Executions are negotiated anonymously with limited information about the size of the trade, thus restricting information leakage. The potential negative of seeking a match in an electronic pool is that a match may not be found for a sustained period and therefore the likelihood of execution in this venue would be reduced.

Broker Algorithm Providers

Broker algorithms enable Longview to access liquidity across a wide range of venues. Longview believes that this increases the likelihood of finding liquidity while still preserving anonymity, and thus reduces the threat of information leakage. Where possible, Longview is able to control the minimum execution amount in order to limit potential interaction with short-term market-making liquidity. The biggest drawback to using algorithms is that the executions are generally smaller in size, thus increasing the footprint risk. Broker algorithms will typically have the lowest commission costs.

High-Touch Brokers

High-touch brokers can be a source of natural medium-sized blocks which are advertised publicly. The potential cost to Longview of using high-touch brokers is that anonymity is sacrificed. In addition, high-touch brokers will typically charge the highest commission costs.

Program -Trading Brokers

Program-trading brokers specialise in trading groups of stocks in line with specific instructions, such as targeting the close.

Executing orders outside a trading venue

On occasion, client orders may be executed outside of a trading venue. In such circumstances, the protections provided by trading on venue would not apply and as such counterparty risk may increase. You are able to request additional information from us about the consequences of transactions being executed outside a trading venue.

Client Instructions

Any specific instruction from a client may prevent Longview from taking the steps that it has designed and implemented in this Order Execution Policy, to obtain the best possible result for execution of those orders in respect of the elements covered by those instructions.

Best Execution Committee

The Best Execution Committee (BEC) consists of the CIO, the Head of Compliance and the Chair of the London Risk Committee. The BEC meets on a quarterly basis and may be joined by members from teams including Compliance, Trading, Business Optimisation and Portfolio Risk Analysis and Operations. The BEC are responsible for the following:

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- Supervision of the monitoring of best execution
- Evaluation of best execution
- Broker evaluation
- Commission Costs
- New broker approval
- Broker removal
- To discuss issues, adjustments, changes or improvements to brokers, execution or trading strategies

Monitoring and Review

On a daily basis, Compliance receives a best execution report of all orders undertaken the previous day. Compliance reviews and confirms whether the policy is being complied with and that best execution, taking into account the nature of the transaction, trade type and the client type, is being achieved.

The BEC evaluates orders on a quarterly basis. Orders, brokers, and venues are analysed using various metrics.

Regular evaluation meetings with existing and prospective execution brokers are arranged by the Trading team. These meetings are minuted and the minutes are made available to the BEC.

On a daily basis, Longview monitors counterparty ratings (where available) and reviews the impact of any change on our counterparties. In addition, Longview also monitors Credit Default Swap (CDS) spreads (where available) and Bloomberg CDS ratings against internal tolerance levels. Bond yields are also monitored as an additional category given the lack of CDS data available for some of our counterparties.

Longview's Order Execution Policy will be reviewed on at least an annual basis by Compliance, to ensure it still facilitates obtaining the best possible result for Longview's clients. It is provided to all clients, with each client's consent to the policy being received prior to commencement of managing their assets. In addition, an up-to-date version is provided to all clients annually and also following any significant change to the policy.

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Schedule of Brokers as of 31/01/2022

- Bank of America Merrill Lynch
- Barclays Capital
- Citi (SSB)
- CLSA
- Cowen
- Credit Suisse
- Goldman Sachs
- Virtu (Investment Technology Group Ltd)
- J.P. Morgan Securities Limited
- TP ICAP Group (Liquidnet Europe Limited)
- Luminex Trading & Analytics LLC
- Morgan Stanley
- Sanford C Bernstein Limited
- UBS Investment Bank
- CBOE/BIDS **

**CBOE/BIDS is a trade negotiation platform, where a designated broker is selected to execute the transaction. The designated broker will be one of our current approved brokers.

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