

OUTCOMES
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EXECUTION POLICY

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GLOSSARY OF ABBREVIATIONS AND TERMS

Abbreviation/term	Definition
FCA	Financial Conduct Authority.
Hermes Group	The investment firms operating under the name Hermes that use the Hermes Central Dealing Desk are: Hermes Investment Management Limited (HIML); Hermes Alternative Investment Management Limited (HAIML); Hermes European Equities Limited (HEEL) and Hermes GPE LLP (Hermes GPE).
MiFID	Markets in Financial Instruments Directive (MiFID).
OMS	The Order Management System for processing client orders. Hermes uses Thinkfolio.
MTFs	Multilateral Trading Facilities.
SI	Systematic Internaliser.

INTRODUCTION

This document sets out the Execution Policy and approach to providing best execution to our clients, as required by the Markets in Financial Instruments Directive (MiFID) and the FCA.

MiFID requires Hermes to take all sufficient steps to obtain the best possible results for clients when executing orders, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration, whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution.

Based on information provided by the client as part of their investment management agreement, Hermes shall take reasonable steps to ensure that a decision to trade is suitable for the client's portfolio. At all times Hermes will act in the best interests of clients when executing orders.

This policy provides an overview of Hermes' approach to achieving the best possible results for clients when executing orders.

EXECUTION POLICY

Best execution obligation

Hermes will act in the best interests of clients and seek best execution when placing orders on behalf of clients. Hermes has in place this Policy and procedures which are designed to obtain the best possible execution result on a consistent basis for clients, taking into account the financial instrument and the nature of the order. Hermes only executes orders on behalf of Professional Investors.

Hermes' Central Dealing Desk

Hermes uses the Central Dealing Desk model to ensure a separation of duties. Portfolio managers are responsible for the investment decision to trade which is then routed to the Central Dealing Desk for execution. The Central Dealing Desk is made up of a team of experienced dealers with a wide knowledge of the markets and instruments Hermes deals in. It is their job to focus on achieving the best possible execution of trades on behalf of clients. Orders transmitted to the Central Dealing Desk are passed to third parties to execute in the relevant financial markets.

For equity investment teams the Central Dealing Desk operates a hybrid dealing model using both an internal dealing desk and an outsourced external dealing desk operated by CF Global Trading UK Limited ('CF Global'). CF Global execute orders for portfolios managed by Hermes' Global Emerging Markets and Asia ex-Japan equity teams as this provides local market coverage for markets which operate outside of standard UK business hours. CF Global execute orders in alignment with this Policy. Hermes has oversight over and monitors the quality of execution of all CF Global trades.

Trading factors

Hermes take into consideration a range of different factors when determining how to obtain the best possible result. These factors are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. For further information on the relative importance of the execution factors please see below.

Trading factor	Description
Price	For most liquid instruments, the price paid for the financial instrument will merit a high relative importance in obtaining the best possible result. However, in some circumstances other execution factors are more important than price in obtaining the best possible result.
Likelihood of Execution	In some instances, Hermes' ability to actually execute the order will be the primary factor to be considered. Where, for example, the instrument is illiquid (i.e. rarely traded) or the size of the order is prohibitive, the policy will ensure that our ability to carry out the order takes precedence over other factors.
Order Size	The best price in a market is usually represented by the opportunity to trade in a particular size (i.e. number of shares, units, contracts etc.) which may not match the size of the client's order. Where the order is bigger than the typical quoted size, then the part of the order executed over and above the threshold may only be available at a less favourable price. This may require Hermes to execute orders over the course of a day, or a number of days, with the overall order execution being expressed as an average price of all the individual executions on any given day.
Costs	Where explicit charges (such as exchange fees or settlement/custody costs) would make the overall consideration of the execution prohibitive (e.g. due to the cost of many small trades on an order book) then this may become the most important factor. Implicit charges such as those factored into a pricing spread may also be a consideration.
Speed of Execution	The speed of execution may be an important factor for some types of orders. Speed will be a high priority for an order in liquid (i.e. frequently traded) shares in a fast-moving market.
Nature of the Order	Hermes will take into account any other factor relevant to the order that it believes warrants consideration in terms of how that order should be executed. For example this could be simply whether it is a buy or sell order or the order has price limits.
Any other relevant order execution factor	Quality of settlement and risks associated with a broker could be an example of another consideration when placing an order.

Factor weights

When assessing the best result the weights given to each trading factor are dynamic and may depend upon several variables, for example:

- The characteristics of the client
- The objectives, investment policy and risks specific to the portfolio
- The characteristics of the client order
- The characteristics of the financial instruments that are the subject of that order
- The characteristics of the execution venues to which that order can be directed

Appendix 1 provides an overview of the primary factors typically considered by Hermes' Central Dealing Desk when executing orders for different types of financial instruments. Whilst these are the most typical factors considered any of the factors could apply to a specific order.

Execution venues

An execution venue is where an order is transmitted to by the Central Dealing Desk for execution. The execution venue selected for a trade will take into account the financial instrument and relevant trading factors. For each financial instrument in which we execute orders, the venues that we consider enable us on a consistent basis to obtain best execution are listed in Appendix 2.

We regularly assess the execution venues available and may add or delete venues in accordance with our obligation to provide the best possible execution result on a consistent basis. Hermes may invest in an instrument that trades outside of a regulated market or Multilateral Trading Facility.

The venue selection for an order is impacted by an analysis of the trading factors relevant to the order and qualitative factors attributable to each venue. These qualitative selection factors for venues include:

- Ability to source natural liquidity
- Execution coverage/service
- Execution consultancy and market structure analysis
- Operational efficiency
- Product development and innovation
- Transparency and analysis tools

Methods of execution

Hermes uses a variety of methods to execute orders. The most appropriate method for an order is selected to achieve best execution at the time.

Method	Description
Direct Market Access	Trades can be executed using third party technology and exchange memberships to access liquidity.
Algorithmic Trading	We may place orders with brokers who use algorithmic trading tools to access liquidity.
Direct Instruction	Trade instructions can be communicated either by voice or electronic message.
Request for Quote	Trades can be executed using either voice or electronic communication after third party quotes have been put into competition.
Programme trades	Programme trades may be used to trade a slice of a portfolio. Typically these trades are used to manage investor subscriptions and redemptions.
Hourly FX Fixing	A published and transparent FX market fixing price. This takes place hourly.

Liquidity Sources

Hermes uses a variety of liquidity sources to transact. The most appropriate method for an order is selected to achieve best execution at the time.

Source	Description
Lit	Visible order book liquidity from available exchanges.
Dark	Invisible liquidity from available exchanges.
Auctions	Periodic Auctions – Liquidity from short duration auctions run periodically over the course of the day on a lit exchange order book. Open/Close Auctions – Liquidity from open/close auctions at the start and end of continuous Lit book market trading.
Systematic Internalisers	A systematic internaliser is an investment firm providing liquidity on an organised, systematic, frequent, and substantive basis on its own account when executing client orders.
Large in Scale	A large in scale waiver is offered to liquidity in the dark over a certain size, allowing trading to continue for blocks once the dark volume caps have been reached. Large in scale orders benefit from a pre-transparency waiver that is designed to protect large orders from adverse market impact and to avoid abrupt price movements that can cause market distortion.
Conditional Blocks	Order negotiation and execution platforms that allow market participants to trade blocks without revealing them to the wider market.
Off Exchange (OTC)	Most Fixed Income investments are executed off exchange where executions are transacted with the counterparty directly.
Placings	Block liquidity available from either primary or secondary market issuance.
Hourly FX Fixing	Transparent FX liquidity in which we can participate hourly.

Cross trades

If a client's portfolio allows cross trading and if the parameters of orders between separate clients match they may be transacted with each other. The buyer and the seller benefit by having a reduced market impact and reduced costs.

Following specific instructions from a client

Whenever there is a specific instruction from a client Hermes will execute the order in line with the specific instruction. Hermes will take all sufficient steps to obtain the best possible result but may be constrained by the client's instructions. This may impact the quality of execution.

Aggregation of client orders

When multiple portfolios wish to trade in the same financial instrument at the same time, these orders may be aggregated together as a block trade to help achieve the best possible execution result for all clients. Orders will only be aggregated together if the order parameters match and there are no client restrictions on aggregating orders. Hermes will ensure that orders are executed promptly and allocated in a fair manner on behalf of all investors.

Management of execution costs

For equity trades Hermes negotiate execution commission rates with executing venues to achieve a quality of service that will help achieve best execution. Hermes monitor and benchmark these rates against industry surveys and market intelligence. Further negotiation may take place on larger trades where we may be able to obtain improved rates. For credit trades a separate commission is not paid as it is embedded within the bid/offer spread.

Reporting

In accordance with the requirements of MiFID Hermes will summarise and make public on an annual basis, for each class of financial instrument, the top five execution venues in terms of trading volumes, where client orders are executed in the preceding year. This report will be made available publically by the end of April each year on the Hermes' website at <https://www.hermes-investment.com/policies>

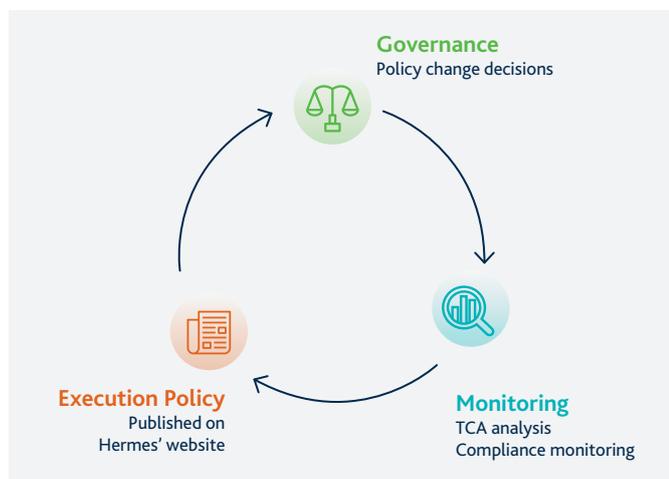
Monitoring and review

Hermes monitors the effectiveness of execution arrangements and this Policy on a regular basis. As part of the monitoring third party transaction cost analysis is used to monitor the effectiveness of Hermes trading against the market. Additional monitoring is undertaken by the Hermes Compliance department.

Hermes uses transaction cost analysis to review and improve the quality and methods of execution.

As part of the monitoring and review process Hermes will look at enhancing this Policy when appropriate. Changes may be made due to the results of the monitoring identifying appropriate changes to trading practices or due to developments within the trading environment. Figure 1 demonstrates the constant monitoring, governance and policy development process:

Figure 1 – Monitoring and review Execution Policy



This Policy is reviewed regularly at part of the above process and at a minimum annually. The Policy is available publically and published on the Hermes' website <https://www.hermes-investment.com/policies>

Counterparty approval process

Trading venue approvals are subject to a formal process, owned by the independent Risk department, assessing ownership, terms of business and financial adequacy of the counterparties Hermes trades with. Once approved each Counterparty is subject to regular reviews. Selection can only be made from the pre-authorized list of Hermes eligible counterparties. Clients may also request restrictions on the counterparties that can be used for their segregated account.

Conflicts of Interest

Fair treatment of clients in the execution of orders and allocation of trades is achieved by the use of standard allocation defaults on Hermes' OMS and by following Hermes Allocation & Aggregation Policy. This ensures that similar client mandates are managed fairly.

The OMS is also used to enforce a stop list of securities in which Hermes is in receipt of price sensitive information.

There is a segregation of duty between fund managers and dealers. Fund managers are responsible for requesting orders and dealers are responsible for seeking the best possible results when placing orders.

Hermes does not trade on its own investments alongside client orders. All trades are conducted to target best execution.

Hermes pays for all of its own investment research.

Hermes does not own any associate companies through whom it could conduct securities dealings.

Figure 2 – Governance



Governance

Hermes has a governance structure to oversee execution arrangements. The Hermes Portfolio Review Committee (PRC) is responsible for overseeing Hermes' best execution arrangements. The Chair of PRC is the Head of Investment.

Hermes has a Best Execution Committee. This monitors execution and reports quarterly to the Portfolio Review Committee.

Members of PRC include the Head of Investment, Head of Compliance, Head of Risk, Head of the Central Dealing Team and representatives of the Investment Office, who provide investment risk oversight of Hermes' investment teams. Any issues or enhancements identified are discussed and this Policy is updated to reflect new trading practices when required. The PRC will refer any material issues to Hermes' Executive Committee and the Risk & Compliance Committee if necessary.

The Risk department is responsible for the approval and monitoring of counterparties. The Counterparty Credit Group have oversight of the approved list of counterparties.

APPENDICES

Appendix 1 – Appendix of instruments v factors

The following table provides a breakdown of the primary trading factors considered by Hermes' Central Dealing Desk when placing an order on behalf of a client and are subject to change.

The primary factors will vary for different types of asset classes and financial instruments. Whilst these are the most consistent factors considered they may vary dependent on investment limits and market conditions at the time of a specific order. Any of the following trading factors may apply: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Asset class	Types of financial instruments	Primary factors
Equities	Stocks & shares	(i) Price (ii) Size
Debt instruments	Bonds Money markets instruments	(i) Price (ii) Size
Interest rates derivatives	Futures and options admitted to trading on a trading venue Swaps, forwards, and other interest rates derivatives	(i) Price (ii) Likelihood of execution and settlement
Credit derivatives	Futures and options admitted to trading on a trading venue Other credit derivatives	(i) Price (ii) Size
Currency derivatives	Futures and options admitted to trading on a trading venue Swaps, forwards, and other currency derivatives	(i) Price (ii) Size
Structured finance instruments	Exchange Traded Note	(i) Price (ii) Size
Equity derivatives	Options and futures admitted to trading on a trading venue Swaps and other equity derivatives	(i) Price (ii) Likelihood of execution and settlement
Securitised derivatives	Warrants and certificate derivatives Other securitized derivatives	(i) Price (ii) Size
Commodities derivatives	Options and futures admitted to trading on a trading venue Other commodities derivatives	(i) Price (ii) Cost
Contracts for difference	Contracts for difference	(i) Price (ii) Cost
Exchange traded products	Exchange traded funds, exchange traded notes and exchange traded commodities	(i) Price (ii) Size
Emission allowances	N/A	Hermes does not trade this asset class
Other instruments	Mutual funds	(i) Price (ii) Size
FX	FX	(i) Price. We execute FX in the nearest hourly available market Fix. If a benchmark is missed due to unforeseen circumstances, executions are conducted in a timely fashion.

The primary execution factors in the table are subject to change.

Appendix 2 – Execution venues

Hermes uses the following execution venues when obtaining best execution as defined by MiFID. This list is not exhaustive and will be subject to change and will be updated from time to time. Hermes may also use other venues where it deems appropriate in accordance with this Policy to achieve the best possible execution results.

Asset class	Execution venue	
Equities	Instinet Europe Ltd Morgan Stanley & Co International Plc CLSA UK Daiwa Capital Markets Europe Ltd Jefferies International Ltd Barclays Bank PLC Deutsche Bank AG Macquarie Bank Limited Joh Berenberg Gossler & Co Nordea Bank AB Goodbody Stockbrokers ABG Sundal Collier ASA	Santander Investment Bolsa Sociedad de Valores SA Citigroup Global Markets Ltd Panmure Gordon (UK) Ltd Winterflood Securities Ltd Louis Capital Markets UK LLP Northern Trust Securities JonesTrading Stifel Nicolaus Europe Credit Suisse Securities UBS AG
Debt instruments	Goldman Sachs International Barclays Bank Plc Morgan Chase Bank NA Bank of America NA Morgan Stanley & Co International Plc Credit Suisse Securities (Europe) Ltd	Deutsche Bank AG All Internal Transfer Trades Citigroup Global Markets Ltd Royal Bank of Canada Europe Ltd HSBC Bank Plc
Interest rates derivatives	Morgan Stanley & Co International Plc	
Credit derivatives	Barclays Bank Plc Morgan Stanley & Co International Plc Goldman Sachs International	JP Morgan Securities PLC BNP Paribas Paris
Currency derivatives	Northern Trust State Street Commonwealth Bank of Australia	HSBC Bank Plc Barclays Bank Plc
Structured finance instruments	Morgan Stanley Bank of America	UBS Goldman Sachs
Equity derivatives	Morgan Stanley & Co International Plc	Goldman Sachs International
Securitized derivatives	CLSA UK Morgan Stanley & Co International Plc Merrill Lynch International	Citigroup Global Markets Ltd HSBC Bank Plc
Commodities derivatives	Not traded by Hermes	
Contracts for difference	Not traded by Hermes	
Exchange traded products	Bank of America NA Societe Generale SA	Morgan Stanley & Co International Plc Instinet Europe Ltd
Emission allowances	Not traded by Hermes	
Other instruments	Instinet Europe Ltd Citigroup Global Markets Ltd	Morgan Stanley & Co International Plc UBS AG

HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is to help savers and beneficiaries by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial – and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

Private markets

Infrastructure, private debt, private equity, commercial and residential real estate

High active share equities

Asia, global emerging markets, Europe, US, global, small and mid-cap and impact

Credit

Absolute return, global high yield, multi strategy, global investment grade, unconstrained, real estate debt and direct lending

Stewardship

Active engagement, advocacy, intelligent voting and sustainable development

Offices

London | New York | Singapore | Denmark

For more information, visit www.hermes-investment.com or connect with us on social media:



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