
WAVERTON INVESTMENT MANAGEMENT LIMITED

ANNUAL BEST EXECUTION DISCLOSURE 2017-2018

April 2018



WAVERTON
INVESTMENT MANAGEMENT

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In accordance with the requirements of COBS 11 Annex 1EU, Waverton Investment Management Limited (Waverton) are required to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes, where we have executed client orders in the preceding year, together with information on the quality of execution obtained.

When executing client orders Waverton will take account of a range of execution factors. These factors are considered in the initial selection of execution venues and the ongoing review of performance of those execution venues. Ordinarily, price and cost will merit a high relative importance in achieving the best possible result; however, there may be circumstances for clients when other execution factors are weighted with greater importance than price. These factors and their relative importance will be determined upon the characteristics of the order and prevailing market conditions, the characteristics of execution venues to which the client order can be directed, and the characteristics of the financial instruments which are the subject of the client order. We will also determine the relative importance of the best execution factors based on our experience and commercial judgement.

In executing client orders Waverton does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue which would infringe any conflicts of interest or inducement requirements under MiFID II, and in particular Article 24(9) MIFID II. Waverton does not partake in any payment for order flow arrangements. Where Waverton deems it necessary to procure third party research, the cost will be met from our own resources and not client dealing commissions. Similarly, Waverton does not have any close links, conflict of interests, or common ownerships with respect to any execution venue used to execute orders.

Waverton clients will be classified as either retail or professional, but regardless of classification we will treat all clients as retail for the purposes of achieving best execution, or getting the best possible result for you when carrying out trades.

We have developed internal processes and procedures and an order execution policy (the “Best Execution Policy”) to allow us to act in accordance with our clients’ best interests and obtain the best possible result for them when executing or receiving and transmitting their orders in financial instruments. We recognise the importance of acting in accordance with your best interests and taking all sufficient steps to obtain the best possible result when executing orders for you.

For the following classes of financial instruments, Waverton executed a small number of orders: Equity derivatives, Credit derivatives, Securitized derivatives, Currency derivatives and Money Market Instruments.

EQUITIES – SHARES & DEPOSITARY RECEIPTS

Client Type:
Retail

Interaction:
Placement / Transmission

Class of Instrument:
Equities – Shares & Depository
Receipts

Period Start:
01/01/2017

Period End:
31/12/2017

Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of Passive orders	Percentage of Aggressive orders	Percentage of Directed orders
Atlantic Equities	22.58%	2.89%	0.00%	0.00%	0.00%
Credit Lyonnais Securities	17.47%	13.11%	0.00%	0.00%	0.00%
Jefferies International Ltd	16.01%	17.75%	0.00%	0.00%	0.00%
Kepler Cheuvreux	3.97%	4.98%	0.00%	0.00%	0.00%
J P Morgan Securities	3.54%	11.45%	0.00%	0.00%	0.00%

Notification if <1 average trade per business day in the previous year: **N**

EXCHANGE TRADED PRODUCTS

Client Type:
Retail

Interaction:
Execution

Class of Instrument:
ETPs*

Period Start:
01/01/2017

Period End:
31/12/2017

Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of Passive orders	Percentage of Aggressive orders	Percentage of Directed orders
Merrill Lynch	34.57%	30.56%	0.00%	0.00%	0.00%
Macquarie	27.66%	17.22%	0.00%	0.00%	0.00%
Barclays BGI	10.53%	7.22%	0.00%	0.00%	0.00%
Jefferies International Ltd	8.56%	16.11%	0.00%	0.00%	0.00%
Credit Suisse	8.02%	6.67%	0.00%	0.00%	0.00%

Notification if <1 average trade per business day in the previous year: **Y**

*ETPs - Exchange traded funds, exchange traded notes and exchange traded commodities

EQUITIES / EXCHANGE TRADED PRODUCTS

Waverton undertake a bi-annual broker scorecard methodology where by all factors we deem important in assessing the quality of execution are weighted and applied to each broker. Each member of the Dealing team will assess such factors and operations are consulted regarding settlement. High and Low touch execution services are reviewed separately. Typically, we would view price and the costs related to execution as the most important execution factors. For high touch trading, access to liquidity, which impacts likelihood of execution, is our second most important factor. This involves analysing a broker in terms of reliability of indications of interest (IOI), sourcing of natural blocks and the availability and use of capital commitment. Execution service and advice is the third most important factor which reviews the expertise of the sales trader. For low touch trading the actual algorithm offering in terms of its innovativity and liquidity reach is considered the second most important factor. Followed by execution service/consulting and best execution evidencing available. Operational considerations, including seamless settlement, are also included on the scorecard.

To evaluate execution quality in depth, Waverton undertake a quarterly transaction cost analysis (“TCA”) to review all trades utilising a 3rd party vendor. TCA enables Waverton to measure implicit costs, such as market impact, timing and opportunity cost, to investigate and confirm the ongoing effectiveness of our best execution arrangements. TCA reports are sent to senior management for review and comment.

Although market price (including all costs related to execution of the order) is generally the overriding factor in attaining best execution, it should be noted there have been situations when this has not been the priority when executing a trade, such as:

- For smaller capitalised equities and less liquid stocks, the likelihood of execution and provision of liquidity has sometimes been more important than price. In certain situations accepting a block of stock reduces the risk of exposing the client to price volatility if the order takes a long time to complete.
- When raising cash to fund redemptions, speed has sometimes taken priority over price to ensure a client receives their funding requirements promptly.
- The volatility of the market caused by exceptional events such as Brexit has sometimes made speed of execution a greater priority to ensure the client is not exposed to further volatility.

Compliance maintain a central list of approved brokers with whom orders can be placed. Brokerage firms are placed on this list subject to an authorisation and ongoing monitoring process, which includes, but is not limited to, the broker’s credit worthiness and execution performance. Explicit costs (such as dealing commissions) are reviewed annually.

Overall, Waverton can confirm that it considers it has met its obligation to achieve the best possible result for its clients on a consistent basis. Waverton continue to seek optimal routes to liquidity to improve best execution for our clients.

DEBT INSTRUMENTS - BONDS

Client Type:
Retail

Interaction:
Execution

Class of Instrument:
Debt instruments –
Bonds

Period Start:
01/01/2017

Period End:
31/12/2017

Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of Passive orders	Percentage of Aggressive orders	Percentage of Directed orders
Barclays BGI	17.38%	7.21%	0.00%	0.00%	0.00%
Citigroup	14.89%	12.61%	0.00%	0.00%	0.00%
Imperial Capital	10.75%	6.31%	0.00%	0.00%	0.00%
Morgan Stanley	7.55%	6.76%	0.00%	0.00%	0.00%
MarketAxess	7.12%	13.96%	0.00%	0.00%	0.00%

Notification if <1 average trade per business day in the previous year: Y

DEBT INSTRUMENTS - BONDS

Ordinarily, for fixed income transactions, liquidity and price are the main factors when assessing the quality of execution. Nevertheless, the relative importance of secondary factors, such as execution service including market intelligence and knowledge and operational considerations, are also considered. For Fixed income trades, we mainly utilise multilateral trading facilities (MTF) to undertake our trading activity. Where we make use of MTFs, we consider the broker reach and pre trade information the most important factors as well as the costs of accessing the venue and the overall technical and operational offering of a venue – including connectivity, speed of execution, reliability, rules, membership requirements.

It should be noted that for particularly illiquid fixed income products, likelihood of execution has preceded over market price and cost to ensure a client order is completed in a timely manner to reduce the risk to the client of exposure to further volatility.

Compliance monitoring is in place to examine that, where circumstances apply, competing quotes are sought, recorded and reviewed to evidence best execution.

The Fixed Income Broker list has remained consistent this year, other than the addition of a new, specialised regional broker to ensure speed and likelihood of execution in new regions that we have entered for fixed income trades.

Overall, we are satisfied with the execution quality of the fixed income, debt transactions. In addition, we will introduce a broker and venue scorecard methodology and TCA of this asset class in 2018 to aid with our best execution monitoring.

FURTHER INFORMATION

Where Waverton's advice is given it is restricted to discretionary investment management services. We do not provide advice on the use of tax or financial planning products (even if the service which we are managing is held within such a product) or non-discretionary investment.

All materials have been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

Once it is available, Waverton will provide links to the most recent execution quality data provided under RTS 27.

Should you require anything further in respect of the information included in this presentation please address all enquiries to:

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