

Introduction

This document sets out the execution Policy and approach to providing best execution, as required by the Markets in Financial Instruments Directive 2014/65/EU ('MiFID II').

MiFID II requires Polar Capital to take all sufficient steps to obtain, when executing orders, the best possible result for our Clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. This applies whether we are executing orders on behalf of Clients or placing orders with, or passing orders to, others for execution.

As investment manager, Polar Capital invests in various asset classes including equities, bonds, foreign exchange, futures, swaps and other derivative instruments on behalf of our Clients. In carrying out this activity Polar Capital executes orders for Clients with other entities for execution.

The obligation to obtain the best possible result for Clients is referred to in this Policy our obligation of Best Execution.

1. Scope

This Policy applies to Polar Capital LLP acting as investment manager for institutional Clients including its UCITS and managed accounts. In addition, to meet its obligations under the Alternative Investment Fund Managers Directive it has adopted its Policy with respect to these its Cayman domiciled hedge fund and its London listed investment trusts. All entities above are hereinafter referred to as the Client(s).

References to 'Polar Capital', 'we', 'us' or 'our' references Polar Capital LLP as investment manager.

How will orders be executed for the Client?

Polar Capital will assume both Direct and Indirect Responsibility for Best Execution depending on the execution strategy chosen per trade.

Direct Responsibility for Best Execution

Responsibility for best execution applies to Polar Capital when we are deemed to be executing client orders. This will generally be the case when we deal:

- a) In equity markets where we request a broker or other liquidity provider to use his own capital in providing liquidity for a trade by dealing as principal;
- b) In dealer markets where we request a price quotation from a broker or other counterparty (this includes bond trades, over-the-counter derivatives and some types of foreign exchange transactions as discussed in *section 4.2*); and
- c) Directly in the market as a participant in a Multi-Lateral Trading Facility.

Indirect Responsibility for Best Execution

As well as executing trades ourselves, Polar Capital also relies on brokers and counterparties to execute orders on an agency basis, and these entities are responsible for the duty of best execution. However, Polar Capital will assume responsibility for the oversight and monitoring of the execution quality of the broker or other counterparty.

There are two main ways Clients execute their indirect orders at Polar Capital:

1. Sending trades to an executing broker sales desk
2. Sending trades to an executing broker via their algorithms (or 'algo')

This Policy applies to any financial instruments which are covered by the European Union's Markets in Financial Instruments Directive ('MiFID'). These include:

- Transferable securities;
- Money market instruments;
- Units in collective investment undertakings;
- Financial derivatives; and
- Contracts for differences.

This Policy only applies to clients of Polar Capital who have been categorised as Professional Clients under MiFID.

Exclusions

Our ability to achieve the Best Execution will be limited to the extent that we will follow specific instructions from our Clients when placing an order with another entity for execution.

For example, where we are given specific instructions on the use of a particular broker or brokers. Where any instruction relates to only part of the order, we will continue to apply our order execution Policy to those aspects of the order not covered by the specific instruction.

2. Order Execution

When providing portfolio management services to Clients, we must act in accordance with the best interests of our Clients. This applies when placing orders with executing brokers or using venues for the execution of trades which result from our investment decisions from Clients. We take all sufficient steps to obtain Best Execution for our Clients taking into account all relevant factors, including;

- price,
- costs (implicit and explicit),
- size,
- speed,
- likelihood of execution,
- likelihood and timeliness of settlement,
- the nature of the order,
- conflict of interests in trading with the counterparty
- willingness of the trading counterparty to use its balance sheet to trade
- the ability to retain anonymity in the market, and prevention of information leakage, and
- all of the above factors as a whole.

The relative importance of each of these factors will vary depending upon a number of criteria, namely;

1. the investment intent of the portfolio manager who created the order at Polar Capital;
2. the characteristics of financial instruments that are the subject of that order; and
3. the characteristics of the execution venues to which that order can be directed.

Each Client order that is transmitted have varying characteristics and market conditions are never constant. The relative importance of the execution factors is therefore variable, however the combination of total consideration (price of instrument and costs of execution, both implicit and explicit) and size are usually the most considered factors when setting our execution strategy.

Regulatory requirements provide that Best Execution does not demand that firms achieve the best possible result with every trade, however we are required to demonstrate all sufficient steps have been taken for obtaining the best possible result on a consistent, measurable and repeatable basis.

It is our Policy to ensure that we have a process which ensures that every Client order is treated in a way that aims to maximise the chance of getting the best set of results when trading.

3. Execution Methods

Factors affecting the choice of execution method

Our Policy is to maintain a choice of venues and executing brokers that offer the potential for Polar Capital to obtain the best possible result for the execution of Client orders on a consistent basis.

A. Equities

For equities, to meet best execution, the selection of venue, broker and type of execution strategy is vitally important. We are not affiliated with any broker, bank or venue, allowing us full flexibility to select trading partners on the basis of best execution. We believe that the way to achieve best execution in equity markets is to negotiate the lowest possible terms for the explicit costs of trading (such as commissions), and to make good pre-trade decisions on how to minimise the implicit costs (such as market impact and opportunity cost).

Orders where speed is a less important factor than say price or the ability to retain anonymity

With these orders where a natural counterparty does not exist for our order we use our traders experience and market information to select either a brokers cash desk to work the order on an agency basis or employ a particular broker algo to achieve best execution.

Orders that require immediate execution, where the relative importance of speed may be higher than price or costs.

There can be several reasons for this such as de risk/adding risk in anticipation of results, structural shift in the portfolio construction or in response to subscription/redemption activity on the fund.

In these situations, our traders would either weigh the merits of using brokers capital in the form of a principal risk trade, where the guarantee of completion outweighs the cost of discount or premium attached to the risk or instruct the executing broker/algo informing them of the relative importance of speed over other factors.

When risk trading the quality of execution is less easily measured for this type of trade, as the negotiated price becomes more subjective and depends on the level of risk the broker is prepared to accept; comparative quotes can be sought from other brokers; but in the case of larger orders that are sensitive to information leakage this may not be in the interest of our clients.

Orders that are large in scale relative to the ADV, where the relative importance of speed may be higher than price or costs.

Our policy is to track a wide variety of trading venues and entities for equity trades and to select one of these broker or entities which we believe is appropriate, on a trade-by-trade basis. The examples of *trading / execution strategy* that might be used include:

1. Broking firms who transact on behalf of our clients on Regulated Markets, through their own Multi-Lateral Trading Facility or as a Systematic Internaliser (either on a principle basis, using their own capital to facilitate our orders, or on an agency basis, working the orders against market liquidity).
2. Algorithmic trading, where we trade an order in line with specific parameters, (e.g. a set percentage of traded volume) using a number of brokers' proprietary platforms.
3. Other independent Multi-Lateral Trading Facilities ('MTFs') where trades can be executed away from the exchange's order books.

In the case of 1 & 3 the negotiated price will be based around the prevailing best bid and offer price on the market and we typically deal at the mid of these two prices.

Before any trade is undertaken, our traders will review the alternative execution strategies available) and reach a decision based on the relevant factors mentioned in *Section 2 above*. As a general rule, we will try to identify venues which are sources of natural liquidity before entering an order into the market. Finding a matching buyer or seller eliminates spread costs and market impact

B. Debt Instruments

We don't execute debt instruments on an exchange, so it's vital we have the most appropriate counterparties available to us to source the liquidity. Achieving best execution for fixed income and related securities will depend on the transaction strategy type being entered into. Ordinarily, for fixed income transactions, liquidity and price are the main determining factors given the nature of the securities, as well as speed of market and size of transaction. Since commissions are not charged on all fixed income securities (except futures and Exchange Traded Options),

such costs do not always need to be considered in obtaining best execution. Quotations are recorded from competing venues and trades will be concluded through the venues that provide the best price. However there may be circumstances where retrieving quotes from execution venues may alert the market to Polar's trading strategy which could be detrimental to its clients. In such circumstances, Polar will take into consideration market levels by utilising various tools (such as Bloombergs, BVAL and ALLQ) and will execute the transaction with a venue based upon information from such alternative sources as well as the counterparty's ability to provide settlement and competitive spreads as well as liquidity.

C. Interest rates derivatives

Polar will employ the same logic as straight cash equity trading unless where restricted by the execution of regulatory documentation with a particular broker. (I.e ISDA, LDA etc).

D. Credit derivatives

Polar will employ the same logic as straight cash equity trading unless where restricted by the execution of regulatory documentation with a particular broker. (I.e ISDA, LDA etc).

E. Structured finance instruments

Currently not traded

F. Equity derivatives

Polar will employ the same logic as straight cash equity trading unless where restricted by the execution of regulatory documentation with a particular broker. (I.e ISDA, LDA etc).

G. Securitised derivatives

Currently not traded.

H. Contracts for difference

Polar will employ the same logic as straight cash equity trading unless where restricted by the execution of regulatory documentation with a particular broker. (I.e ISDA, LDA etc).

I. Exchange traded products

Polar will employ the same logic as straight cash equity trading.

J. Emission allowances

Currently not traded.

4. Execution Venues

The decision to use which venue or entity is dependent upon the various factors described above. Our Best Execution Policy includes, for each Financial Instrument in which we execute orders on your behalf, those venues that we consider enable us to obtain on a consistent basis Best Execution. Those possible execution venues include, as appropriate for each product: regulated markets, multilateral trading facilities, systematic internalisers, market makers, and other liquidity providers. The details of venues used across asset classes are attached in the Appendix. We reserve the right to use other execution venues that are not listed, where we deem appropriate in accordance with this Policy and may add or remove any execution venues from this list without notice.

5. Monitoring and review

Reviewing the Execution Policy

We will review this Policy and our order execution arrangements on an annual basis. The purpose of such review will be to carry out an assessment as to whether the Policy and Polar Capital's execution arrangements are reasonably designed to enable the firm to obtain the best possible result for the execution of its Client orders.

This review will include consideration of:

- The inclusion of additional or different execution venues or entities;
- The removal of any existing execution venues or entities; and
- Any modifications required to this Policy, including the relative importance of the best execution factors.

This Policy will also be reviewed upon the occurrence of a material change in our dealing arrangements or in our underlying regulatory obligations. For the purposes of this Policy a material change means a significant event of an internal or external nature that could materially impact factors or parameters of best execution such as cost, price, speed, likelihood of execution, likelihood of settlement, the ability to retain anonymity in the market, prevention of information leakage, size, nature or any other consideration relevant to the execution of the order. We do not necessarily deem the addition or removal of a broker from the approved list as a material change.

We will notify Clients of any material changes to our execution arrangements or the Policy including updating the list of execution venues and entities where necessary. Such notification may be made via our website www.polarcapital.co.uk.

Monitoring the efficiency of trading

Pre-Trade: Broker Selection

Our Policy is to take sufficient steps to determine that when transmitting or placing an order with another entity to execute, or executing a Client order directly with a counterparty, that entity has arrangements that will enable Polar Capital to comply with the overarching best execution obligation.

In the case of an entity subject to the requirements of MiFID, we will look to obtain and review appropriate information on their execution Policy and execution arrangements and ensure that we are treated as a Professional Client of that entity at the onboarding process.

In the case of entities which are not subject to MiFID, we must take sufficient steps to satisfy ourselves that the entity has execution arrangements that allow them to comply with the overarching best execution requirement. In any case where we cannot satisfy ourselves of the above matters, it is our Policy not to use that entity.

Post-Trade: Trade Monitoring

In order to demonstrate that Polar Capital has obtained Best Execution a number of methods are used in order to test whether the execution which was carried out resulted in the best possible outcome for the Client.

When monitoring **equity** trades such methods include:

- Bloomberg Trade Compliance Analysis – tolerance check based on;
 - Volume Weighted Average Price
 - Bloomberg Market Price
 - Timing of order
- Further investigation will be carried out based on the other Execution Factors where any of these three tests have failed to see whether Best Execution was obtained in reliance on another factor.
- When monitoring Fixed Income Polar will use BTCA (Bloomberg Transaction Cost Analysis) and the BVAL (Bloomberg Valuation Service) information available within it.

Monitoring adherence to this policy

We monitor our adherence to this Policy and our regulatory obligations in this area through the firm's compliance risk assessment framework and monitoring programme.

6. Information to Clients

We are obliged to provide appropriate information to Clients about our Execution Policy which is designed to highlight the key aspect of our Policy. In addition, we have to notify our Clients of a material change as described in point 4 of this Policy. This disclosure is initially provided to a new Client as part of the investment management agreement, in order that we can evidence the provision of appropriate information and we also request the Client's consent to the Policy and prior express consent to the execution of orders outside the Regulated Market or a Multi-Lateral Trading Facility.

**Appendix – List of Executing
Brokers/ Venues**

ABG Sundal Collier	HSBC Securities
Arden Partners	Haitong
Atlantic Equity	Icici Securities
Berenberg Bank	Ichiyoshi
Bloomberg Tradebook	IDFC Securities
BCG	Investec Henderson
Bernstein	Banca IMI
BGC	India Infoline Ltd (IIFL)
Banco Itau	Instinet
BMO Capital	Intermonte Securities
BNP Paribas	ISI
Barclays Capital	Investment Technology Group Ltd
BTIG	Jefferies & Co
Canaccord Capital	JMP Securities
Cenkos Securities Limited	JP Morgan Chase
Cantor Fitzgerald	Jones Trading
Citigroup	Keefe Bruyette & Woods Asia Limited
China International Capital Corp (CICC)	Kempen & Co
Credit Lyonnais / CLSA	Kim Eng Securities
Carnegie AB	Korean Investment Securities
Credit Suisse First Boston	KCG Europe-Virtu
Daiwa Securities	Kepler Cheuvreux
Davy Securities	Panmure Gordon
Den Danske Bank	Liberum Capital
Deutsche Morgan Grenfell	Liquidnet
DNB Nor Markets	Stifel Nicolaus
EFG Hermes	Liquidnet
Erste Bank	Louis Capital Markets
Exane	Leerink Swann LLC
Finncap	LXM Partners LLP
Guy Butler	Macquarie Bank
Gilbert Dupont	Bank of America
Goodbody Stockbrokers	Mizuho International PLC
Goldman Sach International	Morgan Stanley
Hauck & Aufhauser	Mitsubishi UFJ Securities

Needham & Company
SMBC Nikko
Nomura Securities
Nordea
Natixis
Numis
Oppenheimer
Pacific Crest/Keybanc
Peel Hunt
US Bancorp Piper Jaffray
Raymond James
Robert Baird
Royal Bank of Canada
Redburn Partners
Gottex Brokers SA
SG Cowen
Societe Generale Securities
Shore

Singer Capital
Sandler O,Neill + Partners, L.P
Suntrust Robinson Humphrey
STX Fixed Income
Tachibana Securities
Tradition
UBS Warburg
UniCredit
UOB Kay Hian
MM Warburg & Co
Stockdale/Westhouse Securities
Wells Fargo
William Blair
Wedbush Securities
Wood & Co
Wolfe Research Securities
Winterflood Securities
Zeus Capital