

City of London Investment Management Company Limited (“CLIM”) Annual Best Execution Disclosure 2019

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Introduction

Following the implementation of MiFID II on 3rd January 2018, CLIM is required to provide annual disclosures regarding which brokers we have used by asset class and how we assess the quality of these executions.

CLIM takes all sufficient steps on a consistent basis to obtain the best possible result when placing orders with other entities (brokers) for execution on behalf of our clients. In obtaining the best possible results (rather than merely the best price), CLIM takes into account the execution criteria and factors applicable to the particular type of transaction.

CLIM has implemented an order execution policy to take into account the relevance and importance of the execution factors for the various types of financial instruments and brokers with whom an order can be placed. When passing orders to a broker for execution, the broker will owe CLIM the duty of best execution, by virtue of CLIM being classified as a ‘Professional Client’.

CLIM takes into consideration a range of different factors when determining how to obtain the best possible result. These factors are price, broker’s ability to provide liquidity, broker's relevant expertise related to the specific instrument traded, speed of execution, transaction costs including fees and commission, likelihood of execution and settlement, capacity to accommodate unusual trading volumes, nature of the order, ability to minimize market impact and accommodate unusual market conditions or any other consideration relevant to the execution of an order. The broker selected for execution is the result of evaluating these factors.

Close links

CLIM does not have any close links, common ownerships or other relationships that would give rise to any conflicts of interest with respect to any brokers or execution venues used by the firm. CLIM has robust policies and procedures in place in order to ensure that arrangements with brokers or execution venues are in the best interest of clients.

Specific arrangement with brokers and execution venues

There are no specific arrangements with any brokers or execution venues regarding payments made or received, or discounts, rebates or non-monetary benefits received. Some third parties (including without limitation brokers) may offer CLIM minor non-monetary benefits permissible under MiFID II and our internal policies.

Changes to execution venues and brokers

CLIM continually assesses the list of brokers used and the quality of the execution they provide. There were no significant changes during 2019.

Execution process variation between client types

CLIM only trades on behalf of Professional Clients.

Execution of Retail Client orders

CLIM does not deal with Retail Clients.

Consolidated tape

CLIM has not used the output of any consolidated tape providers in its execution quality analysis.

Assessment of execution quality

CLIM has a governance structure in place to oversee execution arrangements. The CLIM Trade Management Oversight Committee is responsible for overseeing CLIM's best execution arrangements. In addition to the monitoring of execution performance carried out by the Front Office and Compliance, the brokers' Performance/ Transaction Costs Analysis reports are also utilised where available. The output of this analysis is in line with our in-house monitoring and has not affected our choice of brokers in 2019.

For Professional Clients

Tick size liquidity bands under MiFID II

Trades in Equities that are admitted to trading within the European Economic Area (“EEA”) are required to be classified according to their liquidity as determined under the tick size regime as set out in MiFID II. This classification is based on the tick size band assessment data published by The European Securities and Markets Authority (“ESMA”) on 4 April 2020. Tick size liquidity band “1 and 2” represents EEA traded securities with an average daily number of transactions of 0 to 79 trades per day. Tick size liquidity band “3 and 4” represents EEA traded securities with an average daily number of transactions of 80 to 1999 trades per day. Tick size liquidity band “5 and 6” represents EEA traded securities with an average daily number of transactions greater than or equal to 2000 trades per day.

EEA traded EQUITIES – Shares (incl. Closed End Funds (“CEFs”) & Depositary Receipts (Tick size liquidity bands 1 and 2)

Client type	Class of instrument		Period start	Period End	Notification if <1 average trade per business day in the previous year
Professional	EEA traded EQUITIES – Shares (incl. CEFs) & Depositary Receipts		01/01/2019	31/12/2019	No
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class (USD)	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities Limited (LEI: 8BRUP6V1DX3PIG2R0745)	25.64%	25.69%	N/A	N/A	0%
Cantor Fitzgerald Europe (LEI: 549300KM6VUHPKQLQX53)	18.13 %	18.51%	N/A	N/A	0%
Jefferies International Limited (LEI: S5THZMDUJCTQZBTRVI98)	10.38%	6.62%	N/A	N/A	0%
Cenkos Securities plc (LEI: 213800ALVRC52VN3I821)	6.94%	6.15%	N/A	N/A	0%
Daiwa Capital Markets Europe Limited (LEI: MIM2K09LFYD4IB163W58)	5.83%	3.29%	N/A	N/A	0%

Please note that a number of securities traded in the US fall under this category due to the fact that they are also admitted to trading on a trading venue in the EEA in line with MiFID II.

EEA traded EQUITIES – Shares (incl. CEFs) & Depositary Receipts (Tick size liquidity bands 3 and 4)

Client type	Class of instrument		Period start	Period End	Notification if <1 average trade per business day in the previous year
Professional	EEA traded EQUITIES – Shares (incl. CEFs) & Depositary Receipts		01/01/2019	31/12/2019	No
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class (USD)	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities Limited (LEI: 8BRUP6V1DX3PIG2R0745)	28.09%	29.71%	N/A	N/A	0%
Jefferies International Limited (LEI: S5THZMDUJCTQZBTRVI98)	23.96%	17.32%	N/A	N/A	0%
Avior Capital Markets International Ltd (LEI: 213800N25VHLSIV47443)	9.97%	6.51%	N/A	N/A	0%
Investec Bank plc (LEI: 84S0VF8TSMH0T6D4K848)	8.35%	9.93%	N/A	N/A	0%
Cantor Fitzgerald Europe (LEI: 549300KM6VUHPKQLQX53)	6.85%	5.72%	N/A	N/A	0%

Please note that a number of securities traded in the US fall under this category due to the fact that they are also admitted to trading on a trading venue in the EEA in line with MiFID II.

EEA traded EQUITIES – Shares (incl. CEFs) & Depositary Receipts (Tick size liquidity bands 5 and 6)

Client type	Class of instrument		Period start	Period End	Notification if <1 average trade per business day in the previous year
Professional	EEA traded EQUITIES – Shares (incl. CEFs) & Depositary Receipts		01/01/2019	31/12/2019	No
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class (USD)	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Jefferies International Limited LEI: S5THZMDUJCTQZBTRVI98)	97.72%	27.27%	N/A	N/A	0%
J.P. Morgan Securities plc. London(LEI:K6Q0W1PS1L1O4IQL9C32)	2.28%	72.73%	N/A	N/A	0%

Please note that a number of securities traded in the US fall under this category due to the fact that they are also admitted to trading on a trading venue in the EEA in line with MiFID II.

OTHER INSTRUMENTS - Non-EEA traded Equities - Shares (incl. CEFs) & Depositary Receipts

Equity instruments that are classified as non-EEA traded securities are categorised as “Other Instruments” under MiFID II.

Client type	Class of instrument		Period start	Period End	Notification if <1 average trade per business day in the previous year
Professional	OTHER INSTRUMENTS (Non-EEA Equities)		01/01/2019	31/12/2019	No
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class (USD)	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
WallachBeth Capital LLC (LEI: 549300R371KUKXEXC133)	30.29%	32.79%	N/A	N/A	0%
Piper Sandler & Co (LEI: 549300GRQCWQ3XGH0H10)	18.48%	17.46%	N/A	N/A	0%
Aegis Capital Corp (LEI: 254900S6STN2SDK6LR76)	16.69%	12.87%	N/A	N/A	0%
Cantor Fitzgerald Europe (LEI: 549300KM6VUHPKQLQX53)	9.17%	8.36%	N/A	N/A	0%
J.P. Morgan Securities plc. London(LEI:K6Q0W1PS1L1O4IQL9C32)	6.39%	3.27%	N/A	N/A	0%

Execution factors for EEA and non-EEA traded Equities (Shares (incl. CEFs) & Depositary Receipts)

Unless otherwise stated and recorded, the ranking of best execution factors for Equities is typically:

1. Price
2. Broker's ability to provide liquidity
3. Broker's relevant expertise related to the specific financial instrument traded

The remaining factors are generally given equal ranking.

For less developed markets or less liquid Equities, the likelihood of execution and as such the broker's ability to provide liquidity, increase in importance, particularly when the size of order is material versus average daily volume.

Obtaining Best Execution

When placing an equity order with a broker, price is usually the overriding driver of best execution. The size of the order relative to average daily volume will give an indication of, under normal market circumstances, how long the order will take to complete as well as the liquidity of the security. Brokers' indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e. by mitigating the bid/offer spread). Other factors to be considered include the broker's known expertise in relation to a specific security, the commissions associated with dealing and their impact on the net price received.

CLIM has a wide range of approved brokers through which it can trade including those who may transact on Regulated Markets, through Multi-lateral Trading Facilities ("MTFs") or as a Systematic Internaliser ("SI"). Before placing an order, the potential brokers are assessed in order to consider how best the order can be progressed given the specific characteristics of the order.

The execution provided by the top five brokers has consistently provided a reliable quality of execution with live market coverage on a global basis. The execution provided has been at competitive rates and the brokers were identified as working with a high number of market participants which helps to achieve the best possible execution result for our clients on a consistent basis.

EXCHANGE TRADED PRODUCTS (Exchange Traded Funds (“ETFs”))

Client type	Class of instrument		Period start	Period End	Notification if <1 average trade per business day in the previous year
Professional	EXCHANGE TRADED PRODUCTS (ETFs)		01/01/2019	31/12/2019	No
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class (USD)	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
WallachBeth Capital LLC (LEI: 549300R371KUKXEXC133)	59.32%	53.30%	N/A	N/A	0%
Winterflood Securities Limited (LEI: 8BRUP6V1DX3PIG2R0745)	21.81%	26.65%	N/A	N/A	0%
Aegis Capital Corp (LEI: 254900S6STN2SDK6LR76)	11.71%	12.35%	N/A	N/A	0%
Daiwa Capital Markets Europe Limited (LEI: MIM2K09LFYD4IB163W58)	3.90%	2.41%	N/A	N/A	0%
J.P. Morgan Securities plc. London(LEI:K6Q0W1PS1L1O4IQL9C32)	1.49%	1.94%	N/A	N/A	0%

The instruments traded in this category were ETFs. ETFs may be used as an investment option and also to equitize cash flows with price and speed of execution being primary considerations. The concentration with the brokers in the table is a result of CLIM identifying brokers using algorithmic tools which also helps to keep transaction costs low and achieve the best possible execution result for our clients on a consistent basis.

Important Information

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