



Diagram Capital Ltd

(the “Firm”, “DCL”)

BEST EXECUTION POLICY

Policy

The Firm’s delivery of best execution is a key element in its commitment to act in the best interests of its Clients, as well as being a regulatory requirement. The Firm is required to take all reasonable/sufficient steps to obtain the best possible result for its Clients when the Firm executes, places or transmits orders on their behalf, taking into account price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (referred to as the ‘execution factors’). The Firm does not need to obtain the best possible results for its Clients on every single occasion; rather it will verify on an ongoing basis that the execution arrangements it has established work well throughout the different stages of the order execution process. When determining the relative importance of the execution factors outlined above, the Firm must do so by taking into account:

- The Client it is acting for (including its categorisation (i.e., whether a professional client or eligible counterparty));
- The characteristics of the order, including where the order involves a Securities Financing Transaction (“SFT”);
- The financial instruments involved; and
- The execution venues / Over the counter (“OTC”) to which that order could be directed.

The Firm may execute client orders directly or indirectly based upon the relevant asset classes. Direct orders refer to orders for which The Firm has sole discretion over all parts of the execution, including the execution venue and exact execution timing. Indirect orders are orders where partial or entire execution discretion is delegated to a third party, such as where the Firm places an order with a counterparty - Over the counter (“OTC”) for execution who may execute the transaction using an execution algorithm. This Policy covers the Firm’s approach to best execution in both instances. Execution venues include Regulated Markets, Multilateral Trading Facilities (“MTFs”), Organised Trading Facilities (“OTFs”), systematic internalisers, market makers and other liquidity providers.

It is recognised that different strategies and different asset classes require different considerations; however, best execution must be achieved on a consistent basis in all scenarios. This Policy is intended to serve as a reference point for the Investment Team to ensure that appropriate considerations are taken into account during the execution process. While the Firm will attempt to provide best execution to the extent possible, any such instructions may prevent the Firm from taking steps that it has designed and implemented in this Policy to obtain the best possible result in relation to the execution of those orders with respect to the elements covered by those instructions.

Execution Factors

The Firm's client order handling procedures require that the relative importance of execution factors is always assessed, and the execution of trades can be evidenced as being consistent with the Firm's priority of the relevant execution factors. This will also take into account the characteristics of the client trade, including where the order involves an SFT.

The relative importance of the execution factors is judged on an order-by-order basis in line with the Firm's industry experience and the prevailing market conditions at the time. Some common key factors for relevant asset classes have been identified as follows:

(a) Equities

For standard UK market orders, and in normal market conditions, the Firm may poll different execution venues (using automatic execution technology) to identify the best terms available at the point of the trade for the equity concerned. Other orders, which may be sensitive or in large volume, including those relating to international equities, that cannot be executed automatically will be dealt manually with another regulated firm or via an MTF. This involves a manual search for reference trading prices via market data feeds or by comparing prices offered by other market participants. When an appropriate counterparty is identified, the price is negotiated manually and executed on the best terms identified for the order in question. This may occur off-exchange.

For small orders over a short period of time, the key factors will generally be price, quantity based on market availability, and likelihood of execution. For larger orders, the Firm will additionally take into account confidentiality, minimising the impact on the market, and slippage historically achieved on each execution venue / counterparty ("OTC").

(b) Fixed Income

The debt market in some locations is not centrally organised, and for many non-government issues, is not a liquid market. In these circumstances, the majority of debt issues or bonds must be dealt manually in order to identify current traders in the security concerned. If liquidity is available and a price comparison made for the size of trade concerned, the Firm will route the order to the counterparty which provides the most competitive overall pricing. For some smaller orders, the Firm is able to use automatic execution technology which will source the best bid and offer from a range of counterparties ("OTC").

Where the Firm executes orders directly (i.e., OTC), key factors will be price and transaction cost.

For indirect orders, cost and existing counterparty relationship will typically be important.

Where The Firm deals in OTC products, the Firm must take into account external market data and externally verifiable reference prices (where available), when pricing or checking the price of OTC products (including bespoke instruments). These checks must be recorded to assist the Firm in monitoring its best execution arrangements.

(c) Derivatives

For bespoke highly negotiated transactions or for those which may be original trading ideas or for which the Firm has a duty of confidentiality to the originating firm, the Firm will route such orders exclusively to the originating firm, since there will be no other available market liquidity within a reasonable timeframe.

For some more standardised products, the Firm will usually select and price poll from a shortlist of dealing counterparties identified by the Firm to be among the most competitive in the field concerned. Where derivatives are executed directly, key factors considered are price, observed volume on exchange and overall transaction cost. Where possible, prices are compared via a request for quote ("RFQ"), taking into account additional transaction costs that may be applicable. When transactions are time-sensitive, response time to RFQ may be considered key. On occasion, preference may be given to counterparties

that are operationally easier to work with where time factors are at play.

Where orders are executed indirectly, relevant factors are cost and the existing counterparty relationship.

For more illiquid derivatives, where execution options are available, historical price and liquidity are the key factors for execution.

Execution Venues

Counterparties (“OTC”) and execution venues are typically selected based on their ability to meet the best execution factors listed above. The lists of execution venues and counterparties (“OTC”) to be used by the Firm will be updated from time to time depending on the nature of any changes to the type of investments which the Firm manages and in the light of the experience of the Firm’s Trading Team. From time to time, the Firm may use execution venues and/or counterparties (“OTC”) that are not included on the list where the Firm deems this appropriate in order to be able to continue to meet its obligation to obtain the best possible results for its Client.

A list of the counterparties (“OTC”) which have been approved by the Compliance Officer is kept in the Firm’s network. All orders must be placed with a counterparty (“OTC”) from this list. In addition to the execution factors outlined above, the Firm may take into account certain other factors when choosing the execution venue and/or counterparties (“OTC”), where there are multiple choices. These have been summarised in the Firm’s Clients_CP_register that is kept on the Firm’s network.

Single Execution Venue

The Firm may select only one execution venue / counterparties (“OTC”) to execute client orders in a given class of financial instruments where it is able to demonstrate that such a choice enables it to consistently achieve the best results for its Clients.

Where the Firm executes orders outside a Trading Venue, other risks, such as counterparty risk, arise.

The Firm seeks to mitigate this risk by following the below steps:

1. Considers counterparty credit rating and country of origin credit rating;
2. If it is a regulated entity or not;
3. Assessment of the latest audited financials;
4. Assign counterparty limits based on the shareholder equity and other key financial indicators;
5. On-going screening of the counterparty to monitor any changes in the financials of the Firm or any adverse press/media news and any negative macro impact on the Firm.

The trading desk closely monitors the counterparty limits and are not able to trade the notionals above the assigned limits. Special one-off approvals from Compliance Officer and the Chief Executive Officer are required if trading desk is looking to trade outside the Firm’s trading limits for either bonds limits or counterparty limits.

Upon request, additional information about the consequences of execution outside of any of the Firm’s trading limits can be provided.

Governance

The Firm’s Board of Directors (“BOD”) meets on a regular basis to assess whether the execution venues/counterparties continue to provide the best possible result for the Firm’s Clients. The Board of Directors approves all execution venues and counterparties (“OTC”) (and their terms of engagement).

Execution venues and counterparties (“OTC”) may only be added to the list with the consent of the BOD, which will consider factors including but not limited to credit and counterparty risk, the level of service, and markets covered during their due diligence process and ongoing review. Where only one execution venue / counterparty (“OTC”) is available to The Firm for a particular class of financial instrument, the BOD will additionally consider whether the execution venue / counterparty (“OTC”) enables the Firm to consistently achieve the best results for its Clients and whether any other suitable venues / counterparties (“OTC”) exist.

Review and Disclosure

The Firm continually (and formally at least annually) reviews the effectiveness of this Policy and its execution arrangements to identify and, where appropriate, incorporates any changes to enhance the quality of execution obtained.

The Firm provides all its Clients with a copy of its Best Execution Policy (otherwise known as the Order Execution Policy) and confirms their consent in writing (or by email) to this Policy prior to the provision of services.

The Firm will notify its Clients of any material changes to this Policy. A change is material where it would affect the best execution parameters and/or its disclosure is necessary to enable Clients to make a properly informed decision about whether to continue utilising the services of the Firm.

Publication of Top Execution Venues / Counterparties (“OTC”) and Summary Analysis of Execution Quality

On an annual basis, the Firm summarises and makes public, for each class of financial instrument, the top five entities in terms of trading volumes where the Firm transmitted or placed orders for execution in the preceding year.

In addition to the above, the Firm publishes for each class of financial instrument, a summary of the analysis conducted, and conclusions drawn from the monitoring of the execution venues / counterparties (“OTC”) utilised. Specifics of what the analysis covers include:

- Relative importance the Firm gave to the execution factors when assessing quality of execution;
- Description of any close links, conflicts, common ownerships with respect to any execution venues / counterparties (“OTC”) used;
- Description of any specific arrangements with execution venues / counterparties (“OTC”) regarding payments made/received, discounts, rebates or non-monetary benefits;
- Explanation of factors that led to a change in the list of execution venues / counterparties (“OTC”) used by the Firm;
- Explanation of how order execution differs according to client categorisation; and
- An explanation of how the Firm has used any data or tools relating to quality of execution published by execution venues / counterparties (“OTC”).

The Firm publishes this information on the Firm’s website in a machine-readable electronic format available for download by the public.

The FCA has confirmed that the following disclosure requirements will no longer apply:

- The obligation on execution venues (including counterparties (“OTC”)) to provide quarterly metrics on execution quality (RTS 27 reports).

- The obligation on investment firms carrying out portfolio management or the reception and transmission of orders to provide annual reports on execution outcomes, including the top five execution venues used in each asset class (RTS 28 reports).

The removal of these obligations came into effect on 1 December 2021. Hence, firms due to make the next set of RTS 27 and 28 reports in April 2022 are no longer required to do so. Whilst not explicitly referenced in the FCA's Policy Statement, we understand that any prior disclosures from previous years can be removed from firms' websites.

The Firm is considering any changes that need to be made to its Research and Inducement Policies and is also reviewing its arrangements with individual research providers across the affected sectors. Noting the removal of the best execution disclosure requirements, the Firm has removed its RTS 28 reports from its website and stopped collecting data used in this context.

Procedure

Trading instructions are provided to the Trader through written or verbal orders. Where orders are received verbally the Trader will provide written confirmation of the order to the client or counterparty for verification to ensure the order is correct.

When considering how to execute an order, front office Staff must pay due regard to this Policy and in particular to the relevant execution factors.

Front office Staff must record any pre-trade checks or processes undertaken, as well as any relevant reasons for their choice of execution venue / counterparty ("OTC") to enable the ongoing monitoring of best execution.

Front office Staff are required on an ongoing basis to conduct best execution monitoring, including the reviewing of any alert, limits or trading rules programmed into the order management system ("OMS"). Any issues must be escalated to the Compliance Officer.

The Compliance Officer will review a sample of transactions on a quarterly basis to ensure that they were conducted in accordance with the Best Execution Policy. Depending on the type of instrument, the Firm may benchmark best execution against readily available market-wide pricing data or for illiquid products, ensure that appropriate quotes were sought pre-trade. The results of execution monitoring are reported to the Board of Directors on a periodic basis and remedial action will be taken as necessary.