

octopus

A brighter way

Best Execution Policy

Version 3.1

Purpose

This document sets out Octopus Investments Limited (Octopus) Execution Policy (Policy) and approach to providing the best possible result when executing client orders for retail and professional clients as required according to the Markets in Financial Instruments Directive 2014/65/EU (MiFID II).

MiFID II requires Octopus to take all sufficient steps to obtain the best possible results for their clients when executing orders. Octopus must ensure that the intended outcome can be successfully achieved on an on-going basis.

The following sections contain the overarching Best Execution Policy. The asset class specific provisions can be found in the Annexes.

Scope

Clients

This Policy applies to business conducted with retail and institutional clients only. Octopus does not owe best execution to those classified as eligible counterparties. Nevertheless, the Policy provides details relevant for eligible counterparties as to how Octopus executes transactions and handles trade requests.

Financial Instruments

This Policy only applies to transactions conducted in instruments falling under the scope of MiFID II. It will cover the following classes of financial instruments:

- Cash equities and equity-like: shares and investment trusts
- Exchange traded funds
- Funds
- Unquoted shares and OTC products
- FX Forwards

Execution outside trading venue

Octopus Investments may execute all or part of your order outside of a Regulated Market or Multilateral Trading Facility (MTF). In accordance with FCA requirements Octopus has requested your consent to execute such orders in this manner. The request to provide such consent is included in our account opening documentation which has previously been provided to you.

In the absence of an explicit response from you to the contrary in relation to this information, if you place an order with us, we will treat you as having provided us with consent to trade outside a Regulated Market or MTF, as we believe it is in your best interests for us to do so (i.e. it allows us the flexibility to choose from a wider range of execution venues).

Furthermore, in addition to the above, Octopus Investments is also required under the rules of the FCA to obtain your express consent when exercising our discretion to decide whether or not to publish unexecuted limit orders. The request to provide such consent is included in our account opening documentation which has been provided to you.

In the absence of an explicit response from you in relation to this information, if you place an order with us we will treat you as having provided us with consent not to publish any unexecuted limit orders, as we believe it is in your best interest for us to do so.

Execution Factors

In order to achieve the best possible result on a consistent basis, Octopus will take all sufficient steps to provide best execution to our clients. Octopus will take into consideration a range of different factors to determine the manner in which your order will be executed, including:

- **Price**, meaning executed prices of the transactions
 - **Size and nature of the order**, meaning transaction size and nature of the order affecting the execution price
 - **Likelihood of execution**, meaning the ability to fill the respective order
 - **Speed**, meaning the time taken to execute an order
 - **Likelihood of settlement**, meaning likelihood of the completion of the transaction
 - **Costs**, meaning explicit costs such as fees, commissions and implicit costs such as market impact
 - Any other factors relevant to the efficient execution of the transaction.
- Own sources of liquidity, third party investment firms, brokers, market makers or other liquidity providers and/or non-EU entities performing similar functions.

Octopus will take into account different factors to determine the execution venues in order to obtain on a consistent basis the best possible result for the execution of your orders.

Respective venues are chosen with regard to the following factors:

Some of these factors are more important than others when executing orders. In addition, when executing client orders, Octopus will take into consideration the following factors to determine the importance of the respective execution criteria:

- Client characteristics and regulatory classification of the client
- Characteristics of the transaction
- Characteristics of the respective financial instruments subject to that order
- Characteristics of the execution venues where orders might be directed.

- **Liquidity and prices:** These factors allow Octopus to select and execute on liquid and price-efficient venues. Other venues may offer prices which improve on those offered by our existing venues or the ability to trade significant additional size at similar prices to those offered on existing venues. We expect liquidity and price to be closely (but not exclusively) associated with the market share the venue commands.
- **Credit and settlement risk:** Octopus will, in general, not select a venue if Octopus is not able to determine the obligations (of Octopus and the counterparty) to settle a transaction and to resolve failed settlement.
- **Market microstructure/operating model:** It is important that the technical infrastructure of the venue is resilient and reliable in order to provide stability for smooth trading. Furthermore, the venue should work in a way that should not hinder but benefit our ability to achieve best execution.
- **Performance/Speed of access/likelihood of execution:** includes the following metrics but is not limited to: low latency for speed and order controls, liquidity, fill rates, price improvements, etc. and likelihood of the execution/completion of the transaction.
- **Costs:** Fees that are charged to us by an execution venue influencing the costs incurred by our clients.

Execution venues and factors

In meeting our obligation to take all sufficient steps to obtain the best possible result for the execution, Octopus may use one or more of the following venue types when executing an order:

- Regulated markets
- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Systematic Internalisers (SIs)
- Liquidity pools

Transmission of orders

Octopus does not have direct access to an execution venue. In general Octopus passes client orders on for execution to another financial services organisation (e.g. broker). Octopus will provide more detail on which financial services company it has used in the annual trading statement of the client and in the annual top five venues report published on Octopus' website.

We will regularly review our broker selection and ensure that respective brokers provide best execution on an on-going basis.

Order Handling

General Considerations

Octopus does not usually accept specific client instructions. Where we receive an order from a client we will ensure that the order is executed promptly and will be recorded and allocated. We are committed to fair treatment of all client orders.

Where we have a responsibility for arranging the settlement of an executed order, we will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

We are required under MiFID II to promptly inform retail clients of any material difficulties that would prevent us from properly carrying out their order upon becoming aware of such difficulty. Whilst this obligation only applies to retail clients we will endeavour to similarly inform professional clients on a best efforts basis.

Aggregation of orders

Octopus may combine client orders with orders of other clients to carry them out as aggregated orders (block orders). In this, the bundling may be disadvantageous for the individual order, e.g. due to a decreasing probability or speed of execution, respectively. In such cases Octopus will deal with aggregated orders in accordance with treating customers fairly principle.

Alternative execution in individual cases

In cases in which exceptional market situations or disruption of the market make alternative execution necessary, Octopus will execute the transaction in the interest of the client.

Specific client instructions

Specific client instructions in relation to your order or any part of that order, including selecting to execute on particular execution venue, may prevent Octopus from obtaining the best possible result for you in respect of the elements covered by your instruction.

Fees, Commissions and Mark-ups

Octopus is required to demonstrate that it is taking reasonable steps to get the best possible price for a client when the obligation arises. In order-driven markets such as cash equities Octopus charge an agreed commission on a trade which is built into the execution price. Octopus will ensure that mark-ups and spreads charged on transactions where best execution is owed are reasonable, not excessive and will be within a range that we consider reasonable for the product type and size of the trade.

Furthermore, Octopus Investments will not seek to benefit from clients through asymmetric price

movements e.g. where we may pass on any adverse price movements to the client while retaining for our self any movement in the client's favour.

Adverse Market Conditions

During adverse market conditions we will not always be able to deliver best execution in accordance to the above specified execution factors. We will endeavour to deliver the best possible result.

Monitoring and review

Octopus will monitor and assess the effectiveness of its Execution Policy and its execution arrangements on a regular basis, at least annually.

A review will also be carried out whenever a material change occurs that may affect Octopus' ability to continue to obtain the best possible result for the execution from its client orders on a consistent basis. The review will also take into consideration possible changes to the relative importance of the execution factors in meeting the overarching best execution requirement.

The monitoring includes in particular a review of whether the execution venues and brokers provide for the best possible result taking into account the periodic report of the top five execution venues and the execution quality report. Any material changes to this Policy will be published on our website www.octoupsinvestments.com

Annex

Annex 1: Cash Equities

This annex to the Policy sets out Octopus' approach for achieving best execution when executing orders for clients in cash equities. It must be read as an annex to our overarching Best Execution Policy which sets out the general provisions applicable to all asset classes.

1 Execution Factors

Depending on the liquidity size of the share traded Octopus will employ different execution factors:

A Tick size liquidity bands 5 and 6 (from 2,000 trades per day)

1. Price
2. Speed
3. Size of the order
4. Settlement / counterparty risk
5. Nature of the order
6. Likelihood of execution
7. Liquidity
8. Costs
9. Any other consideration relevant to the efficient execution of the order

B Tick size liquidity bands 3 and 4 (from 80 to 1,999 trades per day)

1. Nature of the order
2. Size of the order
3. Price
4. Likelihood of execution
5. Liquidity
6. Speed
7. Settlement / counterparty risk
8. Costs

9. Any other consideration relevant to the efficient execution of the order

C Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)

1. Nature of the order
2. Liquidity
3. Likelihood of execution
4. Size of the order
5. Price
6. Speed
7. Settlement / counterparty risk
8. Costs
9. Any other consideration relevant to the efficient execution of the order

2 Specific Instructions

Where clients provide us with a specific instruction to deal, we will take all reasonable steps as possible in accordance with those instructions to obtain the best outcome for that client. However, specifics of the instruction may prevent us from taking the steps that we have put in place which are designed to obtain the best possible results in terms of executing that order.

3 Execution Venues

We will direct orders to the venue we believe will provide the best possible outcome. This may be any one of:

1. Regulated markets
2. Systematic internalisers
3. Market makers or liquidity providers
4. Multilateral trading facilities (eg: dark pools)

We regularly assess the execution venues available and may add or remove venues in accordance with our obligation to provide clients with the best execution result on a consistent basis.

Below we summarise the execution venues that are used by Octopus for transacting Cash Equities.

- Allenby
- Arden Partners
- Barclays Capital
- Berenberg
- Canaccord
- Cantor Fitzgerald
- Cenkos
- Davy
- Dowgate Capital
- FinnCap
- Goodbody
- Hybridan
- Investec
- J.P. Morgan
- Liberum
- Macquarie
- Mirabaud
- N+1 Singer
- Northland
- Numis
- Panmure Gordon
- Peel Hunt
- Royal Bank of Canada
- ShoreCap
- SP Angel
- Stifel
- WH Ireland Partners
- Whitman Howard
- Winterflood Securities
- Zeus Capital

Annex 2: Exchange Traded Funds and Investment Trusts

This asset class specific policy provides further details with regards to the application of best execution in relation to Exchange Traded Funds (“ETFs”) and Investment Trusts. This policy is an appendix to the overarching Best Execution Policy and should be read in conjunction with that document.

1 Prioritisation of Execution Factors

When executing those transactions where best execution applies, Octopus will take the following execution factors into account:

For ETFs in liquid markets, we prioritise execution factors as follows:

1. Price
2. Costs
3. Size
4. Speed
5. Likelihood of Execution
6. Other Considerations

For ETFs in illiquid markets, for both quote driven and order driven activity, we prioritise execution factors as follows:

1. Likelihood of Execution
2. Price
3. Costs
4. Size
5. Speed
6. Other Considerations

For other scenarios we prioritise execution factors as follows.

1. Other Considerations
2. Size
3. Speed
4. Price
5. Costs
6. Likelihood of Execution

When trading Investment Trusts Octopus will employ the same execution factors for all liquidity bands:

1. Price
2. Costs
3. Likelihood of Execution
4. Size
5. Speed
6. Settlement
7. Any other consideration relevant to the efficient execution of the order

Whilst we have provided these in order of relative priority a range of criteria will be taken into account in assessing the prioritisation of execution factors, including appropriate consideration on a transaction by transaction basis. Criteria for consideration include the characteristics of each individual transaction such as market conditions, when the transaction is received, and the size of the trade. Generally, the most important execution factor for our clients will be the price including commission costs for the relevant financial instrument. However, in more illiquid markets, the primary execution factors may vary, such as likelihood of execution becoming more significant.

2 Specific Instructions

Octopus will not accept specific instructions from clients when trading ETFs and Investment Trusts.

3 Execution Venues

We will direct orders to the venue we believe will provide the best possible outcome. This may be any one of:

1. Regulated markets
2. Systematic internalisers
3. Market makers or liquidity providers
4. Multilateral trading facilities (eg: dark pools)

We regularly assess the execution venues available and may add or remove venues in accordance with our obligation to provide clients with the best execution result on a consistent basis.

Below we summarise the execution venues that are used by Octopus for transacting ETFs and Investment Trusts.

- Winterfloods
- Flow Traders
- Credit Suisse
- Northern Trust
- Jane Street

Annex 3: Funds

The issue of investment funds at the issue price as well as their redemption price are not subject to the legal requirements for the execution of orders for financial instruments in the best interest of the client.

Annex 4: Unquoted Investments

This asset class specific policy provides further details with regards to the application of best execution in relation to unquoted investments or over the counter financial instruments (“OTC”). This policy is an appendix to the overarching Best Execution Policy and should be read in conjunction with that document.

When trading in unquoted investments or OTC products Octopus will check the fairness of the price proposed to the client when executing orders or taking decisions to deal, including bespoke products. This can be done by one or more of the following factors: 1) gathering market data used in the estimation of the price of such products or investments; 2) where possible and appropriate by comparing with similar or comparable products or investments; or 3) by internal valuation process.

Annex 5: FX Forward

This asset class specific policy provides further details with regards to the application of best execution in relation to FX Forwards. This policy is an appendix to the overarching Best Execution Policy and should be read in conjunction with that document.

Octopus executes FX Forwards only on behalf of its professional clients. When we accept an order from you with relation to FX Forward, in the professional market, we generally take the view that in the context of the European Commission's four considerations there is not legitimate reliance being placed on us to meet the relevant best execution requirements. Where you provide us with a specific instruction, such as the price and size of an order; to the extent that we follow such instructions, we have satisfied any best execution requirements with respect to that aspect of the order. Where no specific instruction exists, we will endeavour to provide you with the best outcome by assessing in the factors in the following order:

1. Price
2. Size
3. Likelihood of execution and settlement

1 Execution Venues

We will direct orders to the venue we believe will provide the best possible outcome. This may be any one of:

1. Regulated markets
2. Systematic internalisers
3. Market makers or liquidity providers
4. Multilateral trading facilities (eg: dark pools)

We regularly assess the execution venues available and may add or remove venues in accordance with our obligation to provide clients with the best execution result on a consistent basis.

Below we summarise the execution venues that are used by Octopus for transacting in FX Forwards.

- BNP Paribas
- Banco Santander