

ISAM Funds (UK) Limited

BEST EXECUTION REPORT FOR 2017

APRIL 2018

iSAM

MiFID II RTS 28 Disclosures

Introduction

ISAM executes trades by placing orders with third party executing brokers on behalf of its clients. Trades are generated automatically and, for each desired trade, ISAM's system will decide the order type and the executing broker based on a predefined set of rules considering the execution factors and their relative importance.

ISAM's trading and research teams continually monitor the efficiency of trade execution across a variety of avenues and metrics.

Qualitative Report¹

1. Relative Factor Importance

- *Explanation of the relative importance the firm gave to the execution factors such as price, costs, speed and likelihood of execution when making assessments of the quality of execution*

Equity, Interest Rate, Currency and Commodity and Emission Allowances Derivatives

- 1) Price
 - o ISAM Systematic Trend only trades liquid markets and accordingly, ISAM believes that price is the most important factor.
- 2) Access to liquidity
 - o Access to liquidity provides greater transparency and the increased likelihood of obtaining a market price
- 3) Costs
 - o Transaction costs are analysed in detail for each instrument and all research and modelling is presented and analysed both with and without costs. However, due to the volumes and type of instruments that ISAM trades, brokers consider them to be low range and so costs do not vary significantly across the various brokers.
- 4) Any other consideration relevant to the execution of the order in question

These factors are reviewed and updated by the firm's Slippage Committee on an ongoing basis based on historical data. No change to the ranking of execution factors took place during 2017.

2. Venue Conflicts

- *A description of any close links, conflicts and common ownerships with respect to any execution venues used to execute orders*

Lord Fink, the non-executive chair of ISAM, is also a non-executive director of Marex. Marex is one of ISAM's executing brokers for OTC commodity futures.

In order to mitigate this conflict of interest the following steps have been taken:

(a) ISAM has negotiated commissions based on comparison to other providers and all trades are monitored for best execution in accordance with our best execution policy; and

(b) The amount of markets traded with Marex is an immaterial amount compared to the entire strategy (6 markets out of 109 LIVE) on a "low" volume of trades, thereby resulting in commission

¹ This qualitative report contains information on a consolidated basis across classes of financial instruments as the information is common across the classes.

expense paid to Marex to be immaterial to Systematic overall commission expense which is monitored. This business is also believed to be rated as a small client to Marex.

3. Venue Payments

- *A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.*

During the year ISAM staff and staff from Executing Brokers took part in several networking events at the cost of the relevant Executing Broker. Such events are considered by ISAM to enhance the working relationship between the firms and are not considered to amount to an inducement.

4. Venue Changes

- *An explanation of the factors that led to a change in the list of Execution Brokers listed in the firm's execution policy*

The Slippage Committee, on a monthly basis, reviews price slippage with the view to evaluating whether changes need to be made to ISAM's automatic platform for trade execution, including in relation to which Executing Broker orders should be routed.

In accordance with ISAM's goal to have more than one Executing Broker for each Instrument Class, ISAM added two Execution Brokers during the course of 2017.

Both GFI and Tradition were added to the list of ISAM's Execution Brokers to improve the quality of execution by providing pricing competition. By increasing the number of execution brokers there is an increased likelihood of achieving best execution.

Adding new Executing Brokers to provide pricing competition needs however to be weighed against the costs associated with onboarding. In the case of GFI and Tradition, ISAM believed the benefit the additional executing brokers would bring to clients outweighed the costs.

5. Execution Analysis Tool

- *An explanation of how the firm used any data or tools in relation to the quality of execution.*

To ensure that ISAM achieves a high quality of execution on behalf of its clients the firm uses slippage metrics to monitor the level of best execution achieved. During 2017, ISAM made changes to ensure its compliance with the new requirements under MiFID II. This included a review and update of the best execution slippage thresholds.

Slippage is the difference between a benchmark price and the execution price multiplied by the quantity. The data is monitored daily for any slippage exceptions. Three different types of slippage are monitored by ISAM:

- Arrival Slippage – the difference between the price at the start of the order and the execution price
- VWAP Slippage – the difference between the volume-weighted average price and the execution price
- TWAP Slippage – the difference between the time-weighted average price and the execution price

ISAM has set thresholds which, if surpassed, require further investigation. "Outright" and "Roll" trades have different thresholds. As roll trades involve trading in markets which ISAM already has

exposure, the slippage thresholds are slightly higher than the outright trades. These thresholds are agreed by the Slippage Committee and are approved by the Compliance and Risk Committee.

All trade executions are measured against the slippage thresholds. If the thresholds are exceeded, the Slippage Committee will review the cause and see if there are any significant issues. The Slippage Committee meets monthly to review all the trades that pass the above thresholds. The Committee will decide if any actions need to be taken. These action points are logged in the minutes of the meetings. The report and the Slippage Committee actions are review by the Compliance and Risk Committee.

For FX swaps and NDF trades, slippage is calculated using the data provided by the execution venue on which our FX swaps and NDF trades are executed. Best execution is determined through whether the liquidity provider with the best quote was chosen or not. Any exceptions are noted and reviewed by the Slippage Committee. If fewer than 3 liquidity providers offer prices, this is also noted and reviewed by the Slippage Committee.

Top 5 Report²

Professional Clients - Receiving and Transmitting Orders

Class of Instrument	Commodities Derivatives and Emission Allowances Derivatives (i) Options and futures admitted to trading on a trading venue				
Notification if < 1 average trade per business day in the previous year	N				
Top five execution venues 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
Societe Generale International Limited 0IKLU6X1B10WK7X42C15	72%	91%	83%	11%	0%
Morgan Stanley & Co. International PLC 4PQUHN3JPFGFNF3BB653	26%	8%	32%	13%	0%
Marex Financial Limited 5493003EETVWYSIJ5A20	1%	0% ³	n/a	n/a	0%
Marex Spectron International Limited 549300FR3U1PB1Y6LV13	1%	0% ³	n/a	n/a	0%
GFI Brokers Limited 5493007S6O0HR48ATX36	0% ³	0% ³	n/a	n/a	0%

* Data is included where we have discretion over whether trades are passive / aggressive.

² Reports do not contain data from strategies that are no longer trading. Reports include data from the firm's non-MiFID business where trading is pari passu with MiFID business. Reports also include data from proprietary strategies.

³ Data rounded to the nearest percent

Class of Instrument	Currency Derivatives ⁴ (i) Futures and options admitted to trading on a trading venue (ii) Swaps, forwards and other currency derivative				
Notification if < 1 average trade per business day in the previous year	N				
Top five execution venues 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
Societe Generale International Limited 0IKLU6X1B10WK7X42C15	92%	99%	12%	0%	3%
Morgan Stanley & Co. International PLC 4PQUHN3JPFNF3BB653	8%	1%	1%	0%	0%

* Data is included where we have discretion over whether trades are passive / aggressive.

Class of Instrument	Equity Derivatives (i) Options and futures admitted to trading on a trading venue				
Notification if < 1 average trade per business day in the previous year	N				
Top five execution venues 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
Societe Generale International Limited 0IKLU6X1B10WK7X42C15	84%	93%	88%	9%	6%
Morgan Stanley & Co. International PLC 4PQUHN3JPFNF3BB653	16%	7%	50%	6%	0%

* Data is included where we have discretion over whether trades are passive / aggressive.

⁴ Data has been reported as a single class for 2017

Class of Instrument	Interest Rates Derivatives (i) Futures and options admitted to trading on a trading venue				
Notification if < 1 average trade per business day in the previous year	N				
Top five execution venues 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
Morgan Stanley & Co. International PLC 4PQUHN3JPFGNF3BB653	65%	37%	46%	3%	0%
Societe Generale International Limited 0IKLU6X1B10WK7X42C15	35%	63%	80%	15%	0%

* Data is included where we have discretion over whether trades are passive / aggressive.

Class of Instrument	Contracts for difference ⁵				
Notification if < 1 average trade per business day in the previous year	N				
Top five execution venues 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
CMC MARKETS UK PLC 213800IU529ADVZ1GL50	100%	100%	0%	100%	100%

⁵ Trades relate to a proprietary trading strategy only

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