RTS 28 reports are a new disclosure required under MiFid II (Markets in Financial Instruments Directive) for all investment managers. The report will cover the twelve months to 31st December 2017.

The intention of the disclosure is to inform clients and investors in funds managed by Teviot Partners (“Teviot”) of how Teviot discharges its responsibility in relation to best execution. The regulation encompasses investment managers of all types who potentially trade in a broad range of financial instruments.

Teviot is a small, focused investment manager with a single client, the VT Teviot UK Smaller Companies Fund. The Fund was launched on 29th August 2017. Prior to the launch of this Fund, Teviot did not trade any financial instruments. Accordingly, there are a very small cohort of trades to analyse and it would be unwise to draw any conclusions directly from the activity in this period.

The dealing activity of Teviot relates wholly to long-only, UK listed equities. All other categories of financial instrument can be dismissed: there is no record of dealing activity and none is foreseeable.

Teviot specialises in UK smaller companies; a universe defined by the Numis Smaller Companies Index (excluding Investment companies, including AIM). In practical terms, Teviot’s investment universe encompasses companies from £20m up to circa £1.5bn market capitalisation. In general, liquidity deteriorates as you move down the market capitalisation spectrum. For this period, TIC sizes were not available and we expect to include them in the 2018 report.

The challenge of liquidity is one of the key competitive advantages of Teviot. The firm is small, focused and its “unit size” of investment is considerably smaller than the unit size of larger funds in its peer group. This means that it can enter and exit investments in a more timely manner given that Teviot essentially accesses the same pool of liquidity as everyone else. Furthermore this also allows Teviot to consider investing in the smaller companies within the universe.

One of Teviot’s reservations about the regulatory thrust is that clients and investors get no insight into how long it takes for a Fund to build/reduce its target weighting in a particular company. This is particularly relevant in the more illiquid parts of the market. A small fund may fulfil its target weighting with a single trade; a larger fund may take multiple trades over a longer period of time to achieve the same target weighting. The transaction cost and best execution statistics could look remarkably similar but the outcome in practice is potentially different. Ultimately, it is Teviot’s contention that this will be evidenced in investment performance.

The UK Smaller Companies market is diverse and specialist. Typically, investors have to adopt a dealing-by-appointment mentality where buyers and sellers are matched in the absence of deeper liquidity in these markets. For these purposes, Teviot believes the best outcome is achieved by placing deals with institutional brokers with a track record of bringing the two sides of the bargain together. Teviot keeps under review the use of crossing networks and trading directly with The Market. However, at the current stage the benefit is judged insufficient to justify the investment required in a dedicated dealing function.

In terms of the factors considered when placing a trade, without question the priority is to access liquidity so that Teviot maximises the chances of dealing. In the Smaller Companies market it is
imperative to consider the opportunity-cost of not dealing. Price is the next most important factor. Pricing spreads can be wide among smaller companies and the best performing brokers will show an ability to deal better than the prevailing spread. Cost is the next most important factor although dealing costs have been falling consistently. This is kept under regular review but Teviot needs to be mindful that reducing cost further may have a detrimental impact on price if it is unable to access the best sales traders in the market. Counterparty risk is an important factor but all approved brokers are continually reviewed and the vast majority of trades will be settled on the London Stock Exchange.

Qualitative Data Reporting Table

| Requirement | Requirement
|---|---|
| Article 3(3): Investment firms shall publish for each class of financial instruments, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year. **In the case of Teviot, the Firm only deals in long only UK equities** | The relative importance of each of these factors within our dealing process will vary depending upon a number of criteria, namely:-

1. the investment intent of the investment manager who created the order at the Firm;
2. the characteristics of the particular equity instrument that is the subject of that order; and
3. the characteristics of the execution venues to which that order can be directed

As discussed previously, the typical ranking of priority is as follows:
-Likelihood of Execution/Speed
-Price
-Cost
-Counterparty risk |
| (a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution; | The Firm does not trade with any affiliates. The Firm will have research agreements with certain brokers but these are separately negotiated in line with the regulations |
| (b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders; | The Firm does not receive payments, discounts, rebates or non-monetary benefits in its trading arrangements. |
| (c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received; | Brokerage firms remain on our list of execution venues subject to an authorisation and ongoing monitoring process, which includes, but is not limited to, the |
| (d) an explanation of the factors that led to a change in the list of execution |  |
venues listed in the firm’s execution policy, if such a change occurred; broker’s credit worthiness and financial stability, a review of the performance of execution services provided by the broker, and the broker’s ability to trade effectively on our clients’ behalf.

(e) an explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements; All clients are treated the same.

(f) an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client; Not applicable

(g) an explanation of how the investment firm has used any data or tools relating to the quality of execution. All transactions are reviewed daily and signed off by a partner of the Firm to ensure that best execution has been received.

(h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider Not applicable

Top five dealing venues in 2017.
In interpreting this data, the reader is reminded that the sample size of deals is small equating to a deal less than one in every two trading days. Teviot expects a much broader spread when the 2018 report is presented.

Table of Execution Venues

<table>
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<tr>
<th>LEI</th>
<th>% of consideration</th>
<th>% of trades</th>
<th>% of passive orders</th>
<th>% of aggressive orders</th>
<th>% of directed orders</th>
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