

## Teviot Partners

### RTS 28 / Article 65 (6) Best Execution Report 2018

RTS 28 / Article 65 (6) reports are a disclosure required under Mifid II (Markets in Financial Instruments Directive) for all investment managers. Under the regulation, an investment manager must publish details of its top 5 trading venues by volume for each relevant asset class and a summary of the analysis and conclusions that it has drawn during a period of monitoring best execution. This report will cover the twelve months to 31<sup>st</sup> December 2018.

The regulation encompasses investment managers of all types who potentially trade in a broad range of financial instruments. The dealing activity of Teviot Partners (“Teviot”) relates wholly to long-only, UK listed equities.

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 c£1.9bn market capitalisation. In general, liquidity deteriorates as you move down the market capitalisation spectrum.

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.

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. During the period, Teviot kept 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 was 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 was the next most important factor. Pricing spreads can be wide among smaller companies and the best performing brokers showed an ability to deal better than the prevailing spread.

Cost was the next most important factor although dealing costs have been falling consistently. This is continually 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 was also an important factor. All approved brokers are continually reviewed.

Teviot continually monitors its best execution policy and is satisfied that it executed in line with the policy’s requirements during 2018.

## Qualitative Data Reporting Table

Requirement	
<p>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. <b>In the case of Teviot, the Firm only deals in long only UK equities.</b></p>	
<p>(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.</p>	<p>The relative importance of each of these factors within our dealing process varied during 2018 depending upon a number of criteria, namely:</p> <ol style="list-style-type: none"> <li>1. the investment intent of the investment manager who created the order at the Firm;</li> <li>2. the characteristics of the particular equity instrument that was the subject of that order; and</li> <li>3. the characteristics of the execution venues to which that order was directed.</li> </ol> <p>Although ultimately dependent on the characteristics of each trade, a typical ranking of priority during the year was as follows:</p> <ol style="list-style-type: none"> <li>1. Likelihood of execution / speed</li> <li>2. Price</li> <li>3. Cost</li> <li>4. Counterparty risk</li> </ol>
<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders.</p>	<p>The Firm did not trade with any affiliates. The Firm will have research agreements with certain brokers but these are separately negotiated in line with the regulations.</p>
<p>(c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.</p>	<p>The Firm did not receive payments, discounts, rebates or non-monetary benefits in its trading arrangements.</p>
<p>(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.</p>	<p>Brokerage firms remain on our list of execution venues subject to an authorisation and an ongoing monitoring process, which includes, but is not limited to, the 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 the client's behalf.</p>

	<p>Monitoring for the period did not identify any issues of concern.</p> <p>Potential new additions to the approved list of brokerage firms were also reviewed, with particular focus on ability to access liquidity and a counterparty risk assessment.</p> <p>During 2018, Teviot added the following brokerage firms to its approved list; BTIG, Winterflood Securities, Stifel Nicolaus Europe, Canaccord Genuity and Cenkos Securities.</p>
<p>(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.</p>	<p>Not applicable - Teviot has one Professional Client.</p>
<p>(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.</p>	<p>Not applicable.</p>
<p>(g) an explanation of how the investment firm has used any data or tools relating to the quality of execution.</p>	<p>All transactions were reviewed daily during the period and signed off by a partner of the Firm to ensure that best execution was received.</p> <p>This review involved a variety of qualitative and quantitative factors, including the comparison of trades to prevailing VWAPs / pricing spreads.</p> <p>No issues of concern were highlighted during the review period.</p> <p>RTS 27 reports of trading venues for the period, where available, were also reviewed.</p>
<p>(h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider.</p>	<p>Not applicable.</p>