

# Quality of execution 2018 annual report



## 1 Background

Ruffer LLP is required to publish, on an annual basis, disclosures about the execution venues used for each asset class, and a summary of the analysis and conclusions that it has drawn from its monitoring of the quality of execution in relation to each class of financial instrument obtained whilst executing Client orders over the past year.

This report relates to the period 1 January to 31 December 2018.

## 2 Introduction

When executing an order, Ruffer takes all sufficient steps to achieve 'best execution' in relation to that order. Ruffer has in place a policy and procedures which are designed to obtain the best possible execution result, subject to and taking into account the nature of the orders for the Client and the market in question, and which provides, in Ruffer's view, the best balance across a range of sometimes conflicting factors.

Ruffer will take into consideration a range of different factors which include not just price, but also the total cost of the transaction, the need for timely execution, the liquidity of the market, the size of the order and the nature of the financial transaction, including whether it is executed on a regulated market or over-the-counter.

Ruffer will exercise its own discretion in determining the factors that it needs to take into account for the purpose of providing 'best execution' to the Client.

Ruffer's commitment to provide the Client with best execution does not mean that it owes the Client any fiduciary obligations over and above the specific regulatory obligations placed upon Ruffer or as may be otherwise contracted between the Client and Ruffer.

## 3 Execution factors

The execution factors that Ruffer will take into account are price as well as transaction/overall

costs, speed, likelihood of execution and settlement, size and nature of the deal and any other considerations relevant to the order across all financial instruments.

In determining the relative importance of the execution factors, Ruffer takes into account –

- a the characteristics of the Client order
- b the characteristics of the financial instruments that are the subject of the order and
- c the characteristics of the execution venues/brokers to which that order can be directed

Ruffer is also required to take into account whether the Client is a Retail or Professional Client. However as Ruffer affords all Clients the highest level of protection (those given to Retail Clients), orders are not split between Retail and Professional Clients and this is not a factor that changes the relative importance of the execution factors on a transaction by transaction basis.

Ruffer has grouped the execution factors that it has identified into three groups: Primary Factors, Initial Parameters and Secondary Factors.

The Primary Factors reflect how we will execute an order and are taken into account by the Dealing Team when planning the execution of the trade and include –

- a overall cost of the trade (including execution commission and other relevant costs)
- b price
- c order aggregation
- d likelihood of execution (the time of day, the market liquidity versus the size of the order)

The Initial Parameters are set by the Client's discretionary investment manager who is making the decision to trade, and they vary the weighting of the Primary Factors. If the decision maker does not set any initial parameters, the Dealing Team revert to the default weighting of the Primary Factors. Initial Parameters include –

- a urgency regarding price
- b urgency regarding speed of execution
- c price limits
- d basket/program trade

Finally, the Secondary Factors relate to who we will execute the order with. The majority of these factors are not trade by trade considerations, but relate to which executing venues/brokers we will have on our approved broker list and who we use in a given instance. These include

- a Likelihood of settlement failure or outstanding failed settlements
- b Broker reactivity
- c Broker risk tolerance
- d Market flows
- e Derivative dealing capability (for example, do we have the appropriate documentation in place)
- f Trading within internal derivative diversification and risk limits
- g Single execution venue (for example collective investment schemes and forward foreign exchange)

The Primary Factors set out above are in order of relative importance, with overall cost being the most important. Where the Client is a Retail Client, Ruffer will determine the best possible result for the Client by reference to the total consideration of the financial instruments and the costs related to execution, including all the expenses of the Client which are directly related to the execution of the order. However there will be times where other Primary Factors, Initial Parameters or Secondary Factors may be given precedence over the immediate price and cost consideration, but only insofar as they are instrumental in Ruffer delivering the best possible result in terms of best execution to the Client.

There have been times in the period when Primary and/or Secondary Factors have been given precedence over the total consideration of the financial instruments and the costs related to execution, however not to the detriment of achieving best execution and these are in accordance with the situations that are set out in Ruffer's Order Execution Policy.

## 4 Venue and broker selection

### 4.1 Venue selection

There are two ways in which Ruffer deals in investments

- a Ruffer passes Client orders to brokers for execution
- b dealing directly on a trading venue, for example a regulated market, a multi-lateral trading facility (MTF), and organised trading facility (OTF) or systematic internaliser (SI)

The selection of the routes set out above is down to the type of financial instrument.

When dealing with brokers, we select the broker that we consider will enable us to achieve best execution for the proposed transaction. Details of which brokers we choose from is set out in Section 4.2 below.

Where Ruffer is limited to a single execution venue in respect of an instrument or group of instruments, Ruffer has concluded that such a limitation does not hinder the attainment of best execution on a consistent basis. We will only select a single venue where we can reasonably expect that use of the selected venue will enable us to obtain results for Clients that are at least as good as the results we could reasonably expect from using alternative venues. This reasonable expectation is supported by analysis of available data.

### 4.2 Broker selection

Ruffer conducts dealing in financial instruments (trades or deals) through brokers/counterparties that are authorised and regulated by the United Kingdom Financial Conduct Authority (FCA) and/or Prudential Regulatory Authority (PRA), or by other equivalent non-UK regulatory bodies. Financial instruments may be dealt as an agency trade (with execution commission paid), or dealt net (with no execution commission paid).

The choice of broker is governed by seeking best execution for all of Ruffer's Clients involved in a trade (as described above). The venues on which brokers deal vary, with the principle execution venues being member firms of, or directly on, United Kingdom or overseas stock exchanges.

Ruffer selects executing brokers according to whether we judge they can provide best execution for the financial instruments in which we deal. All brokers who deal on Ruffer's behalf are subject to the broker application process.

Brokers are proposed and sponsored through the application process by members of the Dealing Team, which includes approval from the Investment Support Team and a member of Ruffer's Executive Committee. The process includes assessment of the broker's counterparty risk, operational capabilities, regulatory environment, and proposed trading limits. All approved brokers and their exposure thresholds are reviewed periodically by the Investment Support Team and considered by a sub-committee of Ruffer's Executive Committee.

The approved brokers at 30 April 2019 are listed in Appendix A, and no significant changes were made in 2018.

## 5 Inducements

No inducements are received from or provided to venues, brokers or other third parties, except allowable minor non-monetary benefits as set out in the FCA rules. Ruffer will always ensure that such benefits given or received are designed to enhance the quality of the service to Clients and that they do not impair Ruffer's ability to act honestly, fairly and professionally in the best interests of Clients.

Examples of acceptable minor non-monetary benefits are hospitality of a reasonably low value (such as food and drink during a business meeting, conference, training or seminar), generic information or documentation relating to a financial instrument and participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or service.

Ruffer has no arrangements with any execution venues regarding payments made or received, discounts or rebates.

## 6 Close links with execution venues

Ruffer LLP has no close links, conflicts of interest or common ownership with any of the brokers/counterparties that it uses for transactions on its Clients' accounts.

## 7 Monitoring best execution

Ruffer monitors the effectiveness of its order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies.

It uses a third party product to assist with this monitoring and the monitoring is carried out by the Dealing Team and the Compliance Department.

During the period, best execution monitoring was carried out using a third party monitoring tool which covered all MiFID II classes of financial instruments on an 'all transaction' review basis. Each trade was automatically assessed against pre-agreed tolerances with exceptions being flagged for review. The exceptions were reviewed on a daily basis by Compliance, with regular scheduled review meetings held between Compliance and the Head of Dealing. During this period there were no significant issues identified as a result of the monitoring and no aspects of the Ruffer dealing approach have required further review or alteration. Overall, dealing was found to be in line with MiFID II best execution requirements.

At least annually, Ruffer conducts a review of all of its brokers. These reviews were carried out, and no significant best execution issues were identified.

The reports under RTS 27 (execution venue quality of execution reports), introduced by MiFID II, were published on a quarterly basis by execution venues in 2018, with the initial reports covering the first quarter of 2018. A sample of these reports have been reviewed as part of Ruffer's best execution monitoring for this period. However, there were no significant items identified from these reports which necessitated a change in Ruffer's approach to Best Execution for the assets in which it deals for its clients.

## 8 Top 5 venue reports

The report on the top 5 execution venues Ruffer used for the different classes of financial instrument dealt for its Retail and Professional Clients during the calendar year ended 31 December 2018 is available, in machine-readable format, at [ruffer.co.uk/orderexecution](http://ruffer.co.uk/orderexecution).

# Appendix

## Ruffer's approved broker list as at 30 April 2019

Arden Partners	Hartleys Limited	Oppenheimer
Bank of America Merrill Lynch	Hauk and Aufhauser	Panmure Gordon
Bank of New York	Helvea	Peel Hunt (KBC Group)
Barclays	HSBC	Pictet
Bell Potter Securities	Investec	RBC
Berenberg	ITG Europe	RBS
BMO Capital Markets	Jefferies	Redburn
BNP Paribas	JPMorgan	Sanford C Bernstein
BTIG Limited	Kempen and Co	Santander
Canaccord (includes Collins Stewart)	Liberum Capital	Shore Capital Stockbrokers
Canadian Imperial Bank of Commerce (CIBC)	Liquidnet	Skandinaviska Enskilda Banken Lndn
Cantor Fitzgerald	Lloyds Bank	Société Générale
Cenkos	Macquarie	State Street
Citic Securities	Mizuho International	Stifel Nicolaus Europe
Citigroup	Morgan Stanley	Stockdale Securities
Commerzbank AG	N+1 Singer Ltd	Sumitomo Mitsui Banking Corp Nikko
Credit Suisse	NAB Natwest	Svenska Handelsbanken
Daiwa	Nomura (including Instinet)	Toronto Dominion Bank
Deutsche Bank	Nordea	UBS
Exane	Northern Trust	Vontobel
Finn Capital Markets	Northland Capital	Wells Fargo
Goldman Sachs	Partners Limited	WH Ireland
	Numis	Zeus Capital