

Quality of execution 2019 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 2019, and should be read together with Ruffer's top five execution venues reports.

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 and Ruffer cannot guarantee that it will always be able to provide best execution of every order executed on behalf of the Client.

The majority of trades are placed via electronic 'platforms' (for example TradeWeb, Fidessa,

Calastone, FX Connect and Bloomberg EMSX). The only exception is OTC derivatives (except forward foreign exchange), which are traded via voice, supported by Bloomberg IB Chat.

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 also takes 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 order 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 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 total 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 relating to the execution of the deal, representing the price 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.

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.

Ruffer does not receive any remuneration, discount or non-monetary benefit for routing orders through a particular venue which would infringe Ruffer's conflict of interest or inducement obligations.

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 regulatory bodies. Financial instruments may be dealt as an agency trade (with 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 securities dealing. All brokers who deal on Ruffer's behalf are subject to the broker account 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 31 March 2020 are listed in Appendix A, and no significant changes were made in 2019.

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 regulations. 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.

Reports under RTS 27 (execution venue quality of execution reports), introduced by MiFID II, have been published on a quarterly basis by execution venues. 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 2019 is available, in machine-readable format, at ruffer.co.uk/orderexecution.

Appendix

Ruffer's approved broker list as at 30 April 2020

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