

Order Execution (RTS 28) Disclosure

Best Execution

Section 11 of the Conduct of Business Sourcebook in the Financial Conduct Authority's Handbook sets out various requirements for firms when they undertake investment transactions on behalf of clients. These rules include requiring firms to take all sufficient steps to ensure that the best possible results are achieved for its clients on a consistent basis; this is known as "**Best Execution**".

The Best Execution rules require firms to have robust processes in place to ensure they are meeting the requirements, including the following key elements:

1. When placing investment transactions, consider all factors relating to the trade with the aim of achieving the best possible result. The relevant factors may include:
 - a. characteristics of the client/objectives, investment policy and risks of the fund;
 - b. characteristics of the financial instrument;
 - c. execution venues to which the order can be directed;
 - d. characteristics of the order; and
 - e. execution factors such as price, costs, speed, likelihood of execution and settlement and nature of order.
2. Undertake suitable and appropriate monitoring to ensure the firm's processes are resulting in the best possible results being achieved on a consistent basis and that any deficiencies are being identified;
3. Where the firm's monitoring identifies poor outcomes, any deficiencies in the firm's processes are addressed and the processes reviewed and updated to improve client outcomes;
4. Regularly review their processes, including the execution venues being utilised, to ensure these remain fit for purpose and improvements are made when required, including making use of new venues;
5. Implement and provide to clients an Order Execution Policy which details the firm's processes including, for each type of financial instrument:
 - a. what execution factors the firm considers and how it determines the relative importance of these;
 - b. information on the execution venues used and the factors affecting choice of execution venue; and
 - c. other sufficient information for a client to be able to adequately understand the firm's execution process and how orders will be executed.
6. Publish an annual report ("**RTS 28 Disclosure**") outlining, for each class of financial instrument, the top five execution venues used in terms of trading volume in the preceding year and information on the quality of execution obtained.

RTS 28 Disclosure

As stated above, we (Marlborough Fund Managers Limited, "**Marlborough**") are required to publish the RTS 28 Disclosure to make information available in relation to the venues which we have used for the execution of orders in the previous year and on the analysis undertaken and the conclusions we have drawn from the monitoring of the quality of execution obtained from these venues. The information set out in the Appendix below forms the information required to be disclosed.

In line with the requirements, the information within this disclosure is aggregated across all clients which Marlborough carried out investment transactions for, which for the calendar year of 2017 was limited to:

- Marlborough Bond Income Fund;
- Marlborough Emerging Markets Trust;
- Marlborough Far East Growth Fund; and
- Marlborough Global Bond Fund.

Whilst retail investors may invest in the funds, Marlborough does not execute retail orders directly.

Marlborough offer a range of collective investment schemes (“funds”) for investors, however with the exception of those noted above, the investment management of these funds during the period was outsourced to other regulated firms. As required under the rules, information to be made available via RTS 28 Disclosures for these other funds will be included within the disclosures of the firms to which investment management has been delegated. Should investors wish to obtain a copy of these firms’ RTS 28 Disclosures, they are available from the website of the relevant Investment Manager. Details of the relevant Investment Manager for each fund is available in the fund’s Prospectus, copies of which are available from www.marlboroughfunds.com.

RTS 28 Disclosure

1st January 2017 – 31st December 2017

Financial Instrument – Equities

Class of Instrument	Equities – Shares & Depositary Receipts				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total	Proportion of orders executed as percentage of total	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Daiwa Capital Markets (MIM2K09LFYD4IB163W58)	32.04%	31.05%	N/A	N/A	0%
Sinopac Securities (2549005YJM8ENGWSJR83)	22.60%	17.34%	N/A	N/A	0%
CLSA (213800VZMAGVIU21JA72)	17.38%	21.37%	N/A	N/A	0%
DBS Vickers Securities (21380011TCD1B8OL2898)	16.76%	16.94%	N/A	N/A	0%
King & Shaxson (213800ARTVZQSADR559)	10.03%	6.45%	N/A	N/A	0%

In seeking to achieve the best possible results, we took into account a number of execution factors, which varied in importance according to the nature of each trade and the conditions prevailing in the market at the time of execution. These included, but were not limited to:

- Liquidity and price characteristics of financial instrument being dealt;
- Nature, order size, commission rates and other cost factors;
- The need to minimise potential market impact;
- The fund’s investment objective and policy and restrictions both internally and regulatory;
- Speed of delivery and consistency of successful delivery;
- The execution venue’s rating from our internal reviews; and
- Likelihood of execution and settlement.

Some markets require orders to queue before being executed. Consequently, in those countries, prices achieved by each client will differ according to the place in the queue. Additionally, not every execution venue is able to execute across each country involved in a specific trade, or hold a seat on the local exchange, which can offer a better trading outcome, so these and other factors may from time to time be considered more important than price when trading.

Every trade is analysed to ensure that we have achieved the best possible execution, given the constraints of markets and order characteristics prevailing at the time. This includes assessing all executed trades against the Volume Weighted Average Prices (VWAP) to monitor the quality of execution from each execution venue on a trade-by trade basis, with full granularity by order direction and country.

Due to RTS 27 reports not requiring to be disclosed until 2018, these have not previously been available for us to utilise as part of our review of our execution processes. Going forward, we shall make appropriate use of RTS 27 and RTS 28 reports published by execution venues as part of our review of existing venues and execution processes and when considering making use of alternative venues.

On most occasions when orders were given to execution venues for them to execute, a commission would have been charged by the venue for the services provided. During 2017, some of the execution venues used

for the execution of orders provided us with investment research which assisted us with our research and ongoing monitoring of assets held within the funds. As was permitted at the time, this research was provided without a specific charge being levied but the commission paid to these venues when transactions were carried out was an aggregated charge for both execution and research services they provided.

Owing to regulation introduced in 2018, all commission paid to execution venues will now be for the provision of execution services only. Where we wish to acquire research from firms, these services will be paid for via a separate charge which we shall pay for out of our own assets.

Financial Instrument - Bonds

Class of Instrument	Debt Instruments - Bonds				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total	Proportion of orders executed as percentage of total	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
NCL Investments (D2F0VEF263OY4T3YK397)	64.67%	52.91%	N/A	N/A	0%
Shore Capital Group (2138002TLQU3X2QPRE66)	16.98%	12.30%	N/A	N/A	0%
Peel Hunt (5493007DWN0R4YBM4C84)	6.89%	23.62%	N/A	N/A	0%
Guy Butler (213800AG2H8MB5FGJ538)	5.85%	5.02%	N/A	N/A	0%
Cancaccord Genuity (ZBU7VFV5NIMN4ILRFC23)	3.90%	3.72%	N/A	N/A	0%

In seeking to achieve the best possible results, we took into account the following execution factors for bond products:

- Liquidity and price characteristics of financial instrument to be dealt;
- Nature, order size, commission rates and other cost factors;
- The need to minimise potential market impact;
- The fund's investment objective and policy and restrictions both internally and regulatory;
- Speed of delivery and consistency of successful delivery;
- The execution venue's rating from our internal reviews;
- Likelihood of execution and settlement; and
- Any other consideration relevant to the execution of an order.

The relative importance of such factors was determined by reference to the following criteria:

- a) The objectives, policies and risks specific to the fund as set out in the relevant Prospectus;
- b) The characteristics of the order;
- c) The characteristics of the financial instruments that are the subject of the order; and
- d) The characteristics of the execution venues to which that order can be directed.

When considering whether best execution had been achieved for the most liquid instruments, net price was the highest ranking factor when evaluating execution venues when selling and gross price the most important when buying. This was considered alongside the venue's rating from our internal reviews and the fund's investment objective and policy and investment restrictions. Following this, the size of order and likelihood of execution and settlement were typically then ranked equally as the next highest considerations. These factors were taken into account with the overarching consideration of approaching the most suitable execution venue, or venues, for the characteristics of the financial instrument being dealt. For less liquid instruments, price still remained the highest ranking factor whilst the likelihood of settlement and speed of delivery were given higher consideration.

Reviews consider prices offered by other execution venues and other price metrics, such as slippage, as a means of evaluating the quality of the execution obtained. Data is periodically aggregated and assessed for each execution venue and evaluated with the qualitative knowledge from the investment team. This review also included information in relation to any post-trade issues which may have occurred, such as delayed settlement.

Due to RTS 27 reports not requiring to be disclosed until 2018, these have not previously been available for us to utilise as part of our review of our execution processes. Going forward, we shall make appropriate use of RTS 27 and RTS 28 reports published by execution venues as part of our review of existing venues and execution processes and when considering making use of alternative venues.

The following execution venues were added to the approved list of venues over the year:

- STX Fixed Income;
- Winterflood Securities; and
- Cambridge International.

These additions were made to offer greater market access. Specifically, Cambridge International was added to allow us to access to the Irish bond market.

During 2017, all deals were carried out on a net basis, which means that no explicit commission was paid to the execution venue however the price for the trade would have normally included an adjustment to incorporate an effective commission for the venue.

Some of the execution venues used for the execution of orders provided us with investment research which assisted us with our research and ongoing monitoring of assets held within the funds. As was permitted at the time, this research was provided without a specific charge being levied. Owing to regulation introduced in 2018, all commission paid to execution venues will now be for the provision of execution services only. Where we wish to acquire research from firms, these services will be paid for via a separate charge which we shall pay for out of our own assets.

Financial Instrument – Exchange Traded Products

Class of Instrument	Exchange Traded Products - Exchange traded funds, exchange traded notes and exchange traded commodities				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total	Proportion of orders executed as percentage of total	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Crossflow (391200OECOXD95PA2E12)	79.19%	75%	N/A	N/A	0%
Goldman Sachs (W22LROWP2IHZNBB6K528)	20.81%	25%	N/A	N/A	0%
N/A					
N/A					
N/A					

In seeking to achieve the best possible results, we took into account a number of execution factors, which varied in importance according to the nature of each trade and the conditions prevailing in the market at the time of execution. These included, but were not limited to:

- Liquidity and price characteristics of financial instrument to be dealt;
- Nature, order size, commission rates and other cost factors;
- The need to minimise potential market impact;
- The fund's investment objective and policy and restrictions both internally and regulatory;
- Speed of delivery and consistency of successful delivery;
- The execution venue's rating from our internal reviews; and
- Likelihood of execution and settlement.

Trades which have been executed are assessed on a trade-by-trade basis against the average spread to ensure that prices obtained equate to acceptable market prices and as a means of monitoring the quality of execution and ensuring that the best possible results are being achieved on a consistent, ongoing basis. Each trade is analysed on the basis of price, spreads and explicit costs to ensure that each trade has achieved the best possible execution we could have obtained, given the constraints of markets, spreads and transaction costs prevailing at the time.

Additionally, a periodic execution venue review is conducted. This includes quantitative execution data and qualitative data in relation to previous execution and to any post-trade issues which may have occurred.

Due to RTS 27 reports not requiring to be disclosed until 2018, these have not previously been available for us to utilise as part of our review of our execution processes. Going forward, we shall make appropriate use of RTS 27 and RTS 28 reports published by execution venues as part of our review of existing venues and execution processes and when considering making use of alternative venues.

On most occasions when orders were given to execution venues for them to execute, a commission would have been charged by the venue for the services provided. These commissions were for execution services only and no investment research was provided as a result of these payments.

Financial Instrument – Currency Derivatives

Class of Instrument	Currency Derivatives – Swaps, forwards and other currency derivatives				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total	Proportion of orders executed as percentage of total	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
HSBC Bank (MP6I5ZYZBEU3UXPYFY54)	100.00%	100.00%	N/A	N/A	0%
N/A					

We have previously only made use of one execution venue, HSBC, and the only consideration given is the relative price compared to the market. For foreign exchange products, rates are provided to us by HSBC which are compared against rates from the wider market. This enables us to evaluate whether or not the rate offered would result in satisfactory execution being achieved and whether to deal at the rate offered. There is no obligation to trade if the current rate is considered to be unattractive.

Trades which have been executed are assessed on a trade-by-trade basis by a comparison of the rate traded at with the corresponding market rate at the time of transaction as a means of monitoring the quality of execution and ensuring that the best possible results are being achieved on a consistent, ongoing basis.

Additionally, an execution venue review is conducted on an annual basis. This includes quantitative execution data and qualitative data in relation to previous execution and to any post-trade issues which may have occurred.

Due to RTS 27 reports not requiring to be disclosed until 2018, these have not previously been available for us to utilise as part of our review of our execution processes. Going forward, we shall make appropriate use of RTS 27 and RTS 28 reports published by execution venues as part of our review of existing venues and execution processes and when considering making use of alternative venues.

During 2017, all deals were carried out on a net basis, which means that no explicit fee was paid to HSBC however the price for trades would have normally included an adjustment to incorporate an effective charge. Additionally, investment research which was used to inform investment decisions for the funds, was provided to us by HSBC. This research was provided without a specific charge being levied.

In addition to providing execution services to us, HSBC act as Depositary/Trustee and Custodian to the funds for which they receive a separate fee as outlined in the relevant fund's Prospectus. The provision of execution services and these other services are assessed separately and independently from one another and the assessment is based solely upon factors which are important in determining whether they are suitable to continue providing the relevant services. We have a Conflicts of Interest Policy in place which is designed to ensure potential conflict such as this are prevented or appropriately managed.